

January 15, 2026

Lisa Ryan, Acting Executive Director
Low Carbon Fuels Division
Environment and Climate Change Canada
Via email: cfsnecp@ec.gc.ca

Re: Comments on Potential Amendments to the Clean Fuel Regulations

Dear Director Ryan:

The Renewable Fuels Association (RFA) greatly appreciates the opportunity to submit these comments in response to the recently announced consultations on potential amendments to Canada’s Clean Fuel Regulations (CFR). Specifically, these comments respond to the *“Discussion paper to inform the draft targeted amendments – Clean Fuel Regulations”* released on December 3, 2025.

RFA is the leading trade association for the U.S. ethanol industry. Our mission is to drive growth in renewable fuels and bioproducts for a better future. Founded in 1981, RFA serves as the premier organization for industry leaders and supporters. With over 300 members, we work every day to help America, and the world, become cleaner, safer, and more economically vibrant.

With the support of RFA’s entire membership—which includes ethanol producers, feedstock providers, and a broad array of entities and organizations involved in the production, marketing and use of ethanol domestically and throughout the world—we regularly advocate for policies in the U.S., and international markets, that promote free, fair and robust trade in ethanol. Moreover, we strongly believe that international trade is critical to the growth and success of the global ethanol industry and is essential in the fight to make clean fuels more accessible and competitive against carbon-intensive legacy fuel options in North America and beyond.

For the current consultation, the RFA provides the following comments:

1. The CFR is a Well-Designed, Agriculture-Friendly Program That Has Successfully Expanded and Supported the Production and Use of Ethanol and Other Clean Fuels in Canada.

The RFA has long supported the important work of Environment and Climate Change Canada (ECCC) in creating and implementing the Clean Fuel Regulations (CFR). Not only has this regulation been critical to building a competitive Canadian domestic biofuels industry, but the CFR has also served as a smart and effective policy model for other jurisdictions to emulate globally. The CFR's market-based structure has enabled efficient implementation and ensured that Canadian fuel suppliers and consumers enjoy access to the lowest-cost clean fuels available on the world market.

That said, the RFA believes a strong domestic ethanol industry is a key consideration when looking to expand ethanol use and utilization in any transportation fuel market. Moreover, we believe the health and well-being of a country's domestic biofuels industry directly contributes and correlates to clean fuel policy resilience and longevity. Toward this end, we recognize and appreciate the need to consider targeted amendments to the CFR to ensure that the Regulations continue to be effective in expanding clean fuel use in Canada, while at the same time incentivizing and supporting Canada's domestic ethanol industry.

2. U.S. Grain-Based Ethanol Supports an Effective CFR by Providing Fuel Suppliers in Canada with a Low-Carbon, Cost-Effective Means of Compliance Under The Regulations.

Since its inception, U.S. grain-based ethanol imports have contributed greatly to the success and effectiveness of the CFR, reflecting the program's market-friendly structure and prioritization of economic and logistical efficiency. In the first two years of its implementation, from June 2022 to the end of 2024, 59% of ethanol used under the CFR was imported from the United States. Moreover, as reflected in Annex I of the consultation document, in 2024, the share of ethanol imports used to comply with the CFR rose to 61%.

As evidenced by the long list of U.S. ethanol refineries registered and approved under the CFR, it is clear that low-carbon, grain-based ethanol from the U.S. has contributed to the program's environmental effectiveness. Over 50 U.S. ethanol biorefineries were approved under the CFR's life cycle assessment model originally established in 2022, and 18 U.S. ethanol biorefineries have been approved to date under the updated LCA version released in 2024. (See ECCC List of Carbon Intensities under Clean Fuel Regulations). Given our industry's extremely efficient operations, imports of grain-based ethanol from the U.S. have provided an effective compliance option, successfully meeting the rigors and demands of

carbon intensity reduction targets called for under the CFR. And, with the expanding use of carbon capture and storage technology by U.S. producers, these carbon intensity values are expected to continue to decrease even further in the medium-term future.

In addition to its low carbon intensity profile, U.S. grain-based ethanol imports have provided a cost-effective option for CFR compliance for Canadian fuel suppliers. By affording Canadian fuel suppliers access to lowest-cost ethanol sources as a means for CFR compliance, fuel suppliers have been able to consistently reduce fuel costs for consumers. According to a report by Navius Research, Inc., (see “*Biofuels in Canada 2025*”), ethanol blended into gasoline lowered wholesale fuel costs by an estimated \$1.7 billion in 2024. Moreover, the report concluded that since 2010, the use of ethanol in gasoline has produced cumulative wholesale gasoline savings exceeding \$13.2 billion. These are real and significant savings for Canadian consumers.

In light of the above, we strongly believe that it would compromise the CFR’s overall objectives if measures were adopted to explicitly exclude market access or reduce credit generation for imported ethanol, as this would increase wholesale fuel prices while also creating compliance difficulties for primary suppliers.

3. Of the Proposed Regulatory Approaches Outlined in the Discussion Paper, RFA Strongly Prefers the Credit Multiplier Approach.

Regarding the options presented as potential amendments to the CFR, we provide the following preliminary comments:

Option 1: Domestic Content Requirements Present A Number of Cost, Logistical, and Compliance Challenges

The first option presented in the discussion paper is a minimum domestic content requirement, in which primary fuel suppliers would be rigidly required to demonstrate that a fixed share of the low-carbon intensity fuels they obtain are produced domestically in Canada. We believe that there are several challenges and inefficiencies associated with this approach.

