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Standing Committee on Finance
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**Written Submission for the Pre-Budget Consultations in Advance of
the Upcoming Federal Budget: Our recommendations to support a
competitive, resilient, transportation fuels sector**

Recommendation 1: Implement a production tax credit (PTC) for biofuels, and a policy incentive for biofuels infrastructure, to improve domestic producers' competitiveness, attract new investments and close the gap with U.S. incentives like the 45Z PTC.

Recommendation 2: Reduce red tape affecting the transportation fuels industry:

- Repeal Competition Act greenwashing provisions added to Bill C-59 (implementation of the 2023 Fall Economic Statement) passed in June 2024;
- Streamline Fuel Quality Regulations;
- Remove non-regulatory barriers to scale up co-processing.

Dear Committee members;

Thank you for the opportunity to contribute to the committee's deliberations in the lead up to the 2025 Budget.

The Canadian Fuels Association (CFA) represents¹ the producers, distributors and marketers of transportation fuels including gasoline, ethanol, biobased diesel, jet fuel as well specialty fuels and lubricants. Our sector represents 115,000 workers, 16 refineries, 10 biofuels production facilities, 75 fuel distribution terminals, and approximately 12,000 retail and commercial sites. Our members supply 95% of Canadians' transportation fuel, or 110 billion litres/year, and over 70% of biofuels production capacity in Canada.

Industry competitiveness, the economy, energy security, and environmental stewardship are deeply interconnected. A strong, competitive transportation fuels sector underpins nearly every part of the economy – from farming and manufacturing to tourism and retail – and a reliable and resilient domestic fuel supply ensures Canadians and businesses have stable access to the energy they need across all regions, today and into the future.

While continued investments and innovation in low-carbon fuel solutions are critical to achieve Canada's climate goals, they also create good paying jobs, reduce our reliance on imported fuels, and secure the long-term competitiveness of existing energy infrastructure. These investments strengthen Canada's position as a clean energy leader in a carbon-conscious global market.

Recommendation 1: Implement a production tax credit (PTC) for biofuels, and a policy incentive for biofuels infrastructure, to improve domestic producers' competitiveness, attract new investments and close the gap with U.S. incentives like the 45Z PTC.

Lower-carbon fuels like ethanol, renewable diesel, and sustainable aviation fuel will help Canada grow its economy while reducing emissions. Strategic investments in low-carbon solutions and infrastructure drive growth across agriculture, farming, forestry, manufacturing, and transportation. Approximately two-thirds of sector-supported jobs are in the farming sector – strengthening rural communities.

Budget 2024 acknowledged the importance of biofuels and announced three measures intended to support biofuel projects:

- \$776 M through a re-tooled Clean Fuels Fund (CFF) for biofuel projects from 2024-25 to 2029-30.
- An Emissions Reduction Fund (ERF) of up to \$500 M per year from Clean Fuel Regulations compliance payment revenues.
- At least \$500 M (for concessional loans) through the Canadian Infrastructure Bank (CIB).

¹ Canadian Fuels members: Braya Renewable Fuels, Cenovus, Federated Co-operatives Limited., Greenergy, Greenfield Global, Imperial Oil Limited, Irving Oil, North West Redwater Partnership, Parkland Corporation, Petro-Canada Lubricants Inc., Shell Canada Products, Suncor Energy Products Partnership, Tidewater Midstream and Infrastructure Ltd. and Valero Energy Inc.

While we appreciated Budget 2024’s recognition of the importance of made-in-Canada biofuels, more than a year later, none of these measures have resulted in a large-scale project.

- Changes to the CFF were minimal and did not address the urgent need for a universal, non-repayable production support incentive. The CFF was also paused earlier this month for intake with no indication of when it will re-start.
- The ERF will only be funded over time and the current regulatory framework for the CFR (the Canadian Environmental Act) makes this unfeasible.
- CIB: is a repayable, loan-based program whereas U.S. incentives are tax-based and non-repayable. Competition for energy projects isn’t confined to Canada and investments will flow to jurisdictions that offer the strongest business case. Without competitive capital and operational support, Canada risks losing clean energy projects and jobs to other countries.

Biofuels are critical to Canada’s energy security. Ethanol is necessary to ensure on-spec gasoline is available from coast-to-coast. More broadly, all biofuels will play a critical role in decarbonizing the transportation sector as per the intent of the Clean Fuel Regulations and other provincial regulations.

