Honourable Blaine Higgs, Premier of New Brunswick
Honourable Premier Tim Houston, Premier of Nova Scotia
Honourable Andrew Furey, Premier of Newfoundland and Labrador
Honourable Dennis King, Premier of Prince Edward Island

Re: The federal Clean Fuel Regulations will improve affordability, competitiveness, and public health and safety for Atlantic Canadians

Date: Thursday, June 8, 2023

First, we would like to express our deep concern for the communities in the Atlantic provinces as well as across the country that have been, and continue to be, affected by wildfires and poor air quality. The current wildfire situation is yet another reminder that climate change is a threat to our security and quality of life, and we believe the Atlantic provinces are well situated to move forward on climate actions that will improve the region's affordability, competitiveness, and public safety. Part of this includes supporting federal regulations limiting greenhouse gas emissions – like the Clean Fuel Regulations.

We are alarmed by your recent call for the federal government to delay the implementation of Clean Fuel Regulations, which were published in 2022, and scheduled to take effect on July 1, 2023. They have proven to be a cost-effective means to incentivizing oil and gas producers and suppliers to reduce the life cycle emissions of fuel production and to attract new investment in the clean fuel technologies needed in Canada's low-carbon energy system. When fully implemented, this technology-neutral policy alone is expected to reduce emissions from our atmosphere by 204 Mt CO2e by 2040. The regulations will help all four Atlantic provinces achieve their net zero goals between 2040 to 2050 while also supporting their economies and creating jobs. This is the time to leverage investments that would lead to clean fuel infrastructure development in Atlantic Canada. Federally, there is the $1.5 billion in the Clean Fuels Fund, $8 billion in the Strategic Innovation Fund Net-Zero Accelerator and the Investment Tax Credits. Investments will help support credit creation under the Clean Fuel Regulations.

We note that your own energy ministers endorsed the Clean Fuel Regulations and their implementation timelines in 2020. At that time, the request to delay regulatory obligations was made on the basis that industry needed additional time to make investments to generate credits toward compliance. That extension was granted and there is no rationale for further delay.

The Clean Fuel Regulations were developed over a seven-year period with multiple opportunities for provinces, industry, and other stakeholders to provide input through technical working groups as well as several public comment periods. The entry into force of the final Clean Fuel Regulations was extended to 2023 (with compliance demonstrated a year later), and heating oil, gaseous and solid fuels were removed from the regulations, leaving only gasoline and diesel required to comply. The Clean Fuel Regulations are technology neutral, designed to spur innovation of clean technologies and expand the use of less polluting fuels throughout the economy. It is designed to ensure there is no immediate impact on fuel prices. The price impacts closer to 2030 are expected to be minimal.

Oil refiners have had ample time to prepare and invest to generate the credits necessary to comply at least cost, especially considering the modest reduction in carbon intensity required in 2023 (3.5 gCO2e/MJ). Combined with record refinery profits, and based on the polluter-pays principle, in the near-term there is no reason to pass on cost to consumers. We call on you to defend effective climate action that will protect citizens from the worst climate impacts and make polluters pay.

The Parliamentary Budget Officer (PBO) analysis, which you cite, presents worst case scenario estimates of how gasoline and diesel costs could be affected by the regulations rather than evaluating the more likely central case. Further, it fails to properly account for the costs of climate change and the economic opportunities that come from shifting to clean energy sources.

Affordability, as you mention, is a concern for people living in Canada. Canadians are also very concerned about climate change hence, our elected leaders have a responsibility to ensure effective climate action to protect citizens now and into the future. Our elected leaders should not prey on affordability concerns to undermine climate action, especially when fossil fuel dependence is one of the root causes of the affordability crisis. One of the most effective ways to protect households in this affordability crisis is to accelerate a transition to more affordable clean energy, to support public transit, the shift to EVs and to redouble efforts to improve the energy efficiency of the housing stock. While climate action cannot wait, we would also be eager to work with you and other levels of government to help advance a comprehensive approach to addressing the longstanding problem of energy poverty.

The Clean Fuel Regulations provide significant flexibility to comply and establish a carbon credit trading market. There are many opportunities to innovate, including through blending, operational and gas station investments like EV charging. Domestic opportunities for fuel blending are also now enhanced by investments in the former Come-by-Chance refinery to produce biofuel. The Clean Fuel Regulations are a least-cost opportunity for refineries to be part of the energy transition. Pausing or abandoning the Clean Fuel Regulations will make Canadian industry less competitive in the growing global low-carbon economy.

