

APR 17 2019

The Honourable Catherine McKenna
Minister of Environment and Climate Change Canada
200 Sacre-Coeur Boulevard
Gatineau, QC
K1A0H3



Dear Minister McKenna:

RE: Clean Fuel Standard

I am writing to discuss the federal government's proposed Clean Fuel Standard (CFS). The Government of Newfoundland and Labrador continues to have significant concerns that the proposed CFS does not sufficiently address the unique economic and geographic situation of our province and could cause significant economic harm to the people of Newfoundland and Labrador. The Government has provided numerous written and verbal submissions to Environment and Climate Change Canada (ECCC) explaining the Government's concerns regarding the proposed CFS. To date, there continues to be no formal written response to the issues raised.

One of the issues the Government of Newfoundland and Labrador has raised with ECCC concerns the province's one and only refinery, North Atlantic Refining Limited (NARL). NARL is a significant employer in the province and is a major contributor to the provincial economy. While the majority of NARL's output is exported internationally, a significant component of NARL's business is its wholesale and retail operations within the Newfoundland and Labrador market. NARL has advised that approximately 10 to 15 per cent of its refined products, on average annually, are sold in Newfoundland and Labrador. This accounts for up to approximately 40 per cent of the province's total fuel consumption, which means NARL is a critical contributor to the supply chain security for petroleum products in the province. Without it, the province would have to rely exclusively on external supply including foreign imports from outside the country.

NARL has indicated to Government that it would be competitively exposed under the proposed CFS. NARL would have to recoup costs incurred, including compliance and credit costs, from the Newfoundland and Labrador market or not at all. NARL has advised that an annual CFS cost of nearly \$40 million would threaten NARL's viability. Should this occur, it would seriously jeopardize Newfoundland and Labrador's energy security and represent a significant loss to the provincial economy.

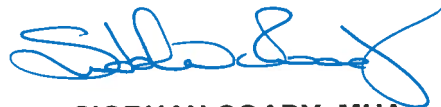
NARL faces significant structural barriers in sourcing less carbon intensive or renewable fuels. Due to a lack of access to natural gas in the province, NARL's energy requirements are primarily met by purchased electricity and fuel oil (with higher carbon emissions compared to natural gas). As such, NARL is geographically and economically disadvantaged in terms of

energy costs compared to other Canadian and North American refineries that have access to lower carbon natural gas. Further, as NARL's operations are only located in Newfoundland and Labrador, it does not have the ability of larger Canadian companies located in other provinces to blend biofuel or generate credits under the proposed CFS.

Given these constraints, it is critical that the federal CFS recognize the regional disparity faced by smaller regional suppliers like NARL. As NARL will be challenged to meet the CFS, it will instead result in a significant economic burden that will further impede its competitiveness and negatively impact the provincial economy and energy security of Newfoundland and Labrador. It is important that these concerns are considered in the development of the CFS.

I look forward to hearing from you. Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to read "Siobhan Coady", with a stylized flourish at the end.

SIOBHAN COADY, MHA
St. John's West
Minister