



MAY 25 2022

The Honourable Andrew Parsons, M.L.A.
Minister of Industry, Energy and Technology
Government of Newfoundland and Labrador
P.O. Box 8700
St. John's NL A1B 4J6

Dear Minister:

Thank you for your letter of February 7, 2022, providing feedback on the proposed Clean Fuel Regulations (CFR). I appreciate your support for the changes to the proposed Regulations made to date and for being a partner in collective efforts to achieve net-zero emissions by 2050.

The proposed Clean Fuel Regulations are an important part of the Government of Canada's climate action plan and will play a vital role in Canada meeting the 40- to 45-percent emissions reduction target in 2030 and reaching net zero by 2050. There is a need to take additional actions to ensure the Government of Canada achieves its climate goals.

Environment and Climate Change Canada has proposed to increase the stringency of the CFR from 12 to 14 grams of carbon dioxide equivalent per megajoule in 2030, which represents approximately a 15-percent reduction in carbon intensity from 2016 levels. The increase in stringency takes into account recent announcements and new measures put forward by the Government of Canada, such as the increased carbon price to \$170 per tonne by 2030; a forthcoming tax credit on carbon capture, utilization and storage; and a plan to establish a cap on oil and gas emissions.

The more ambitious CFR will allow the Regulations to deliver significant incremental emissions reductions taking into account these updated and forthcoming measures. It will also ensure that the Regulations drive significant new investment in clean technologies and remain an ambitious tool to reduce greenhouse gas emissions in Canada.

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I value your perspective and understand that you continue to have concerns about cost impacts on Newfoundland and Labrador. I take seriously your concern that geography and logistical challenges may limit Newfoundland and Labrador's options for pursuing CFR pathways available to other provinces. The Government of Canada will consider your comments when finalizing the Regulations this spring.

As you mentioned, the blending exemption for Newfoundland and Labrador that was first introduced under the Renewable Fuels Regulations will be maintained in the proposed CFR. In addition, an exemption for home heating oil was introduced in the proposed CFR. Both of these design elements will help to mitigate cost impacts on the province.

Unlike the Renewable Fuels Regulations, the proposed Clean Fuel Regulations provide for a suite of compliance pathways. For example, transitioning from fossil fuel vehicles to electric vehicles is one pathway through which credits may be created. Newfoundland and Labrador's clean electricity grid would do well in maximizing the potential of this credit creation opportunity. In addition, I understand that the Braya Renewable Fuels plant is on track to begin production of low-carbon-intensity fuel by mid-2022. This marks another important opportunity for CFR credit creation in Newfoundland and Labrador.

Finally, I understand your concerns for the ability of Newfoundland and Labrador's fuel suppliers to comply with the proposed Clean Fuel Regulations. In addition to credit creation, regulated parties will be able to purchase unlimited credits from the credit market. They will also be able to contribute to a compliance fund for up to 10 percent of their annual obligation, and carry forward 10 percent of their annual obligation to the next year.

I appreciate receiving your comments, and I am open to discussing these matters with you. I look forward to our continued co-operation.

Please accept my best regards.

Sincerely,



The Honourable Steven Guilbeault, P.C., M.P. (il/lui/he/him)