

## **Canadian Renewable Fuels Association**

### **Responses**

#### **1. Economic Recovery and Growth**

*Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*

Given the current climate of federal and global fiscal restraint, CRFA believes it has become increasingly important – and vital – to review existing economic programs to ensure they continue to be efficient and are achieving their desired goals for economic growth and job creation. One such program is the ecoENERGY for Biofuels program, which has been a central element of the government’s strategy for biofuels. Part of the National Renewable Fuels Strategy was to ensure that a competitive investment environment exists for the production of renewable fuels, like ethanol and biodiesel. As you may know, these efforts have not yet resulted in a significant expansion of biodiesel production in Canada, nor has it created the domestic capacity needed to meet the mandated volume under the renewable fuels standard. However, there are projects in Canada today that are construction ready and would contribute almost 400 million additional litres of new production capacity to the Canadian market by January 1, 2014. Our industry estimates that leveraging the funds currently remaining under the ecoENERGY for Biofuels program will result in an extra \$1 billion in economic growth for Canada and returning over \$100 million to the federal government in additional tax benefit. Canada remains uniquely positioned to become a global leader in the production of biofuels but the ecoENERGY for Biofuels program cannot succeed without immediate changes. Recommendations:

- Open ecoENERGY for Biofuels program renewable diesel funds to new project applications and require existing program projects that are currently not producing or will not complete commissioning by September 30, 2012 to reapply under this application call.
- Extend existing production incentives for all renewable diesel projects in the program to March 31, 2017.
- Maintain incentive rates at existing schedule (from \$0.14 for 2012-13 down to \$0.04 in 2016-17).
- Require successful applicants to post a 25 per cent performance bond (based on first year/full capacity incentive), repayable when major equipment is ordered and permits put in place.
- Provide a transparent, timely and prompt window for new application submission, selection and final Contribution Agreement approvals.

#### **2. Job Creation**

*As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*

The previous federal budget demonstrated the government’s commitment to creating jobs, growth and long term prosperity, and while Canada has retained of the strongest fiscal positions in the G-8 the global recession is not over. As such, developing Canada’s natural resources must be done in a way that promotes continued economic growth, creates jobs, and achieves real environmental benefits. Supporting the expansion of Canadian production of renewable fuels and accelerating the commercialization of next-generation renewable fuels succeeds in all these areas. Over the past decade, the Canadian government has made a clear commitment to renewable fuels and advanced green technologies through programs and grants which have in turn created some 14,000 full-time jobs.

In addition, our industry estimates that leveraging the funds currently remaining under the ecoENERGY for Biofuels program will create over 1350 direct and indirect jobs. Expanding Canada's biofuels industry creates jobs and environmental benefits that all Canadians can benefit from. This is why the government must continue to ensure that the right conditions are in place to attract job-creating investment dollars to Canada, like the ecoENERGY for Biofuels program and SDTC's NextGen Biofuels Fund. Encouragingly, these programs have been shown to be highly effective in generating industrial expansion and job creation however we suggest there are steps the government can take to make them more timely, efficient and effective. Recommendations: • Preserve the current funding available in the NextGen Biofuels Fund through SDTC and maintain the existing eligibility criteria for applicants. • Protect the available funding that currently exists in the ecoENERGY for Biofuels Program (estimated at \$125-190 million) and reform program criteria to allow construction ready projects to proceed thereby contributing almost 400 million additional litres of new production capacity to the Canadian market by January 1, 2014.

### **3. Demographic Change**

*What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*

Facing challenges associated with changing demographics and skills shortages, the government should continue to work closely with industry to open new markets and increase opportunities for domestic producers. This is especially true in seeking enhanced opportunities for rural Canadians and domestic agri-industries. Ethanol production in Canada contributes directly to the feed industry and provides our farmers with new income opportunities and expanded markets for their grain crops. We strongly encourage the government to implement our recommendations to preserve current funding under the ecoENERGY for Biofuels program and the NextGen Biofuels Fund thereby further developing the Canadian biofuels industry, creating new markets for our farmers, reducing greenhouse gas emissions, and creating new jobs for Canadians in our cities and towns.

