House of Commons
Chambre des communes
Canada

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

(•) **an organization** **Organization name:** Canadian Renewable Fuels Association

or

( ) **an individual** **Name:** _____

Topic: Innovation and commercialization

*Recommendation 1: Please provide a short summary of your recommendation.

In keeping with the government's action to support the development and demonstration of new clean technologies, CRFA is proposing to modernize the SDTC's NextGen Biofuels Fund in the following ways:

1. Focus the program GHG reduction;
2. Concentrate on innovative technology and eliminate "first-of-kind" provisions;
3. Continued emphasis on commercialization;
4. Make the program feedstock agnostic and eliminate crop restrictions;
5. Respect current contracts and make announcements without delay; and
6. Extend the window of opportunity beyond 2017.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

other: please provide your estimated amount There are NO new costs as

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

No new federal funding is required. This recommendation would better leverage the remaining funding commitment of $500M from 2007.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Ensuring advanced renewable fuels producers can continue to leverage this successful program will commercialize more research and technology pathways in Canada. Implementation of this recommendation would benefit:
• Canada's Advanced Biofuels Industry (the fund is not being effectively deployed today but could be with slight changes);
• Farmers (increased domestic renewable fuel production drives value for a broader range of crops and helps create jobs in rural Canada); and
• Bio-chemical and other bio-material producers (expanded industry of producers of clean energy from biomass).

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

With the implementation of this recommendation, these important SDTC investments can continue to serve the purpose of building out new biofuels and expanding existing facilities in Canada. Domestic renewable fuel production contributes directly to our economy, creating income in rural Canada, and making proven and meaningful reductions to GHG emissions across the country. This recommendation will ensure that producers of advanced biofuels will be able to leverage this successful program to commercialize their new research and technology pathways.

Topic: Infrastructure

Recommendation 2: Please provide a short summary of your recommendation.

Adapting our fueling infrastructure so as to keep pace with clean technologies is essential to Canada's renewable fuels platform. Regulations have established progressively more stringent GHG emission standards for Canadian vehicles starting in 2017. Higher octane fuels like ethanol blends of E20-E25 are needed. The federal government should undertake the work necessary to properly build-out Canada's fueling infrastructure. This is the best way to make higher-octane fuel blends available to consumers and achieve our environmental goals.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

unknown

5 or more years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

This recommendation could be funded through existing program allocations and revenue from excise taxes and other taxes on gasoline, diesel, and other liquid and gas motor fuel.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

World-class vehicle standards require the proper fuel infrastructure. Cleaner-burning, higher-octane fuels like ethanol have specific delivery, transportation and storage needs. This recommendation would benefit:
• Consumers (access to fuel required for newer vehicles, cost savings at the pump);
• Vehicle Manufacturers (reducing GHG emissions from vehicle fleets);
• Independent Petroleum Marketers (access and delivery of required higher-octane fuels to consumers); and
• Health of Canadians (known health benefits of cleaner fuel blends including reductions in tailpipe emissions and GHGs).

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Achieving the government's ambitious goals for GHG emission reductions in the transportation sector requires both clean technology and cleaner fuels. As we have unfortunately seen with Flex Fuel Vehicles, one of the main difficulties in operating an FFV is the availability of ethanol fuel. This is due to the limited number of refuelling stations in Canada currently offering E85 ethanol blends. Implementation of this recommendation would ensure that consumers would have access to ethanol blends of E20-E25 required to meet the government's GHG emission standards for newer Canadian vehicles.

Topic: Business taxation and regulatory issues

Recommendation 3: Please provide a short summary of your recommendation.

Cellulosic ethanol can be developed from many feedstocks and reduces GHG emissions by up to 87% (compared to petroleum). By design, cellulosic ethanol solves multiple environmental problems at once. In order to advance production and drive consumption of cellulosic ethanol in Canada, CRFA proposes exempting cellulosic ethanol from the current excise tax on fuel. As demonstrated with similar treatment for other commodities, this relatively small tax measure would incent domestic production, retain product in Canada, and ensure the economic and environmental benefits accrue locally.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$10 million-$99.9 million

5 or more years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

The federal government can easily fund this recommendation through the existing excise tax on fuel. It is important to note that the use of ethanol in today's conventional gasoline creates a net-value benefit to the government.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

The successful integration and commercialization of advanced biofuels – like cellulosic ethanol – is within reach. Implementation of this recommendation would benefit:
• Canadian Producers of Advanced Biofuels (cultivation and promotion the domestic production of clean fuels and technology);
• Farmers (increased domestic renewable fuel production drives value for a broader range of feedstocks and helps create jobs in rural Canada); and
• Health of Canadians (known health benefits of cleaner fuel blends including reductions in tailpipe emissions and GHGs).

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Government investments in renewable fuels continue to deliver economic and environmental benefits across Canada. Without question, the platform built by Canada's traditional ethanol producers is at the forefront of innovating how we make our fuels. Canada's ethanol technology is poised to develop first-of-kind technology able to produce fuels, and value-added agricultural and chemical products, from a growing range of biomass. This recommendation will support existing grain ethanol plants in becoming true biorefineries, ensuring Canada's economic and environmental wellbeing for generations.

Please use this page if you wish to provide more explanation about your recommendation(s).

When first created, the NextGen Biofuels Fund (NGBF) was designed to help build out new commercial facilities from the ground up. Six years later, the reality is that the NGBF was ahead of its time – and that the best pathway forward to develop these advanced fuels is to build off the platform created by the first wave of renewable fuel production. CRFA member companies are already building off the investment made by the Government of Canada to do just that. Modernizing the NGBF to reflect the needs of renewable fuel producers will ensure that the original goals of the program are realized. This will provide opportunities to build out production of sustainable fuels and other renewable goods to benefit the entire manufacturing sector.

After these fuels are produced, we need to ensure that they are used here in Canada. Currently, cellulosic fuels are drawn to the United States from around the world due to incentive programs. In order to drive their consumption here in Canada, we need to find markets that will encourage the use of these advanced fuels here at home. Fuel tax exemptions for ethanol and biodiesel have proven to be effective market drivers to expand the use of these fuels as close as possible to the point of production.

As a country, we have committed to reducing GHG emissions in the transportation sector. Reducing emissions from vehicles requires cleaner fuels to drive them, and are as important as the technology under the hood for maximizing emissions reductions. Making sure that manufacturers have the fuels that they need to meet the fuel economy standards proposed for the 2017 model year (and beyond) is incredibly important. Original Equipment Manufacturers have noted that smaller, lighter engines will require fuels with higher octane levels in order for these new vehicles to meet the proposed fuel economy standards.

There is no better, or sustainable, source of octane than ethanol. To deliver mid-level blends of ethanol for this new vehicle technology, Canada's fueling infrastructure must be modernized. We have learned from previous experience that building vehicle technology is insufficient to drive demand. We believe that the federal government must take a leadership role in ensuring that this modernized fueling infrastructure is place. Without the fuel, all new vehicle technologies will not be able to meet the very emissions standards that inspired their creation.

Canada is perfectly positioned to be a world leader in responsible, clean energy. In addition to the abundance of petroleum-based natural resources, we have a wealth of biomass and cropland from which energy crops can sprout. While our domestic biofuels industry is a working success, the simple fact is that to meet our growing energy needs and stresses, we need to do more. As a country, recognizing our clean-energy potential is no longer sufficient, we need the circumstances by which to realize it.

*Please note that at least one recommendation must be provided