



Canadian Association
Propane canadienne
Association du propane

To: Government of B.C.
From: Canadian Propane Association
Subject: Amending B.C.'s Motor Fuel Tax

Purpose

The Canadian Propane Association (CPA) recommends that the Government of B.C. amend the provincial Motor Fuel Tax to reduce the tax rate applied to propane used as a transportation fuel.

This adjustment would:

- Recognize the lower emissions intensity of propane compared to gasoline and diesel
- Encourage adoption of a Canadian made, lower-emission transportation fuel, available now
- Reduce administrative burden associated with the current rebate-based structure
- Support fleet emissions reductions in sectors that are difficult to electrify in the near term
- Align B.C.'s policy approach with Ontario and Québec, which have eliminated provincial motor fuel tax on propane transportation fuel

Issue

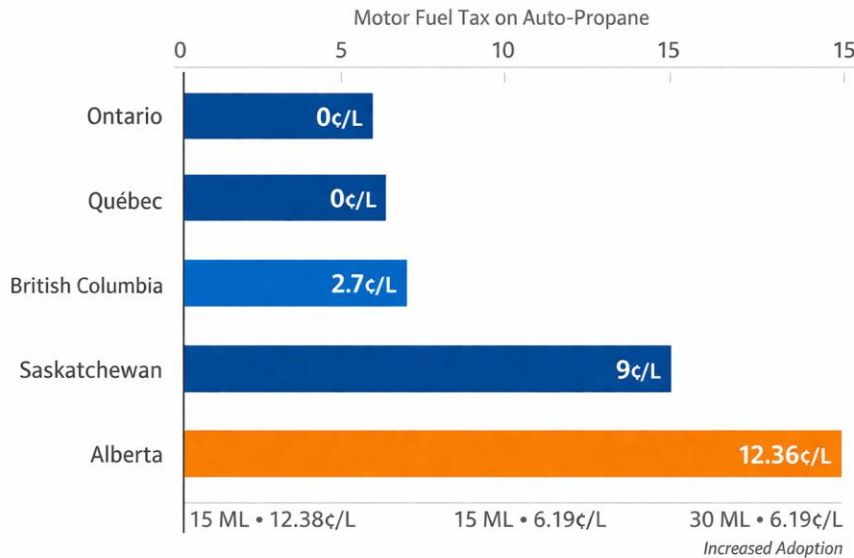
Propane is widely recognized as a lower-emission alternative to gasoline and diesel in transportation applications, yet B.C.'s current motor fuel tax framework does not fully reflect this environmental benefit. Under the existing system:

- Propane used for transportation is subject to provincial motor fuel taxation
- Certain users rely on rebate mechanisms or administrative processes
- The framework creates additional compliance and reporting requirements for businesses and government

These administrative structures can discourage adoption of propane as a transportation fuel despite its ability to deliver immediate emissions reductions without requiring new infrastructure or electrical grid expansion. Modernizing the tax framework would better align provincial policy with environmental objectives and practical fleet decarbonization opportunities.