Biofuels projects face significantly higher operating costs than conventional fuels, primarily due to feedstock. Over a 10-year span, operating costs represent approximately 90% of total project costs, compared to just 10% for upfront capital. That is why the U.S. Inflation Reduction Act prioritizes production incentives, recently extended through 2029 under “*the One Big Beautiful Bill*”.

Budget 2025 must align with the U.S. and provide meaningful support to scale up made-in-Canada biofuels. Without it, investments – and Canadian feedstocks – will head south. **To restore competitiveness, we recommend a universal, predictable, and administratively simple PTC, with rates tied to carbon intensity.** We also recommend an incentive for biofuel infrastructure upgrades.

Predictive modelling completed earlier this year estimated that the cost of a PTC would be offset by economic benefits at a ratio of roughly 54 to 1 over the next 5 years. It is important to note that **a PTC will only cost the government if private capital flows into Canadian biofuels projects**, delivering new jobs, economic growth and energy security. It would also strengthen rural communities, providing markets for agricultural feedstocks that can still be used even if crops fail or are unfit for human consumption.

Recommendation 2: Reduce red tape impacting the transportation fuels industry:

- *Repeal Competition Act greenwashing provisions added to Bill C-59 (implementation of the 2023 Fall Economic Statement) passed in June 2024;*
 - *Streamline Fuel Quality Regulations;*
 - *Remove non-regulatory barriers to scale up co-processing.*
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Further recognizing the current fiscal outlook, we wanted to provide a few red tape reduction opportunities that would help ease the administrative burden on both government and our industry at no cost to government, and in some cases encourage investment in growth projects.

Firstly, we strongly recommend that the government repeals the new greenwashing provisions introduced in last year's Fall Economic Statement Implementation Act. The new provisions went far beyond the stated intent of the Competition Bureau and were introduced at the last moment in Committee without industry consultation or analysis by the Competition Bureau. The provisions put the onus on industry to prove claims according to "internationally recognized methodologies", which in many cases do not exist. Furthermore, any five private applicants can launch private actions through the Competition Tribunal, which is not beholden to follow the Competition Bureau's guidance on compliance with the new provisions.

The result has been that Canadian businesses are moving away from climate ambitions and transparent environmental information, the opposite of what the government intended. A prominent example would be RBC dropping their sustainable finance targets², a move they attributed to the new greenwashing provisions. In our industry, companies are shying away from sharing environmental achievements due to the risk of frivolous legal challenges.

Secondly, we urge the government to consolidate the four Fuel Quality Regulations (Gasoline, Benzene in Gasoline, Sulphur in Diesel and the Fuels Information Regulations) into a single, streamlined regulation to reduce the burden for both industry and the regulators. CFA also recommends that Environment and Climate Change Canada (ECCC) aligns compliance and audit reporting timelines and creates a centralized online platform for submitting and storing compliance reports and other reporting templates. Regulatory burden could be further reduced by easing fuel sampling requirements – for example, eliminating sample retention requirements, and expanding the list of accepted sampling and testing methods to allow those already approved by the Canadian General Standards Board and ASTM International.

Finally, the current quantification methodologies under the CFR are overly complex, resource-intensive, and create uncertainty – which can result in delayed or shelved investments. This is especially true for co-processing projects. CFA has submitted to ECCC a detailed set of practical, pragmatic, **and non-regulatory recommendations** to reduce barriers to investments. They included:

- Reduce **sampling frequency** (weekly to monthly; C14 samples quarterly).
- Standardize **materiality thresholds** using whole-number (% modern carbon) reporting.
- Create provisions for **low-volume feedstocks** (e.g. < 5%) to encourage innovation.
- Allow **benchmark to remain valid** for +50% increase in feed ratio for up to 3–4 years.
- Eliminate the need to track **operating modes**, as they have minimal impact on CI.
- Allow **material balance accounting** to calculate co-processed fuel volumes used in Canada or sold for use as a fuel in Canada for annual credit generation.

² [RBC Sustainability Report 2024](#), Pg. 4, 42, 48.

Co-processing involves blending renewable feedstocks with petroleum in existing refineries to reduce the carbon intensity of refined petroleum products. This process is a near-term, scalable solution that supports Canada's climate goals while delivering strong economic and energy security benefits. Co-processing presents one of the most practical and impactful pathways to accelerate this shift - if we can address key policy barriers currently slowing its growth.

Again, I would like to reiterate our appreciation of your committee's work to consult on Budget 2025. I would also like to formally request an opportunity to appear during your committee's pre-budgeted hearings to discuss our recommendations in further detail

Sincerely,



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