



Growth Energy™
Expanding America's Bioeconomy

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Ms. Lisa Ryan
Acting Executive Director
Low Carbon Fuels Division
Environment and Climate Change Canada
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Gatineau, Quebec K1A 0H3

Via email: cfsncp@ec.gc.ca

Dear Ms. Ryan:

Thank you for the opportunity to comment on Environment and Climate Change Canada (ECCC)'s discussion paper to inform the draft targeted amendments of the Clean Fuel Regulations (CFR), as well as the opportunity to address specific questions to help focus what is being considered. We appreciate ECCC's past collaborative efforts on the CFR and welcome those continued efforts as our members continue to contribute to the success of the program.

Growth Energy is the world's largest association of ethanol producers, representing 97 U.S. plants that each year produce 36 billion liters of low-carbon, renewable fuel; 130 businesses associated with the production process; and tens of thousands of ethanol supporters around the country. Growth Energy represents the leading exporters in the ethanol industry, helping to support nearly two billion gallons of ethanol exports to over 60 countries around the world.

Of those exports, over 2.6 billion liters of U.S. ethanol was supplied to Canada in 2024 that helped to lower consumer prices and improve the emissions footprint of Canada's transportation sector. The U.S. also imported nearly 481 million liters of ethanol in 2024, including 122 million liters from Canada valued at \$117 million. Additionally, significant inputs into the U.S. ethanol production process are sourced from Canada, including yeasts.

As one of our strongest partners, Canadian biofuels and feedstocks have and continue to be eligible to participate in the U.S. Renewable Fuel Standard (RFS) as well as other state low carbon fuel standards (California, Oregon, Washington, and soon New Mexico). Canada also uniquely benefits from land use eligibility under the RFS through aggregate compliance, which is the same as U.S. biofuels. While there is a proposal pending to decrease credit value for imported fuels and feedstocks under the RFS, Growth Energy supports continued full value and equal treatment of North American feedstocks and fuels.

Canada is one of our strongest trading partners for biofuels and their inputs. While we recognize the current trade situation between the United States and Canada is complicated, formalizing restrictions on U.S. ethanol in the CFR could be an unnecessary complicating factor affecting both U.S. and Canadian industries and the environment. Given the fact that efforts were taken to ensure equal treatment of Canada's agricultural feedstocks when compared to those produced in

the United States under our own regulations, we ask ECCC to do the same and not include U.S. ethanol in the scope of these targeted amendments. We also request ECCC's assistance to similarly remove U.S. ethanol from the scope of provincial regulations that would restrict the participation and use of American ethanol.

Response to Questions on Regulatory Approach

We support Canada's efforts to help expand their domestic production and provide support for its ethanol and biofuels producers; however, the proposed amendments in this discussion could undermine the intended support for Canada's ethanol producers and consumers. Additionally, we do not think either proposed option would meet the objective of the CFR—lowering greenhouse gas (GHG) emissions and increasing the use and production of low carbon fuels. Restricting supplies and overly complicating the fuel supply chain with regulatory requirements could limit the amount of credit generation under the CFR, devalue credits for emissions avoided, limit production expansion and use of low carbon fuels, or have unintended economic consequences to Canada's consumers that may also lead to fuel supply instability and decreased support of the CFR if the price consumers pay for blended gasoline is affected.

Any amendments stemming from this discussion paper should be temporary in nature and decrease over time—particularly as the provincial actions and proposed federal actions are cited as being in response to U.S. Clean Fuel Production Tax Credit (known as 45Z), which expires in 2029.

The discussion paper highlights provincial action on domestic content. However, Ontario's compliance for 2025 has been delayed to the end of 2026 and British Columbia (BC)'s requirement for ethanol has only taken effect on January 1, 2026. As noted in the discussion paper, these two provinces' domestic content requirements account for 75 percent of the overall ethanol produced in Canada. Prior to any movement forward on a nationwide requirement, it is imperative to get better data and observational effects of these provincial domestic content requirements for a significant period of compliance, which has not happened yet. This is particularly important for BC's market given the fact that it has a low carbon fuel standard like the CFR and it is not yet known how the domestic content requirement could affect the issuance of credits, supply, and economics as it relates to carbon emission reductions of the fuel.

Better data and understanding of Canada's ethanol production process and supply chain will also be required in very granular detail prior to any expansion of the two current provincial mandates. Discussions related to Canada's ethanol production have been about total production, without clarifying the type of ethanol (industrial, beverage, or fuel), where that ethanol goes (such as exports to the European Union or the United States), economic differentials, as well as how that product would move within Canada's existing infrastructure. As the CFR aims to lower emissions, significant changes to the supply chain could also alter how ethanol is transported to end users, which could further increase emissions in the fuel's transport.

