



NOTE: The information below is for compliance promotional purposes only and is not a substitute for the Renewable Fuels Regulations nor does it offer any legal interpretation of these regulations. For requirements under the regulations, refer to the actual regulations. In the event of discrepancies between this document and the Renewable Fuels Regulations, the regulations prevail.

Federal Renewable Fuels Regulations: Overview

The Government of Canada is committed to expanding the production of renewable fuels such as ethanol and biodiesel and their use in Canadian transportation fuel.

The Government's comprehensive strategy has four components:

1. Increasing the retail availability of renewable fuels through regulation;
2. Supporting the expansion of Canadian production of renewable fuels;
3. Assisting farmers to seize new opportunities in this sector; and
4. Accelerating the commercialization of new technologies.

The first component is being implemented through the *Renewable Fuel Regulations* under the *Canadian Environmental Protection Act, 1999*.

More information on the Government's strategy for renewable fuels can be found at:

<http://www.ecoaction.gc.ca/ecoenergy-ecoenergie/biofuelsincentive-incitatifsbiocarburants-eng.cfm>

What are the main requirements under these Regulations?

The *Renewable Fuels Regulations* require fuel producers and importers to have an average renewable content of at least 5% based on the volume of gasoline that they produce or import commencing December 15, 2010. A further 2% renewable content requirement for diesel fuel and heating distillate oil will be implemented through a future amendment to the Regulations, subject to technical feasibility. The Regulations include a trading system and administrative, compliance and enforcement provisions such as recordkeeping and reporting. The full regulations are available at:

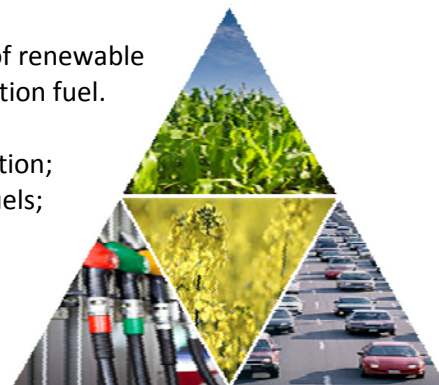
<http://www.ec.gc.ca/lcpe-cepa/eng/regulations/detailReg.cfm?intReg=186>.

WHY IS ACTION NECESSARY?

Why is the Government requiring renewable content in fuels?

Greenhouse gases (GHGs) are primary contributors to climate change and the combustion of fossil fuels is a significant source of GHG emissions. The Government of Canada is committed to reducing Canada's total GHG emissions by 17% from 2005 levels by 2020. These Regulations will make a significant contribution to reductions in air pollution from GHGs to protect the health and environment of Canadians.

Furthermore, increasing the use of renewable fuel is an important part of the Government's commitment to farmers and rural communities. This regulation will provide the certainty



needed for the renewable fuels industry to make investments that will create new jobs and market opportunities for farmers.

The emerging global bioeconomy is an opportunity to diversify farm incomes by creating market opportunities for Canadian farmers as both developed and developing countries move away from dependence on traditional petroleum based fossil fuels in favour of more sustainable options. Canada has a natural advantage in this emerging economy, with a wealth of natural resources and a vast land mass to produce agricultural and forestry products. Renewable fuels, such as ethanol and biodiesel, are created from agricultural crops and other resources that are abundant in Canada, including wheat, corn, canola and soy.

WHAT ARE THE COSTS AND BENEFITS OF REGULATION?

Benefits: Over a 25-year period, the Regulations are estimated to result in a cumulative reduction of 23.8 million tonnes of CO₂e in GHG emissions (about 1 million tonnes per year).

Costs: The present value of the cost associated with the Regulations is estimated to be \$1.9 billion. Gasoline producers and importers are expected to incur costs of \$775 million and costs to consumers are expected to total \$1.1 billion. Costs to the federal government for enforcement, compliance promotion and development and maintenance of the electronic reporting system would be approximately \$2.3 million. Full details of the cost-benefit analysis are available at: <http://www.ec.gc.ca/lcpe-cepa/eng/regulations/detailReg.cfm?intReg=186>.

WHO MUST ACT?

Who is affected by the *Renewable Fuels Regulations*?

