

# What you need to know about the Canadian Clean Fuel Regulations



One of Canada's most impactful climate policies, the Clean Fuel Regulations (CFR), are expected to be finalized in Spring 2022. Formerly referred to as the Clean Fuel Standard, the CFR has been in development for seven years.

All sectors and businesses that produce, import, or use fuel in Canada will be impacted.

The goal of the policy is to reduce greenhouse gas (GHG) emissions by over 20 million tonnes annually by 2030 — a significant contribution towards Canada's 2030 reduction target. This will help put the country on the road to net zero by 2050.



## The Clean Fuel Regulations in a nutshell

- The CFR will cover liquid fossil fuels used in Canada. Fuel exports will not be affected.
- The CFR is designed to reduce the carbon intensity of liquid fossil fuels across the full lifecycle: from extraction to production, distribution, and use.
- The CFR will set carbon intensity reduction requirements for liquid fossil fuel primary suppliers that will increase in stringency to 2030. The first reduction requirement is proposed to come into effect July 1, 2023. Carbon intensity reductions are not required for non-fossil fuels.
- Primary fossil fuel suppliers must meet their reduction requirement by submitting compliance credits. Credits may be generated in three ways:
  - 1 Actions to reduce the carbon intensity of liquid fossil fuels throughout their lifecycle
  - 2 Supply of renewable and other low-carbon intensity fuels
  - 3 Some end-use fuel switching in transportation
- A credit trading system will be established. Parties that are not fossil fuel primary suppliers can generate revenue through participating as voluntary credit creators, creating and selling credits to regulated parties.
- Some sectors and uses are exempt from the CFR but can still participate in credit-creation activities.



## Who will be affected by the CFR

All sectors and businesses that produce, import, or use fuel in Canada will be impacted.



**Fossil fuel suppliers:** Fuel suppliers will be required to submit credits proportional to the amount of fuel supplied by either generating or purchasing eligible credits, subject to specified limits.

**Fossil fuel facilities:** Facilities along the liquid fossil fuel life cycle can create credits through emissions reduction projects.

**Fuel consumers:** Fuel suppliers are likely to pass on extra costs to consumers. Consumers will need to increase the energy efficiency of their fleets, switch to lower-carbon fuels, or electrify to avoid or offset the extra costs. Fueling facilities can generate revenues through credit generation for transportation fuel switching.

**Low carbon intensity (CI) fuel producers and importers:** Low CI fuel producers can generate new revenues by participating in the market-based credit system.

## How we can help you prepare for the CFR

Whether you are a fuel supplier, producer, importer, or user, now is the perfect time for us to help you position your organization for the incoming rules.

### Our CFR services include:

- Interpreting the final regulations to determine relevant business impacts and opportunities
- Strategy development, considering clean fuel procurement, clean fuel investment, fleet electrification
- Credit generation opportunity analysis, including modelling and assessment of carbon intensity reduction opportunities and associated market and competitive landscape assessment
- Credit quantification, including running ECCC's Fuel Lifecycle Assessment (LCA) Model to determine fuel carbon intensity for credit creation reports and developing new pathways in the model
- Credit market intelligence, including credit supply and demand analysis, guidance establishing a credit trading strategy and in-house capability, systems, and processes for credit trading
- Support providing comments to ECCC during the final comment period



## Delphi's Experience

For more than three decades, Delphi has helped some of Canada's highest-profile organizations be more prosperous and competitive in a changing environment. We take a 360-degree view with our CFR strategies, linking to other corporate initiatives such as sustainability reporting and disclosures, the Task Force on Climate-Related Disclosures (TCFD), GHG inventories, and 2030 and 2050 target setting and associated implementation plans.

Delphi has been tracking the CFR since its inception, and has been closely involved in its development and in helping organizations respond to it:

- ✓ We have provided technical services to ECCC, including informing the quantification methodologies for credit creation and fuel pathway calculation rules, testing the Fuel LCA model, and providing guidance on enhancing modeling methodologies.
- ✓ We have completed fuel carbon intensity modeling for low carbon fuel producers using ECCC's Fuel LCA Model, as well as GHGenius for Alberta and BC regulatory systems, to determine credit creation opportunities and support compliance reporting.
- ✓ We have helped diverse clients in a variety of sectors prepare for the CFR and develop their CFR strategy.
- ✓ We have supported clients with policy research and insights to inform government submissions.

## Connect with us

For more information on the CFR and/or compliance pathways, contact

**Laura Robertson | Delphi**

Policy Consultant

**[Lrobertson@delphi.ca](mailto:Lrobertson@delphi.ca)**