



Canadian Association
Propane canadienne
Association du propane

To: Ministry of Finance, Government of Alberta
From: Canadian Propane Association
Subject: Strengthening Alberta's Competitive Position Through Auto-Propane Tax Reform

The Canadian Propane Association (CPA) recommends that Alberta eliminate its auto-propane motor fuel tax rate to:

- Reinforce Alberta's position as a low-tax, pro-energy jurisdiction;
- Align with Ontario and Québec (0¢/L), Canada's largest auto propane markets;
- Support fleet adoption and investment in lower-emission fuels;
- Enhance competitiveness for Alberta businesses and municipalities; and
- Unlock growth in a domestically produced, Western Canadian fuel.

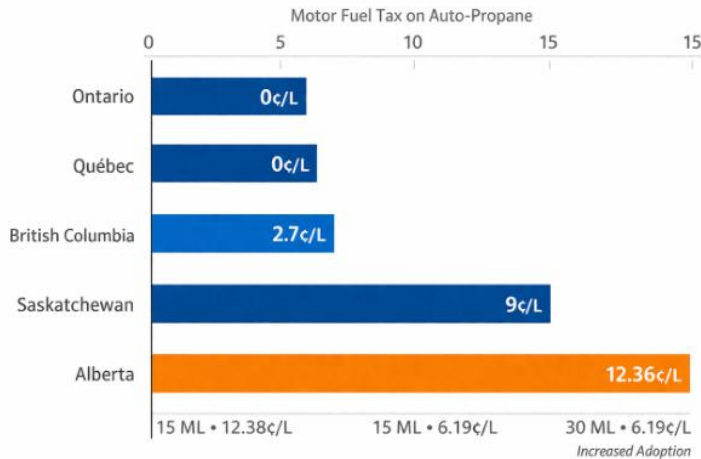
Issue

Alberta currently applies a motor fuel tax of 13¢/L on auto-propane, placing it at a competitive disadvantage relative to jurisdictions that have moved to zero tax treatment. This creates several challenges:

- Interprovincial competitiveness gap: Ontario and Québec levy no tax on auto-propane, attracting investment and fleet adoption.
- Suppressed domestic demand: Despite abundant propane supply, Alberta's per capita usage remains modest.
- Missed economic opportunity: Higher relative fuel costs discourage fleet conversions and infrastructure development.
- Policy inconsistency: Alberta promotes energy development, but taxes one of its own lower-emission fuels at a higher rate than leading provinces.

Alberta in National Context: Auto-Propane Tax Rates

Provincial Motor Fuel Tax Rates on Propane Transportation Fuel



Strategic Context: Why This Matters for Alberta

1. Competitiveness & Investment Attraction

- Fleet operators (delivery, transit, logistics) make fuel decisions based on total cost per litre.
- Alberta's current tax structure disincentivizes fleet conversions relative to other provinces.
- Aligning with 0¢/L jurisdictions would:
 - Attract fleet investment and infrastructure buildout
 - Prevent capital flight to other provinces

2. Supporting an Alberta Resource

- Propane is a by-product of Alberta's natural gas industry and is abundantly available as production forecasts expect increased production.
- Increasing domestic propane demand strengthens value chains within Alberta and supports rural and energy sector economies.

3. Low Fiscal Risk

- Alberta's motor fuel tax revenue from propane is extremely small — likely in the range of \$5–10 million annually, representing well under 1% of total fuel tax revenues. This indicates that reducing or eliminating the tax presents minimal fiscal risk while offering meaningful upside
 - Based on best available data and reasonable assumptions, Alberta likely collects on the order of: ~\$5M – \$15M per year from propane motor fuel tax (≈ 0.3% – 1% of total fuel tax revenue)¹

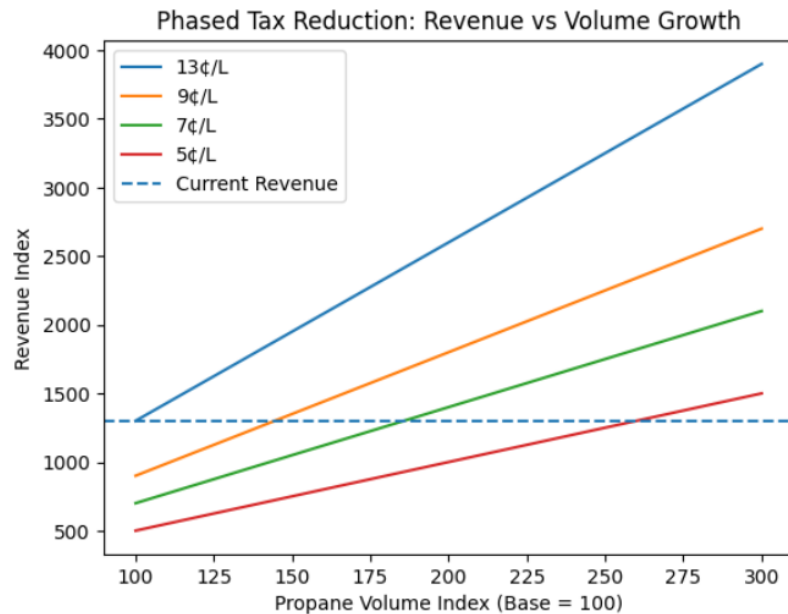
Policy Options

Option 1: Full Elimination (Recommended)

- Reduce Alberta's auto-propane tax from 13¢/L to 0¢/L
- Align fully with Ontario and Québec
- Position Alberta as the most competitive jurisdiction in Western Canada

Option 2: Phased Reduction

A phased reduction allows Alberta to move down the tax-rate curve while moving right along the volume curve. Initial revenue impacts can be mitigated as increased propane adoption expands the taxable base. At moderate reductions (e.g., 13¢/L to 9¢/L), revenue neutrality can be achieved with approximately 40–50% growth in propane volumes — a level that could be realized through targeted fleet conversions and infrastructure expansion.



- Lower tax rates can recover revenue through growth
 - At 9¢/L, revenue recovers when volume increases to ~145 (≈ +45%)
 - At 7¢/L, break-even is ~185 (≈ +85%)
 - At 5¢/L, break-even is ~260 (≈ +160%)

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The majority of Canadian propane production originates in Alberta, with output expected to grow alongside increasing natural gas production. This creates a timely opportunity to better align tax policy with the province’s resource strengths by encouraging greater in-province propane use.

Incentivizing domestic consumption supports a made-in-Alberta energy solution—enhancing energy security, strengthening local value chains, and retaining more economic value within the province. Overall, the proposed tax adjustment is a low-risk, high-upside policy lever. Initial revenue impacts are modest, while growth potential is strong, positioning propane as a strategic opportunity to advance fiscal sustainability, economic development, and energy security.

Appendix A: Economic and Environmental Benefits

Economic Growth

- Increased fleet conversions (medium- and heavy-duty vehicles)
- Expansion of fueling infrastructure and service networks
- Job creation across installation, maintenance, and fuel supply chains
- Higher corporate and personal income tax revenues from sector growth

Affordability & Business Competitiveness

- Lower operating costs for:
 - Municipal fleets
 - Logistics and delivery companies
 - Trades and service vehicles
- Improved competitiveness for Alberta-based businesses

Environmental Performance

Relative to gasoline and diesel, propane offers:

- Immediate GHG reductions without requiring grid expansion
- Lower criteria air pollutants than diesel and gasoline
- Scalable adoption using existing internal combustion technology
- A practical, available now emissions solution for fleets