Provincial Alignment

Provincial Motor Fuel Tax Rates on Propane Transportation Fuel



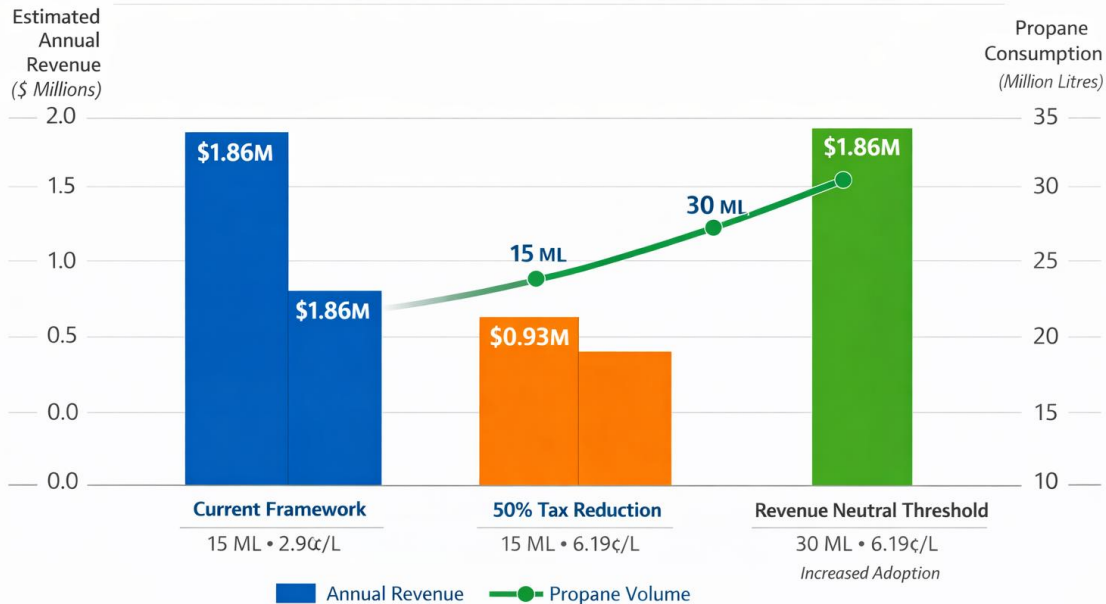
Ontario and Québec — Canada’s two largest provinces — have eliminated provincial motor fuel tax on propane used in transportation to encourage adoption of lower-emission fuels and simplify administration.

Potential for Revenue Neutrality Through Increased Adoption

Reducing the provincial motor fuel tax applied to propane could stimulate greater adoption in transportation fleets, which may partially or fully offset any reduction in per-litre tax revenue. Fleet operators make fuel decisions largely based on operating costs, even modest improvements in propane’s fuel economics can lead to increased adoption, particularly in sectors where vehicles refuel from centralized depots. Because fleet vehicles consume large fuel volumes annually, even a small number of fleet conversions can meaningfully increase provincial propane demand. As propane use grows, the overall taxable fuel volume increases, expanding the provincial tax base and helping offset reductions in the per-litre tax rate. The following scenario demonstrates how increased propane adoption could offset potential revenue impacts.



Motor Fuel Tax Revenue Scenario – Propane (Illustrative)



Fiscal Risk Profile

The fiscal risk associated with a propane tax reduction is relatively limited because propane currently represents a small share of total transportation fuel consumption.

At the same time, policies that improve propane’s competitiveness can encourage fleet investment, increase utilization of fueling infrastructure and expand overall provincial propane demand. Over time, this growth can broaden the tax base and reduce long-term fiscal impacts.

Opportunity for B.C.

Reducing the provincial motor fuel tax applied to propane would allow BC to:

- Accelerate near-term transportation emissions reductions
- Support lower-emission fleet conversions
- Improve cost competitiveness for a lower-carbon fuel
- Reduce administrative burden associated with the current rebate framework
- Maintain a technology-neutral approach to emissions reductions

This policy adjustment is particularly relevant for medium- and heavy-duty fleet applications, where electrification may face operational constraints.

Appendix A:

1. Environmental Performance of Propane

Propane offers measurable environmental advantages relative to conventional transportation fuels. Compared with gasoline and diesel, propane provides:

- Up to 26% lower greenhouse gas emissions than gasoline
- Lower lifecycle carbon intensity in many transportation applications
- Significantly lower particulate matter and nitrogen oxide emissions than diesel
- Minimal evaporative emissions

Because propane vehicles are commercially available and widely used, they can deliver immediate near-term emissions reductions, particularly in fleet applications such as:

- Municipal vehicles
- School buses
- Shuttle and paratransit fleets
- Regional delivery vehicles
- Vocational and service trucks

Fleet conversions are particularly effective because vehicles refuel at centralized depots, allowing rapid fuel switching and measurable emissions reductions. Even modest improvements in fuel economics can therefore unlock significant fleet adoption.

2. Administrative Burden of the Current Framework

(i) Impacts on Businesses

- Operators must track fuel use and eligibility for rebates
- Compliance requirements can be disproportionate to the value of the tax
- Smaller businesses face additional reporting and record-keeping obligations

(ii) Impacts on Government

- Processing rebate claims generates administrative workload
- Monitoring and enforcement require additional government resources



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Reducing the motor fuel tax applied to propane could simplify administration, reduce compliance costs, and improve policy efficiency.