If the domestic content requirement is set too low, the mechanism will not be successful in creating an incentive for made-in-Canada biofuels. Conversely, if the minimum content requirement is set too high, then fuel suppliers will be unable to obtain sufficient volumes of Canada-produced biofuels to meet demand. This scenario would result in extreme pressure on the CFR credit market and, ultimately, would lead to higher fuel costs for consumers. Over the longer term, a domestic content requirement that is set too high risks undermining public and political support for the CFR program and would increase pressure to reduce the overall clean fuel targets.

Even if a domestic content requirement is perfectly calibrated, this option would still face practical challenges since it would interfere with well-established logistics, transportation networks, and product flows that have developed over the past 5-7 years based purely on economic efficiency. A minimum domestic content requirement may, for example, force a Canadian fuel supplier to source ethanol from a Canadian ethanol producer that is thousands of kilometers away in Canada rather than sourcing the ethanol from a nearby producer in the northern United States. This scenario would add significant cost for the fuel supplier, which would presumably be passed on to consumers in the form of higher retail fuel prices. Moreover, Canadian biofuel producers and fuel marketers may wish to sell their biofuels into different international markets, such as the European Union, United Kingdom, or United States, and a domestic content requirement could effectively prevent them from doing so.

Option 2: A CFR Credit Multiplier Best Achieves ECCC's Objectives

A second option presented in the discussion paper is a credit multiplier approach, in which additional CFR compliance credits would be created for low-carbon fuels produced domestically in Canada. The credit multiplier – which acts as an incentive – is a market-based, flexible approach that prioritizes logistical and economic efficiency and protects consumers from the potential for higher fuel prices. This is the measure that we would recommend, as it achieves ECCC's objective of protecting and incentivizing domestic biofuel production without undermining the efficient operation and fungibility of the highly-integrated North American liquid fuels market.

It stands to reason that the most appropriate response to recent implementation of new clean fuel incentives in the United States is to create corollary incentives for Canadian producers. ECCC should therefore implement a CFR credit multiplier that is calibrated to the U.S. Clean Fuel Producer Credit ("45Z") to provide Canadian ethanol producers with roughly the same benefit that U.S. ethanol producers receive. The method for determining the multiplier that is outlined in the ECCC discussion paper is logical and straightforward. And, as the average 45Z value for U.S. ethanol changes over time (i.e., due to declining carbon intensity), the level of the CFR credit multiplier could be periodically reviewed and adjusted as necessary. Making this approach even more attractive is the fact that a CFR credit multiplier does not cost the Canadian government any money to implement.

If ECCC chooses to implement a multiplier credit approach, we would also suggest implementing flexible measures to ensure the CFR credit market remains balanced and the overall intended stringency of required carbon intensity reductions is strengthened in tandem. Without an appropriate credit market balancing mechanism, a multiplier could result in excess credit generation and cause credit values to fall to levels that fail to provide

a strong enough incentive to expand domestic clean fuel production and use. We therefore recommend that ECCC use readily-available data from its credit generation reports to project the number of additional credits resulting from a multiplier and balance these additional credits by increasing the stringency of the “reference carbon intensity” compliance curve.

Finally, if ECCC ultimately decides to implement a hybrid-style, credit multiplier approach that is intended to work alongside, or in conjunction with, an existing provincial domestic content restriction, or proposed national content restriction, we would further suggest that any credit multiplier value assigned to incentivize or otherwise favor domestically produced ethanol be adjusted or balanced to take into consideration the market impact of the minimum domestic content requirements already in place in those provinces, or otherwise nationally. We firmly believe that a credit multiplier strategy should not be implemented without first removing any existing minimum domestic content requirements, but to the extent that a hybrid approach is relied upon, any credit multiplier applied must be tailored to take into consideration already existing imported content limitations.

Credit Generation Discount for U.S. Ethanol Imports

We understand that one additional option that has garnered some discussion is the idea of discounting the CFR credit generation associated with imported fuels in the Canadian market. RFA opposes such an approach, as it would discourage the free flow of clean fuels in the Canadian market and would be viewed by the marketplace as a negative signal and strong disincentive. This sort of measure may be viewed as punitive and could escalate trade tensions between Canada and the U.S. We strongly suggest that ECCC avoid this kind of approach.

It is also plausible that discounting credit generation for ethanol imported into Canada could have a perverse effect that is the opposite of what is intended. Indeed, under a discount approach, ethanol imports could *increase* because larger volumes of imported ethanol would be needed to generate the same amount of CFR compliance credits that is generated with a lesser amount of imported ethanol today.

We would further point out that in adopting legislative amendments to the 45Z program, U.S. lawmakers in 2025 deliberately avoided approaches that would “discount” or otherwise penalize Canadian-grown biofuel feedstocks. Instead, Congress explicitly ensured that U.S. biofuels produced from feedstocks imported from Canada are eligible for the same credit values as biofuels produced from U.S.-grown feedstocks.

Finally, the RFA has repeatedly encouraged the U.S. Environmental Protection Agency to ensure that biofuels and feedstocks imported from Canada are treated equally with U.S.

biofuels and feedstocks under the U.S. Renewable Fuel Standard (RFS) program. In August 2025 comments to the EPA, we noted that "...the North American renewable fuels market has become more integrated over the past several decades; finished renewable fuels have flowed efficiently between the U.S. and Canada for many years. Excluding finished renewable fuel imports from USMCA (Canada, in particular) from the proposed 50-percent RIN discount scheme would ensure biofuel markets in both countries continue to operate efficiently, which is in the economic interest of consumers in both markets."

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Once again, we thank you for the opportunity to submit these comments on the potential amendments to the CFR. We look forward to working together with you and your team at ECCC as you continue this amendment process.

Sincerely,

Edward S. Hubbard, Jr., Esq.
General Counsel and Vice President of Government Affairs