The Clean Fuel Regulations, along with carbon pricing and other climate regulations now under development (Clean Electricity Regulations, Oil and Gas Emissions Cap, Zero-Emission Vehicle Standard, Methane Regulations), are essential if Canada is to bend its greenhouse gas emissions trajectory. All four Atlantic provinces say they are committed to emissions reductions and to achieving net zero economies between 2040 to 2050. You must know that this requires decisive action to reduce emissions without further delay.

It is counterproductive to make people living in Canada afraid of emission reduction efforts. Political leaders have a responsibility to the future, which includes taking the necessary steps towards decarbonization and explaining why actions such as the Clean Fuel Regulations are necessary to their constituents.

Yours sincerely,

Maggy Burns, Executive Director, Ecology Action Centre
Dr. Louise Comeau, Co-Executive Director, Conservation Council of New Brunswick
Caroline Brouillette, Executive Director, Climate Action Network - Réseau action climat Canada
Tim Gray, Executive Director, Environmental Defense
Severn Cullis- Suzuki, Executive Director, David Suzuki Foundation
Colleen Thorpe, Executive Director, Équiterre
Chris Severson-Baker, Executive Director, Pembina Institute

Cc:
Honourable Stephen Guilbeault, Minister, Environment and Climate Change Canada
Yves Giroux, Parliamentary Budget Officer
Honourable Tory Rushton, Minister of Natural Resources and Renewables, Nova Scotia
Honourable Andrew Parsons, KC, Minister of Industry, Energy and Technology, Newfoundland and Labrador
Honourable Michael Holland, Minister of Natural Resources and Development, New Brunswick
Honourable Steven Myers, Minister of Environment, Energy and Climate Action, Prince Edward Island

ANNEX: Parliamentary Budget Officer analysis response

The PBO's baseline scenario used in the analysis is problematic: it assumes that Canada fails to act to reduce transportation emissions to an equivalent degree that the Clean Fuel Regulations would achieve. This means further emissions, increasing the likelihood that Canada's 2030 climate target will not be met, failing to meet Paris Agreement objectives and adding to extreme weather risks. Worse, the PBO analysis assumes for its purposes full pass through of industry costs to consumers. There is no reason why this assumption should apply.

A more useful analysis would compare compliance with the cost of carbon. Each tonne of CO2 costs society $261 in 2023, expected to increase to $294 in 2030 a tonne in climate damages. The Clean Fuel Regulations are expected to reduce emissions in the transportation sector by 204 MT CO2e between 2022 and 2040—equivalent to 20 years' worth of Newfoundland and Labrador's total emissions.

First, even the PBO admits that its analysis provides a worse-case scenario because it uses the upper bound of the Environment and Climate Change Canada's fuel price scenario.

Secondly, the PBO assumes all the costs are passed through to households, again conceding that the estimates of household costs should be regarded as upper bound estimates. But this is not what economists expect from this policy design, since it follows the Polluter Pays Principle. Oil and gas companies are making record profits, but they have been doing little to reduce their emissions. These regulations will make them innovate and invest. Their investments will create jobs in electric vehicle charging, biofuels, hydrogen production and in the installation and operation of equipment to reduce emissions from oil and gas facilities.

Third, the PBO ignores the technological evolution that the clean fuel regulations and the federal fuel levy is intended to drive. The regulations will create a more competitive market for clean energy solutions, which will result in costs being driven down. The impacts of the Clean Fuel Regulations will not be felt for a number of years, during which time more people living in Atlantic Canada will have switched to more fuel-efficient vehicles and energy solutions. Their need for the fuels covered by the regulations will decline over time, but the PBO does not factor this into the analysis.

A more accurate accounting of costs and benefits would also have at least mentioned the fact that the Clean Fuel Regulations are aimed at reducing Canada's contribution to climate change. People living in Canada already experience the costs of the world failing to do that. Those living in your communities are well aware of the real and rising costs that failing to act on climate change is having in the form of increasing and more intense forest fires, hurricanes threatening coastal communities, drought that harms farming and more. The Canadian Climate Institute estimates that climate change impacts and responding to more extreme and frequent weather events costs about $720 per person annually. By 2050, those costs are expected to rise to between $1,900 and $2,300 per person.

Further, climate regulations like these set Canada up to compete in the growing global green economy, with tangible benefits from new investment, as we've seen with the accelerated investment for electric vehicle manufacturing in Ontario, billions in private sector interest in offshore wind in Atlantic Canada, and new wind and solar projects set to bring millions in taxes, billions in investments and saving ratepayers hundreds of millions of dollars per year.