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Dear Mr Forbes,

I am writing on behalf of the informal group of industry associations and industry members, the Industry Steering Committee on Climate and Clean Air (ISC3), to ask for your assistance regarding serious and time-sensitive concerns with the implementation of the Clean Fuel Regulations (CFR). The CFR is complex and interconnected across industries and requires focused attention from ECCC for successful implementation.

Significant work, by both industry and government, must be completed in the near term for the CFR to be successfully implemented. Keeping Canada's economy moving requires enormous volumes of fuels and the CFR is requiring changes to how this system operates. To meet the new regulatory requirements of the CFR, new approaches and large investments are required across the fuels value chain – feedstock collection and processing, biofuels manufacture, decarbonization of the existing fossil fuel supply chain, electrification, etc. – all of which are relying on the development of timely and practicable regulatory clarity. This regulatory clarity needs to reflect the realities of Canada's existing logistics and infrastructure. We appreciate the work of ECCC officials to finalize and explain the new regulations through virtual Q and A sessions last fall and subsequent focused sessions with member associations. However, several outstanding items are concerning given the regulatory timelines and the preparations required across industry.

Critical elements of regulatory implementation require immediate attention, including clarification on the timeline for ECCC approval of carbon intensity applications and how verification of compliance credits will be completed by approved verifiers by the June 30, 2023 deadline and the traceability responsibilities for canceling credits for export of low CI fuels (CC2) and fossil fuels (CC1) after the first point of sale.

Other business-critical issues also need to be clarified and addressed in the short term, namely land use and biodiversity criteria, including forest and agriculture feedstock traceability and GPS coordinates, overly prescriptive, impractical requirements of the coprocessing QM, and determining the portion of crude oil not exported from Canada.

While ECCC maintains issues will be addressed through regulatory guidance, more engagement with the industry is needed to ensure practical guidance is developed. As guidance documents continue to evolve, this has potential for significant financial implications as new guidance can invalidate credits. To date, there has been limited engagement with industry on the development of this guidance, for items such as how to confirm the proportion of the quantity of crude oil that is not exported. The fossil and renewable fuels and feedstock supply chains and operations are complex systems and we suggest that ECCC could benefit from the expertise of our members. We have observed gaps in practical knowledge that are resulting in significant hurdles to developing workable solutions through quality and timely guidance. Our

recommendation is for more frequent and targeted engagement with industry to co-operatively close these gaps to develop workable solutions through regulatory guidance.

**We strongly recommend ECCC work more closely with industry partners, including in-person workshops, to develop regulatory guidance on CFR implementation.** The specifics regarding information that is needed for compliance, e.g. monitoring plans, verification processes, documentation requirements, is an area of particular concern. User training on the new CFR Credit and Trading System (CATS) would also be beneficial. Working closely with industry partners is essential to help ensure the regulations are implemented in a manner that limits unnecessary burdens and maximizes the efficiencies of GHG emission reductions from different compliance activities. For example, the CFR regulatory supporting documents need to reflect the realities of Canada's existing logistics and infrastructure and recognize existing legislative compliance measures.

Secondly, **we recommend ECCC allocate the resources necessary to provide the level of CFR stakeholder support required for regulations of this complexity and scope.** We appreciate the work ECCC has undertaken to date. Given the impending in-force date of the CFR, resource constraints must not limit ECCC's ability to address critical issues and provide regulatory guidance.

Our group shares ECCC's desire for the CFR to succeed. We would like to offer our support and expertise to better inform ECCC's efforts and expedite quality guidance. We would welcome a discussion with your staff to elaborate and clarify our thoughts.

Sincerely,



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