The credit multiplier approach also has the potential to undermine the integrity of the goals of the CFR: reducing carbon emissions and accelerating the use of clean fuels. The language outlining the credit multiplier references a generalized number as the set multiplier example, rather than adjusting to the emissions of individual pathways. The credit multiplier proposed also assumes

that 45Z is guaranteed for all ethanol producers; however, a 50 percent emissions reduction is required to receive the 45Z tax credit. The noted credit multiplier does not identify emissions thresholds as a requirement for eligibility. If ECCC further develops a credit multiplier approach for ethanol, we suggest that any proposal would not result in more credits being generated for a higher emission fuel than a lower emission fuel simply as a result of the fuel's origin within North America.

A federal credit multiplier or a federal domestic content requirement, in addition to the provincial domestic content requirements, could further complicate compliance by obligated parties. Rather than improving the competitiveness of Canada's ethanol sector, this could undermine the demand for ethanol, result in unequal distribution of consumer costs, and suppress support for low carbon fuels. Federal proposals, such as these amendments, should be carefully coordinated with provincial governments to avoid added compliance hurdles that could negatively affect consumer finished gasoline prices.

We greatly appreciate that ECCC is not proposing to discount credits for U.S. ethanol in these amendments. We ask that ECCC maintain this omission and exclude it from consideration as a regulatory option.

Movement forward on domestic content requirements or a credit multiplier approach is largely based on concerns for how foreign feedstocks are treated under 45Z. However, the statutory language from the "One Big Beautiful Bill" excluded Canada from the provision restricting foreign feedstocks. Specifically, 45Z allows fuel that was "exclusively derived from a feedstock which was produced or grown in the United States, Mexico, or Canada." Feedstocks from Canada and the United States are provided equal treatment under 45Z for the production of low carbon fuel. The CFR continues to be very successful for North American producers and Canadian consumers and as such, there is currently no need for a regulatory approach for ethanol. Alternatively, we suggest ECCC adopt similar language to 45Z as it relates to fuel produced in North America.

Response to Questions on Scope

We ask ECCC to remove U.S. ethanol completely from the scope of these proposed amendments. As noted above, a large motivating factor cited in these domestic content provisions is because of 45Z. However, provincial domestic content requirements and the proposed CFR amendments do not account for what 45Z is – a tax credit if, and only if, the fuel producer can demonstrate that its GHG emissions are at least 50 percent lower than its baseline fuel. These credits provide financial incentives necessary for biofuels producers to invest in expensive technologies to lower carbon emissions of fuels, which help to meet the goals of the CFR. There is no limitation on feedstocks from Canada for this fuel production. Thus, the scope of these amendments overly punishes U.S. ethanol for a perceived harm by 45Z.

Concerns over 45Z also stem largely from that of biomass-based diesel and its related feedstocks, and less so from concerns over ethanol and its related feedstocks, yet these proposals do not distinguish between overarching concerns on specific fuels/feedstocks despite them being

very different in production and end use. Rather than any “one-size fits all” approach, we suggest these proposals address specific fuel concerns in their respective pathways, emissions, harm, etc.

Comparing Annex I and Annex II in the discussion paper, there do not appear to be major discrepancies in the amount of ethanol used to produce CFR credits (Annex I) with the annual production and production capacity of Canadian ethanol (Annex II). While we are not negating potential effects in other fuel sectors, the data shows Canada’s 12 ethanol facilities producing at 94 percent capacity, which is higher than that of the United States and implies Canada’s ethanol production does not seem affected by the current fuel situation in the United States.

The Canadian government’s Biofuels Production Incentive does not have ethanol within its scope. The exclusion of ethanol in Canada’s production incentive helps justify the omission of U.S. ethanol within these amendments. However, we would support expanding this incentive to include Canadian ethanol in lieu of including U.S. ethanol in the scope of these targeted amendments.

We are very concerned that proposals outlined in this discussion paper could upset both the spirit and the provisions of the United States-Mexico-Canada Trade Agreement (USMCA), as well as the free, fair trade that our respective biofuels industries have benefited from between the United States and Canada. Accordingly, should ECCC include ethanol in these targeted amendments, we ask that any restrictions on ethanol be limited to only non-USMCA compliant fuels. As noted, this would replicate how the United States treats Canadian feedstocks under 45Z. We continue to support equal treatment for North American fuels and feedstocks in the United States and hope to see a similar return to that equal treatment of U.S. ethanol in Canada at the provincial levels and within these targeted amendments.

Thank you for your consideration of these comments as you look to draft targeted amendments to the CFR to support the further development of Canada’s biofuels industry. Growth Energy looks forward to working further with you to build on our mutually beneficial trade relationship and support of the North American bioeconomy.

Sincerely,



Chris Bliley
Senior Vice President of Regulatory Affairs
Growth Energy