The Regulations place various requirements on the following persons depending on the nature of their activity:



Primary Supplier

- Persons who produce and/or import gasoline, diesel fuel or heating distillate oil



Renewable Fuel Producer and/or Importer

- Persons who produce and/or import renewable fuel



Elective Participant

- Persons who elect under s.11 of the Regulations to create compliance units as trading system participants



Seller for Export¹

- Persons who sell for export renewable fuel or petroleum fuel that contains renewable fuel

¹ This classification of regulatee does not apply to anyone who is already considered a “primary supplier”, “elective participant” or a producer or importer of renewable fuel since their respective requirements under the Regulations are addressed separately.

WHAT ACTIONS MUST BE TAKEN?

What are fuel producers and importers required to do?

Producers and importers of gasoline, diesel fuel and heating distillate oil must demonstrate that they meet the renewable fuel requirement(s) – an average of 5% for gasoline and, once in force, 2% in diesel fuel and heating distillate oil. Compliance with the Regulations is demonstrated through the ownership of a sufficient number of compliance units. A trading system was designed to enable primary suppliers to acquire compliance units from others, if needed, in order to meet their renewable fuel content requirement(s) under the Regulations.

HOW DOES THE TRADING SYSTEM WORK?

What is a compliance period?

A compliance period is the period over which a primary supplier must meet the renewable fuel requirement for gasoline and diesel fuel and heating distillate oil, respectively. See Table 1 for more information.

What are compliance units?

A compliance unit represents a litre of renewable fuel and is used to demonstrate compliance with the Regulations. There are two types of compliance units (CUs) under these Regulations:

1) Gasoline CUs:

- Are created for renewable fuel content in gasoline and fuels other than diesel fuel or heating distillate oil; and
- May be used to demonstrate compliance with the 5% renewable fuel requirement for gasoline.

2) Distillate CUs:

- Are created for renewable fuel content in diesel fuel or heating distillate oil; and
- May be used to demonstrate compliance with either the 2% renewable fuel requirement in diesel fuel and heating oil or the 5% renewable fuel requirement for gasoline.

Who may participate in the trading system?

Primary suppliers² are automatically participants in the trading system. Other parties who engage in one of the following activities may elect to become participants in the trading system (see section 11 of Regulations):

- blend renewable fuel with petroleum fuel (owner upon blending may create compliance units) producing petroleum fuel by using biocrude as a feedstock,
- importing petroleum fuel with renewable fuel content,
- selling neat renewable fuel to a neat renewable fuel consumer, or using neat renewable fuel that they produced or imported themselves

Participants in the trading system must register with Environment Canada and are the only persons who may create or trade compliance units.

² Primary suppliers who produce and/or import less than 400 m³ of fuel per year are exempt from the trading system (see section 2 of the Regulations) but may choose to opt into the Regulations under section 3.

How can I get compliance units?

Compliance units are created by activities such as adding renewable fuel to petroleum fuel, importing petroleum fuels with renewable fuel content or by using biocrude (see sections 13 to 16 of Regulations) and must be confirmed through recordkeeping requirements (see sections 31 and 32 of Regulations). Generally, one compliance unit equates to one litre of renewable fuel. Sections 21 to 25 of the Regulations contain provisions and limits for compliance units to be carried forward into a future compliance period, carried back for use in a previous compliance period, or cancelled if required to do so.

Primary suppliers are the only parties obligated to meet the renewable fuel content requirements and are therefore the only participants able to acquire compliance units through trading. Elective participants may sell or trade compliance units provided that the party receiving the compliance units is a primary supplier.

What is the trading period?

The trading period begins at the start of a compliance period and ends the March 31 immediately following the end of a compliance period. It provides an additional three months for primary suppliers to review their records, assess compliance with their renewable fuel volume requirements, and to acquire additional compliance units, or trade away excess units. At the end of the trading period a primary supplier must own sufficient compliance units³ that were created during, carried forward into, or carried back into, the associated compliance period to meet their renewable fuel volume requirements.

WHEN DOES THIS HAPPEN?

Important dates and reporting deadlines are outlined in the Tables below. Forms for submitting the required registration information in Table 2 will be made available for the convenience of regulatees at: <http://www.ec.gc.ca/energie-energy/default.asp?lang=En&n=0AA71ED2-1>.