### **4. Productivity**

*With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*

A secure energy future is crucial if we are to meet the challenges and needs of an aging population while at the same time ensuring Canada is positioned to be a world leader in renewable energy technology and production. To accomplish this, federal initiatives that focus on the production and successful commercialization of clean technology innovation in Canada should be pursued. Next-generation biofuels represent an important sector of the clean technology industry in Canada. Breakthrough technologies and innovation in this sector can use of a wide variety of local biomass and residues for the production of biofuels. Similar to the first generation biofuels sector, the successful deployment of next-generation biofuels commercial projects needs both capital and operating support to be viable in the near-term. The ecoENERGY for Biofuels program has been a central element of the government's strategy for biofuels. The first-generation biofuels industry is the platform on which the next-generation technology will be built, thereby leveraging the \$2 billion in economic stimulus in this area already made possible by this government. However, the ecoENERGY for Biofuels program has not been able to accept new applications since 2010, and is therefore not accessible to the next-generation biofuels sector. Previously, we have seen the success of an operating incentive as part of an integrated strategy aimed at stimulating the creation of biofuels plants. We believe that the same support which was made available to first generation biofuels must be accessible to Next-generation Biofuels so that their

successes can be replicated in this innovative sector. For next-generation ethanol projects, this incentive would provide the missing support needed by the sector during the critical commercialization phase and attract private capital investment needed in this challenging financial climate. Recommendations: • Direct unused ethanol money remaining as part of the ecoENERGY for Biofuels program (estimated at approximately \$50 million) to focus on the first wave of next-generation biofuels. Doing so would directly create economic growth without requiring any new capital be deployed. • Implement an operating incentive of \$0.15 per litre for next-generation biofuel producers.

## **5. Other Challenges**

*With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?*

Canadian businesses continue to face challenges brought on by the global recession which means support from the federal government is needed to help build technology and create jobs. Tremendous opportunities to capitalize on Canada's resource development potential for renewable fuels exist; however we also have intense competition from other technologically advanced countries and foreign markets. The simple fact is that if green technologies in Canada are to succeed the industry must be able to compete. This is why government initiatives that encourage private sector investment are key to building sustainable development capability in Canada for our first generation biofuel and next-generation biofuels sector. In this time of global fiscal restraint, we believe the government's focus must be to maintain programs which have a demonstrated history of success and to seek opportunities that directly support innovative technologies. From a renewables perspective, this means maintaining the current level of funding under SDTC and implementing an operating incentive of \$0.15 per litre for next-generation ethanol producers. Operating support and capital play a crucial role in helping innovative Canadian businesses – like commercial next generation biofuels projects - to be viable and succeed. Since 2001, SDTC has financed and supported the development and demonstration of clean technologies which provide solutions to issues of climate change, clean air, water quality and soil – including the \$500 million NextGen Biofuels Fund that supports the establishment of first-of-kind large demonstration-scale facilities for the production of next-generation renewable fuels. To that end, we encourage the government to continue to take needed steps that lower the risk for capital investors and build on the past success of operating incentives to stimulate the creation of biofuels plants for next-generation ethanol producers – both of which have been proven to grow the Canadian jobs market and return significant returns to the federal government in additional tax benefits. Recommendations: • Maintain the current eligibility criteria for SDTC's NextGen Biofuels Fund. • Recapitalize the SDTC technology fund so that the next generation of renewable fuel producers can benefit from a program with a proven track record of developing renewable, clean-burning fuels. The CRFA wishes the House of Commons Standing Committee on Finance every success as it conducts pre-budget consultations and is happy to appear before the Committee to further discuss how we can reach our common goals of increasing the supply of clean, renewable energy to build a stronger more prosperous Canada. For further information, please contact: W. Scott Thurlow President, CRFA