



Federal Renewable Fuels Regulation

Overview of Approach



Meeting of Industrial Technical Advisory Group

In keeping with the Government's policy on harmonization, the approach is similar to that of the U.S.

- The 2006 Notice of Intent set out that we would look closely at the Renewable Fuel Standard developed by the U.S. EPA
- The approach generally harmonizes with that of the U.S. rule
 - The renewable fuel requirement applies to the volume of petroleum fuel produced and imported
 - Tradeable compliance units are the basis for complying with the regulations
 - Each compliance unit represents one litre of renewable fuel



The approach avoids some complications of the U.S. Renewable Fuel Standard

- The key simplification is that producers and importers of renewable fuel are not involved in creating compliance units
 - This avoids the need for complex provisions regarding “RINs”
 - Creation of 38-digit RINs, assignment to batches of renewable fuel, separation upon blending, etc
 - EPA indicates that the RIN approach has been problematic
 - The change means record-keeping provisions can be used instead of RINs to substantiate compliance units

The Canadian approach relies heavily upon recordkeeping and reporting requirements to establish compliance



The 2% distillate requirement will be implemented through a future amendment to the Regulation

- This is to be implemented by 2011 or earlier, subject to technical feasibility
 - Questions remain from industry and end-users relating to cold weather operation, long-term storage, impacts on engines and equipment, distribution infrastructure
 - Work has commenced to address the issues
 - NRCan has launched a demonstration initiative building on the Alberta Renewable Diesel Demonstration
- The working document for consultation is an integrated package with a ‘place holder’ for the distillate requirement
 - It sets out the full approach

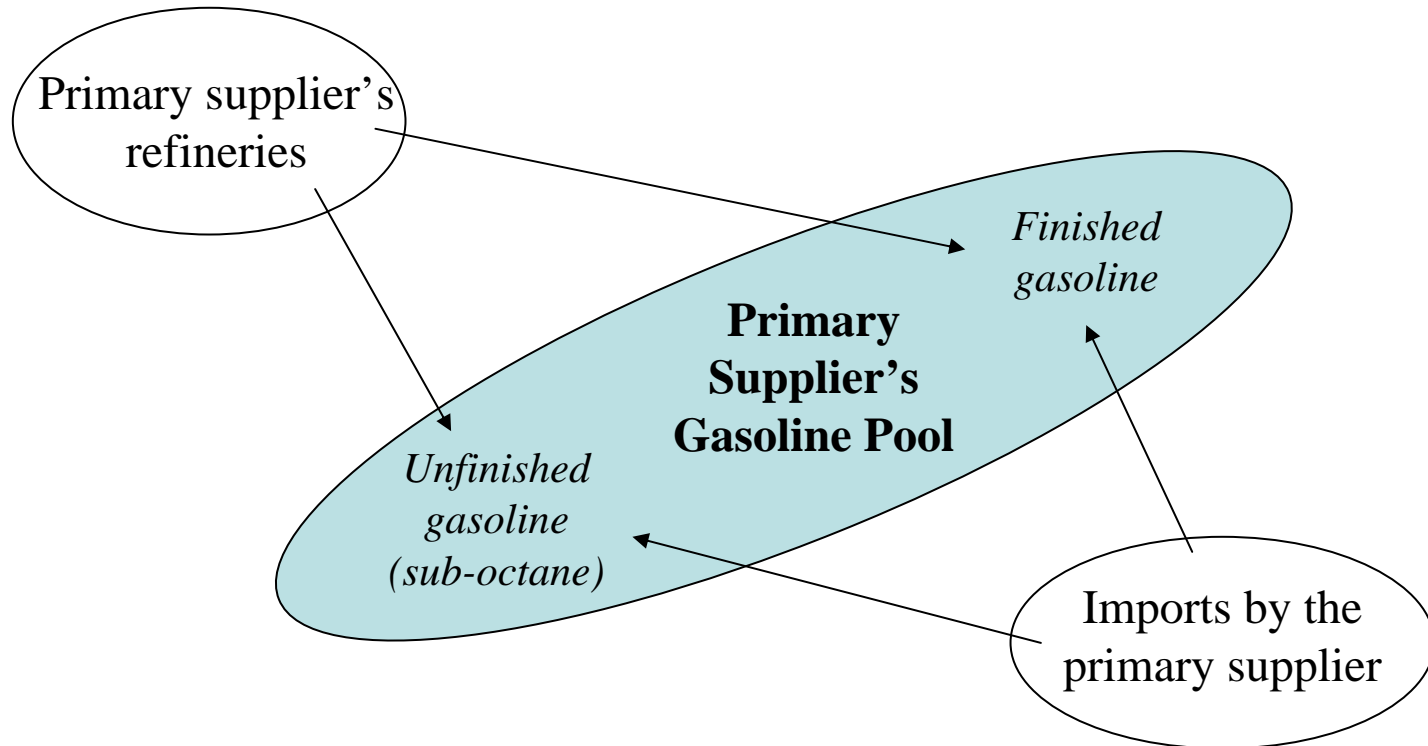


General Approach:

