



**To:** Government of Saskatchewan  
**From:** Canadian Propane Association  
**Subject:** Adjusting Saskatchewan’s Motor Fuel Tax Treatment of Propane

### Purpose

The Canadian Propane Association (CPA) recommends a 50% reduction in Saskatchewan’s auto-propane motor fuel tax rate and modernization of its tax treatment, to:

- Address Saskatchewan’s status as a national outlier in policy design;
- Reduce administrative burden on rural small businesses and government;
- Support agriculture and oil & gas competitiveness;
- Encourage uptake of a lower-emission, domestically produced fuel; and
- Create a pathway to long-term revenue neutrality through increased adoption.

### Issue

Saskatchewan currently applies motor fuel tax to propane used in stationary equipment and requires small businesses to apply for rebates. Saskatchewan is the only province in Canada applying this structure. This approach:

- Places disproportionate administrative burden on rural and small businesses;
- Creates avoidable administrative workload for the provincial government;
- Discourages adoption of propane in agriculture and energy operations; and
- Suppresses growth in a lower-emission domestic fuel.

Propane contributes to just 0.05% of Saskatchewan’s total motor fuel tax revenue, indicating minimal fiscal exposure.

### Saskatchewan in National Context: Auto-Propane Tax Rates

Province	Auto-Propane Tax (¢/L)
Ontario	0
Québec	0
British Columbia	12.38
Alberta	13.00
Saskatchewan	9.00

Ontario and Québec — Canada’s largest provinces — levy **no motor fuel tax on auto-propane**.

## Per Capita Context (StatsCan 2024 est.)

Province	Litres per Capita	Propane Tax per Capita
BC	23.5 L	\$2.90
Alberta	8.3 L	\$1.08
<b>Saskatchewan</b>	<b>2.1 L</b>	<b>\$0.19</b>
Ontario	11.1 L	\$0
Québec	2.4 L	\$0

Saskatchewan's propane tax revenue represents **just \$234,000 annually**, out of approximately **\$475 million** in total motor fuel tax revenue.<sup>1</sup> Saskatchewan's propane usage per capita is extremely low — less than one-tenth of BC's. This signals suppressed adoption and untapped growth potential.

## Administrative Burden: Rural and Small Business Impacts

Saskatchewan's application of motor fuel tax to propane used in stationary equipment — and subsequent rebate requirement — is unique in its application and unduly penalizes propane use and customers in the province. For many operators, compliance time may exceed the economic value of the rebate itself.

### Impacts on Small Business

- Farmers and rural operators must track fuel use (transportation vs non transportation) and file rebate claims.
- Small construction, oilfield, and agricultural businesses face compliance complexity disproportionate to the tax amount involved.
- Cash flow impacts occur while awaiting rebates.

### Impacts on Government

- Processing small-value rebate claims generates administrative overhead.
- Enforcement and compliance monitoring adds workload.
- The fiscal yield (\$234,000 total annually) is extremely small relative to administrative complexity.

## Fiscal Impact Summary (Saskatchewan – 2024)

Scenario	Volume (ML)	Tax Rate (¢/L)	Estimated Revenue	Revenue Change	% of Total Motor Fuel Tax
Current	2.6	9.0¢	\$234,000	—	0.049%
After 50% Reduction (Static Volume)	2.6	4.5¢	\$117,000	-\$117,000	0.024%
Revenue-Neutral Threshold	5.2	4.5¢	\$234,000	\$0	0.049%



## Key Points

- Maximum short-term fiscal exposure is approximately **\$117,000 annually** under static demand.
- Propane currently represents less than **0.05%** of Saskatchewan's total motor fuel tax revenue.
- Revenue neutrality occurs if provincial propane consumption increases from **2.6 ML to 5.2 ML** — an increase of just **2.6 ML**.
- With current per-capita usage at only **2.1 litres per person**, modest fleet conversions could reasonably double provincial volumes over time.

## Broader Economic Considerations

Even if full revenue neutrality is not immediate, broader fiscal and economic benefits include:

- Increased economic activity (vehicle conversions, fueling infrastructure, servicing)
- Higher corporate and personal income tax revenues
- Reduced rebate-processing and compliance administration
- Improved affordability for rural and fleet operators
- Greater utilization of Western Canadian propane supply

Given the very small existing revenue base, fiscal risk is limited while growth and competitiveness upside is meaningful.

## Recommendations

1. **Reduce Saskatchewan's auto-propane motor fuel tax rate by 50% (from 9¢/L to 4.5¢/L).**
  - a. Eliminate Saskatchewan's outlier treatment of stationary propane requiring rebate applications.
  - b. Track propane volumes annually to evaluate adoption growth.
    - i. Review revenue impacts after a defined period (e.g., 3 years).

## Conclusion

Saskatchewan is uniquely positioned to modernize its motor fuel tax framework. The province is currently an outlier in its administrative treatment of propane, collects only minimal revenue from the fuel, has the lowest per-capita usage among western provinces, and imposes unnecessary compliance burdens on rural small businesses. At the same time, current policy may be unintentionally discouraging adoption of a lower-emission, domestically produced fuel in key sectors such as agriculture and oil & gas.

A 50% reduction in the auto-propane tax represents a prudent, low-risk policy adjustment. With maximum short-term fiscal exposure of approximately \$117,000 under static conditions — and meaningful potential for fleet-driven growth — Saskatchewan can support rural competitiveness, energy sector innovation, and environmental performance while modernizing an outdated and inequitable tax structure.



## **Appendix A:**

### **Economic and Sector Impacts**

#### **Agriculture**

Propane is widely used in grain drying, irrigation, and other stationary farm operations. Saskatchewan's unique tax treatment increases compliance costs and adds administrative burden not faced by producers in other provinces.

In a price-sensitive global commodity market, even small cost inequities accumulate over time, reducing farm competitiveness.

#### **Oil & Gas**

Propane presents an opportunity for expanded use in site operations, fleet vehicles, and stationary applications within Saskatchewan's oil and gas sector. It offers lower emissions than gasoline and diesel and aligns with provincial energy growth objectives.

However, current tax inequities reduce its economic competitiveness. Aligning tax policy would support emissions reductions within a core provincial industry without mandating technology change.

### **Environmental and Air Quality Benefits**

Relative to gasoline and diesel, propane provides:

- Near-term GHG reductions, particularly when replacing older ICE vehicles
- Lower criteria air pollutants than diesel in many applications
- Immediate scalability without electrical grid expansion
- Use of a domestically produced Western Canadian fuel

Propane is particularly well-suited for medium- and heavy-duty fleets, municipal and service fleets, regional delivery, paratransit, and vocational trucks.

Because fleet conversions occur at the depot level, modest improvements in fuel economics can unlock significant volume growth.

