

FEB 07 2022

The Honourable Steven Guilbeault
Minister of Environment and Climate Change Canada
ministre-minister@ec.gc.ca

Dear Minister Guilbeault:

RE: Feedback – Proposed Clean Fuel Regulation

I am writing to follow up on the November 2021 meetings between officials of Environment and Climate Change Canada (ECCC) and my department regarding ECCC's proposed Clean Fuel Regulation (CFR). This province remains a committed partner in our collective national efforts to become net-zero carbon emitting by 2050 and our Government continues to develop and implement policies to make this a reality, including our December 2021 Renewable Energy Plan, "Maximizing Our Future" (<https://www.gov.nl.ca/iet/renewable-energy-plan/>). As Minister of Industry, Energy and Technology, I would like to acknowledge and thank ECCC for addressing some of the concerns we have raised previously about the draft CFR, but serious concerns remain concerning the draft regulation, which need further consideration before they are finalized in Canada Gazette, Part 2 ("CG2").

My department supports the changes to the draft CFR ECCC announced up to July 12, 2021. Reducing the scope of the proposed CFR to focus on transportation and not heavy and light oil and distillate fuel oils for space heating was positive. We also recognize there is no minimum volumetric requirement for blending biodiesel and ethanol in fuels produced or imported into Newfoundland and Labrador, which reflects the significant difficulties associated with these activities in the province. While these changes are positive, the proposed CFR as currently envisioned could have a detrimental effect on this province given its unique logistical and geographical realities.

The fundamental issue is this province's geography with its associated logistical challenges. Newfoundland and Labrador is a remote and sparsely-populated north Atlantic region that lacks domestic feedstock production conditions and blending infrastructure and has an island portion with no railway connection to the mainland. Further, there is no ethanol production in Newfoundland and Labrador, with significant distances to the nearest Canadian producers. Ethanol in Canada is normally transported by a North American railway system that stops in Nova Scotia, which means our province would be required to use marine shipping for ethanol, which could carry constraints in terms of quality control, shipping of dangerous goods on passenger ferries, supply chain concerns, and related costs. Similarly, if biodiesel were imported and blended, it could only be during our short summer season due to its cold-temperature properties and access to limited global supplies of Hydrogenation-Derived Renewable Diesel is unproven

and unlikely for the small volumes required in Newfoundland and Labrador. These unique geographical realities deny the province the primary CFR compliance pathway available to every other province. This means the only pathway to achieve full compliance for provincial fuel suppliers would be the credit market with its 10 per cent maximum cap, price uncertainty, illiquidity and net outflow of wealth from this province.

As outlined in prior correspondence and engagement, ECCC's own Regulatory Impact Analysis Statement (RIAS) acknowledges that the proposed CFR will have a disproportionately negative impact on Atlantic Canada, with the most significant adverse impact projected to be placed on Newfoundland and Labrador and its residents. Newfoundland and Labrador's same fundamental logistical and geographical disadvantage addressed in the outgoing Renewable Fuels Regulations (RFR) has not yet been addressed in the CFR.

The residents of Newfoundland and Labrador have already invested heavily to reduce the carbon intensity of our electricity grid. The \$13.1 billion Muskrat Falls hydroelectric project enables 98 per cent of the province's installed electrical capacity to be from renewable energy resources. We are working hard to identify and convert our remaining fossil fuel uses to electricity. We are also working to develop green technology and more renewable energy to continue the path to net zero by 2050. While the people of this province are doing their part and will do more to reach these ambitious goals, we feel the current CFR is not part of a viable solution for this province as it does not reflect the unique logistical and geographical reality of Newfoundland and Labrador. When the current RFR came into force, the federal government acknowledged this unique situation and exempted the Province from the RFR. The reasons for the original exemption have not changed. My department has serious concerns that a one size fits all CFR will not help reduce emissions in this province. While we continue to support measures to reduce greenhouse gas emissions and progress toward net zero carbon emissions, we are concerned with the cumulative cost impacts and investment uncertainty associated with introducing multiple federal regulations and measures at the same time with little time for adjustment and without tailoring them to the unique needs of each province.

I trust this feedback is of assistance and thank you for your consideration of this important issue to Newfoundlanders and Labradorians.

Sincerely,

ANDREW PARSONS, QC
Minister of Industry, Energy and Technology