Table 1: Important Dates under the Renewable Fuel Regulations

	PRIMARY SUPPLIER OF GASOLINE	PRIMARY SUPPLIER OF DISTILLATE (diesel fuel and heating distillate oil)
Renewable fuel requirement	5% average for each compliance period	2% average for each compliance period
Coming-into-force date of renewable fuel requirement	December 15, 2010	To be determined (implemented through future Amendment)
First compliance period	December 15, 2010 to December 31, 2012	To be determined ⁴
Future compliance period(s)	January 1 to December 31 (a calendar year)	January 1 to December 31 (a calendar year)
Trading period associated with each compliance period	Start of compliance period to March 31 following end of compliance period	Start of compliance period to March 31 following end of compliance period
Recordkeeping	December 15, 2010 and onwards	December 15, 2010 and onwards

³ Calculated in accordance with section 8 of the Regulations

⁴ Refer to section 1 of Regulations for the definition of pre-distillate compliance period

Table 2: Important Reporting Deadlines under the *Renewable Fuel Regulations*

Information required for Registration and Annual Reporting Requirements	Requirements based on Regulatee Type (includes distillate-only suppliers)				
	Deadline to submit information to an Environment Canada regional office	Primary Supplier	RF Producer /Importer	Elective Participant	Seller for export
Schedule 1 – Primary Supplier Registration	One day before 400 th m ³ (400 000 litres) is produced and/or imported*	✓			
Schedule 2 – Trading System Participant Registration	One day before creation of compliance units	**		✓	
Schedule 3 – Auditor's Report	June 30 (annually, starting 2013)	✓	✓	✓	
Schedule 4 – Primary Supplier Annual Report	Interim report: April 15, 2012 Thereafter: April 15 (annually, starting 2013)	✓			
Schedule 5 – Trading System Participant Annual Report	Interim report: April 15, 2012 Thereafter: April 15 (annually, starting 2013)	✓		✓	
Schedule 6 – Producer or Importer of Renewable Fuel Registration	One day before 400 th m ³ (400 000 litres) is produced and/or imported*		✓		
Schedule 7 - Producer or Importer of Renewable Fuel Annual Report	Interim report: February 15, 2012 Thereafter: February 15 (annually, starting 2013)		✓		
Schedule 8 – Report on Measurement Methods	Later of: ▪ Day of registration by the person; and ▪ February 19, 2011	✓	✓	✓	
Sales for Export- Annual [Information under 36(2)]	Interim report: February 15, 2012 Thereafter: February 15 (annually, starting 2013)				✓

* Generally, by December 14, 2010 for existing operations

** Primary suppliers are expected to submit all the information required in Schedule 2 as required by item 5 in Schedule 1

What happens if I don't comply with the Regulations?

Compliance with the Regulations is mandatory. A person who is found guilty of contravening or failing to comply with the Regulations is subject to fines and/or imprisonment. Environment Canada's *Compliance and Enforcement Policy* for the *Canadian Environmental Protection Act, 1999* sets out the criteria for responses by Environment Canada enforcement officers to alleged violations and is available at: .

<http://www.ec.gc.ca/CEPARRegistry/documents/policies/candepolicy/toc.cfm>

HOW TO STAY INFORMED?

Environment Canada also has the following information which is available at:

<http://www.ec.gc.ca/energie-energy/default.asp?lang=En&n=0AA71ED2-1>

- *Renewable Fuels Regulations* (full text of Regulations)
- *Federal Renewable Fuels Regulations: Primary Suppliers*
- *Federal Renewable Fuels Regulations: Distillate-only Primary Suppliers*
- *Federal Renewable Fuels Regulations: Sellers of Fuel for Export*
- *Federal Renewable Fuels Regulations: Blending Operations*
- *Federal Renewable Fuels Regulations: Renewable Fuel Producers and Importers*
- *Federal Renewable Fuels Regulations: High-Renewable Content and Neat Renewable Fuels*
- *Questions and Answers on the Renewable Fuel Regulations*

Further questions and inquiries can be directed to Environment Canada's Inquiry Centre at

Tel.: 1-800-668-6767

Fax: 819-994-1412

or

Email: fuels-carburants@ec.gc.ca (Environment Canada's Fuels Program)



DID YOU KNOW?

There are a number of other federal fuel regulations that must be complied with, if applicable, namely:

- *Fuels Information Regulations, No. 1* [sulphur and additives reporting]
- *Gasoline Regulations* [lead and phosphorous],
- *Benzene in Gasoline Regulations*,
- *Sulphur in Gasoline Regulations*,
- *Sulphur in Diesel Fuel Regulations*,
- *Contaminated Fuels Regulations*,
- *Gasoline and Gasoline Blend Dispensing Flow Rate Regulations*.

For more information refer to:

<http://www.ec.gc.ca/energie-energy/default.asp?lang=En&n=EE068DA8-1>





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