- The regulation will require renewable fuel volumes of at least:
 - 5% of a primary supplier's gasoline pool (its annual production/importation of gasoline – both finished fuel and sub-octane blendstock)
 - 2% of a primary supplier's distillate pool (its annual production / importation of diesel fuel and heating oil)
- Compliance is based on ownership of compliance units at the end of the year
 - 1 distillate compliance unit = 1 litre of renewable fuel in diesel or heating oil
 - 1 gasoline compliance unit = 1 litre of renewable fuel in gasoline or other fuels
 - Compliance units may be transferred between primary suppliers



A primary supplier's gasoline pool is its total production plus imports



The pool is defined at a primary supplier's refinery gate and import points

Limits apply on a company (not facility) basis

A primary may create or acquire compliance units

1. Create

one compliance unit may be created for each litre of:

Each compliance unit represents one litre of renewable fuel

Blending facilities

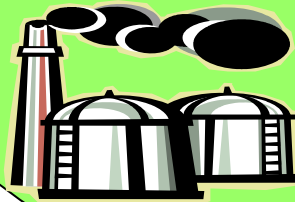


RF in a blended product that is imported

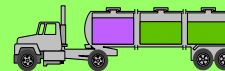
Imports

RF blended into fuel at any facility

Refineries



Bio-crude used as feedstock at a refinery



or

units not used in a compliance period may be re-created for use in the following period

2. Acquire from others



Persons other than primary suppliers may also create compliance units

- Through the same type of actions:
 - Blending renewable fuel with petroleum fuel
 - Importing blended fuel other than gasoline, diesel fuel or heating oil
 - (note that importers of gasoline / distillate are primary suppliers)
 - Producing fuel other than gasoline, diesel fuel or heating oil using bio-crude feedstock
 - (note that persons producing gasoline / distillate from bio-crude are primary suppliers)

Persons creating compliance units must notify the Minister that they elect to participate in the trading system and provide registration information



Compliance units may be exchanged

		Recipient		
		Primary supplier	Non-PS trading system participant	Another party
Transferor	Primary supplier	Yes	No	No
	Non-PS trading system participant	Yes	No	No
	Another party	No	No	No

The restrictions on trading are intended to ensure that compliance units reach obligated parties



Records and reports are key to enforcement

- Enforcement rests solely upon records and reports
- Requirements apply to primary suppliers, trading system participants, and producers and importers of renewable fuel
- Information is required on:
 - Fuel type
 - Volume produced / imported / exported
 - Renewable fuel content
 - Renewable fuel volume produced, imported, acquired, sold, blended
 - Compliance units created, transferred, received
 - Year-to-date balance of compliance units
- A third part audit of records and reports is required annually



Other provisions include:

- Method for measuring volumes
- Election to participate in trading system
- Ownership and cancellation of compliance units
- One-time registration report for regulatees
- Third-party audits
- Retention of records



Summary of key requirements

Requirement	Primary supplier (producer or importer)	Non-PS trading system participant (e.g., blender)	Seller for export	Producer or importer of renewable fuel
Renewable fuel in gasoline, diesel fuel, and heating distillate oil	Yes	No	No	No
Election into the trading system	Automatic	Optional	No	No
One-time registration	Yes	Yes	No	Yes
Annual reports	Yes	Yes	Yes	Yes
Compliance unit account book	Yes	Yes	No	No
Other records	Yes	Yes	Yes	Yes
Third-party audits	Yes	Yes	No	Yes



Sections of the working document for consultation

Part 1: Requirements pertaining to gasoline, diesel fuel and heating distillate oil

1. Interpretation
2. Application
3. Prescribed quantities
4. Calculation of pools
5. Quantity of renewable fuel
6. Method for measuring volumes of fuel
7. Registration as a primary supplier
8. Compliance period report by primary suppliers
9. Record of type of fuel
10. General records by primary suppliers
11. Retention of records
12. Submission of samples, records and reports

Part 2: Requirements pertaining to a system of tradeable compliance units

13. Election to participate in a trading system for compliance units
14. Creation of compliance units
15. Ownership of compliance units
16. Exchange of compliance units
17. Use and cancellation of compliance units
18. Compliance unit account book
19. Additional records for trading system participants
20. Compliance period report for trading system participants
21. Records and reporting on sales of fuels for export
22. Records and reporting on renewable fuels
23. Auditor's report
24. Coming into force





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Questions and Comments?

