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**RICanada Comments on the British Columbia Greenhouse Gas
Reduction (Renewable and Low Carbon Fuel Requirements) Act and
the Renewable and Low Carbon Fuel Requirements Regulation**
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Subject: British Columbia Low Carbon Fuels Compliance Pathway Assessment

Renewable Industries Canada (RICanada) values the collaborative approach of the B.C. Ministry of Energy, Mines and Petroleum Resources towards continuing to enhance the province's Low Carbon Fuel Standard (BC-LCFS). It is with pleasure that our association puts forward our comments on the Low Carbon Fuels Compliance Pathway Assessment discussion paper.

About RICanada

RICanada was first launched as the Canadian Renewable Fuels Association in 1984. We represent low-carbon fuel producers, retailers and sellers, as well as the providers of new, cutting-edge technologies. Over the years, our membership has expanded to include more than just ethanol and biodiesel producers – renewable fuels that have been proven to significantly reduce lifecycle greenhouse gas (GHG) emissions in the transportation sector – though they remain at the heart of the work we do.

As the only national voice for Canada's renewable fuels and bio-based products industries, RICanada welcomes the Government of British Columbia's leadership in fostering growth in the domestic production of ethanol and biodiesel and commends the Ministry of Energy, Mines and Petroleum Resources for undertaking this comprehensive and thorough assessment.

Recommendations

RICanada agrees that the BC LCFS program is essentially an economic instrument and appreciates the efforts made (since the last program review) to establish a transparent credit market.

Recommendation 1: Level Playing Field for Part 3 Parties

While the policies introduced to date have marked a significant step forward in sending the appropriate price signals to renewable fuel producers, there is a two-tier market that has developed, one for fuel producers who sell the fuels to end users, and another for producers who sell fuels that are blended with petroleum fuels. Fuel producers who sell direct can achieve the full value of the credit, but fuel producers who sell for blending are not receiving the full value of the credit and the benefit that they are receiving is not transparent. The credit values for these fuels presented in the discussion paper (Table 1) are not achievable for these fuel producers today.



The discussion paper suggests that fuel producers should become Part 3 low carbon fuel producers so that they can accrue compliance credits. Some, but not all, of the purchasers of renewable fuels are paying a premium for low carbon intensity (CI) products but there is a lack of transparency surrounding the premium. The premium is based on the difference between the actual and an average CI so it is always less than the value of credits that are being traded and reported by the government. Even if some producers were to become Part 3 producers it is questionable if they could get any extra value given that they would still be competing against producers who are not Part 3 suppliers.

The situation in California is the same as it is in BC for ethanol. Ethanol producers are not able to achieve the full value of the credit in the sales price, but the biodiesel and renewable diesel situation is different and is as described in the document. For these fuels, most of the blending is undertaken by companies that are not obligated to reduce their CI and thus they can sell the fuel and the LCFS credits separately and get the full value for the fuel.

Another difference between California and BC is the fuel storage and delivery infrastructure. In BC, the system is owned by the obligated parties, whereas in California a significant portion is controlled by independent operators. Given this difference, it is unlikely that BC will ever have a system that is the same as California's. BC is a much smaller market: with fewer players it will never be as economically efficient as the California market in passing all of the price signals through to the fuel producers.

RICanada believes that it is worthwhile exploring if it is possible to make the system more efficient in sending transparent price signals through the supply chain so that all credits generated have the same value.

Recommendation 2: Remove Barriers for E85

RICanada appreciates the discussion of the opportunities to reduce emissions through the use of mid and high-level blends. We agree with the statement on page 4 of the discussion paper which states that *"the stakeholder consultations established that a significant portion of the fleet is compatible with higher-level blends of renewable fuels such as E85 FlexFuel (85 percent ethanol, 15 percent gasoline) and B20 (20 percent biodiesel, 80 percent diesel), and that this presents opportunities for fuel suppliers that have not been explored."*

As you know, we have put significant effort into the development of appropriate CGSB standards for ethanol and biodiesel over the past several years so that the lack of a standard would not be an impediment to the development of the opportunity. However, as the discussion paper correctly points out, the sale of fuels such as E85 are sensitive to price and in Canada we don't have the same economic drivers for E85 as are in place in the U.S. In addition, the prevailing practice by the Federal Government and the Province of BC, to tax fuels on a volumetric basis and not on an energy content basis, is an impediment to being able to price fuels like E85 on a competitive basis.



For high level blends to be a success in the market there must be a business case for all participants in the supply chain. Ethanol producers already sell the fuel for less than gasoline on a volume basis, but the consumer and retailers must also see a benefit and this will be difficult to achieve when governments collect more tax revenue from the fuel than from gasoline.

We note that M85 is provincially tax exempt and that the carbon tax is calculated based on the exact fuel blend, unlike the way that ethanol is treated. Similar treatment for high level ethanol blends would be helpful.

Recommendation 3: Clarify the Average Cloud Point of HDRD

We would like to add some clarification to section 13.2 on page 43 of the discussion paper. The lowest cloud point in production diesel is -34°C is a correct statement. However, that is not ULSK; it is simply ULSD that is Type A. ULSK has a lower cloud point than that and can have a cloud point that is anywhere from -40°C to -50°C . The production of low cloud point HDRD can be achieved but it does come at the cost of liquid product yield and potentially the CI of the fuel. While it is possible to produce some renewable aviation fuels and HDRD from the same process, maximizing the production of aviation renewable fuel requires a hydro-cracking step in the process. The fact that some renewable aviation fuel with a low cloud point can be produced in a plant producing HDRD is not proof that all HDRD can be produced with cloud points lower than -34°C .

Recommendation 4: Thorough Lifecycle Assessment of Emerging fuels

RICanada acknowledges the need for more compliance options and that fuels such as the gasification and pyrolysis products mentioned in the assessment, co-processed bio crudes, renewable gasoline blending components, and other innovative products should all be options that are available to the obligated parties.

All of these emerging fuels need to be assessed with the same level of detail in the lifecycle assessment that the more conventional renewable fuels are subjected to. A full understanding of the mass balances and the system inputs and outputs are required. We are reminded of the exuberance around cellulosic ethanol some 20 years ago, when governments proclaimed negative lifecycle results for the pathway without a thorough analysis. We need to ensure that similar errors (which can lead to enduring misconceptions) are not made with the new emerging fuels.

Conclusion

RICanada applauds the work of the B.C. Ministry of Energy, Mines and Petroleum in undertaking this Pathway Assessment to ensure the BC-LCFS evolves with the industry and continues to maximize GHG emission reductions. We welcome the opportunity to answer any questions you may have.



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