



January 14, 2026

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### ***Canadian Hydrogen Association Feedback on Draft Amendments to the Clean Fuel Regulations***

The Canadian Hydrogen Association (CHA) is the national industry association representing companies from across Canada and throughout the entire hydrogen value chain. Our membership includes producers, technology developers, infrastructure providers, end-use companies, and organizations advancing low-carbon solutions in every region of the country. Together, we work to accelerate the deployment of clean hydrogen, support the growth of a competitive domestic industry, and contribute to Canada's climate, energy security, and economic objectives. The Clean Fuel Regulations (CFRs) play an important role in creating market signals for low-carbon fuels, including hydrogen, and in strengthening Canada's pathway toward net-zero. We have reviewed the Government of Canada's [discussion paper on draft targeted amendments](#) and appreciate the opportunity to provide feedback on behalf of our members.

Canada's CFRs require gasoline and diesel producers and importers to reduce the life-cycle carbon intensity of their fuels, creating a market signal for cleaner energy and supporting the country's climate-competitiveness goals. The regulation uses a life-cycle emissions approach—from feedstock extraction through combustion—and obliges fuel suppliers to meet annual reduction requirements, in effect since July 2023. A credit market underpins compliance, with credits generated through projects that lower the carbon intensity of fossil fuels, the supply of low-carbon fuels, or the provision of clean energy to advanced vehicle technologies. To date, most credits have come from supplying low-carbon-intensity fuels, a significant portion of which are imported due to limited domestic production.

Canada's domestic biofuel sector remains relatively small and concentrated, with a handful of ethanol, biodiesel, renewable diesel, and other low-carbon fuel producers, many of whom rely on domestic agricultural feedstocks such as canola. Despite growing demand for ethanol and biomass-based diesel, **Canadian producers face competitiveness and trade pressures that threaten their viability. This creates a risk of reduced domestic low-carbon fuel supply, increased reliance on imports—primarily from the United States—and weakened demand for Canadian feedstocks.** These vulnerabilities could ultimately undermine the emissions-reduction objectives of the CFR.

To address these risks, the Government of Canada announced targeted amendments to the CFR in September 2025 to strengthen the resilience of the domestic low-carbon fuel sector while maintaining the regulation's core emissions-reduction purpose. The proposed amendments—domestic content requirements for ethanol, renewable diesel and biofuels or a credit multiplier—complement the new



\$372-million Biofuels Production Incentive and align with provincial actions such as British Columbia's and Ontario's renewable content requirements and Quebec's updated low-carbon fuel production tax credit. Together, these federal and provincial measures aim to expand reliable Canadian production of low-carbon fuels, support farmers and supply chains, enhance competitiveness, and ensure the CFR continues to drive meaningful emission reductions.

### **Key questions on the regulatory approach**

#### **1. What design would best meet the objective of the amendments: A minimum domestic content, a credit multiplier, or another potential design? Should a combination of options be used?**

Both policy tools—a minimum domestic content requirement and a credit multiplier—can support domestic investment and competitiveness, but they serve distinct purposes and must be designed carefully to avoid unintended market distortions.

A minimum domestic content requirement, if pursued, should be fuel-neutral and applied in a manner that does not privilege one low-carbon fuel over another within the same compliance pool. Requirements should be structured to support Canadian production broadly, without creating implicit protection for higher-cost pathways or undermining least-cost compliance. Fuel-type differentiation risks inefficiency and could disadvantage emerging zero-emission pathways.

A credit multiplier can play a useful role in accelerating early investment in higher-cost, early-stage domestic production. However, multipliers must be strictly limited in both time and volume to avoid oversupplying the credit market or suppressing credit prices, which are essential for sustaining investment signals. Multipliers should be targeted only where there is a demonstrated competitiveness gap and should not be applied to pathways that do not materially advance lifecycle emissions reductions.

In this context, a credit multiplier is particularly important for pathways that participate in the CFR through credit-generating LCFS mechanisms rather than direct fuel supply obligations, including fuels qualifying under the second LCFS bucket. For these pathways, a strengthened and well-designed multiplier may represent the primary mechanism for market access and investment support, where minimum domestic content requirements would not apply. Ensuring the multiplier is sufficiently robust—while remaining time-limited and volume-capped—would help enable early deployment of capital-intensive domestic production without undermining overall credit market integrity.

A combined approach is appropriate only if tightly constrained. Any domestic content requirement should be modest, fuel-neutral, and designed to preserve least-cost compliance. Any credit multiplier should be time-limited, volume-capped, and subject to review, with clear sunset provisions. Together, these safeguards ensure the amendments strengthen domestic supply without undermining the integrity or efficiency of the CFR.



## 2. Should the targeted amendment be a temporary measure or longer-term?

In the near to medium term, targeted measures may be justified to address competitiveness gaps, supply-chain fragility, and investment risk for domestic low-carbon fuel producers. However, these measures must be aligned with the **long-term direction of Canada's clean fuel and transportation strategy**, including the transition toward electrification and zero-emission vehicles.

Permanent domestic content requirements or open-ended multipliers risk locking in higher-cost fuel pathways, distorting market signals, and slowing the shift toward the most efficient decarbonization options. Accordingly, any targeted amendments should include a formal review mechanism tied to market maturity and credit market performance, as well as clear alignment with the CFR's long-term objective of driving down lifecycle carbon intensity at least cost

This approach preserves near-term investment certainty while ensuring the CFR continues to guide Canada toward a durable, efficient, and technology-neutral low-carbon transition. At the same time, given the long development timelines and capital intensity associated with many low-carbon fuel projects, policy stability over extended time horizons is essential. While specific measures should remain reviewable and adjustable, maintaining a clear and stable long-term policy direction—potentially over a 10-year horizon—can help reduce investment risk and support sustained market development without locking in prescriptive outcomes.

## 3. If a minimum domestic content approach is recommended, should the requirements remain stable or increase over time?

A staged approach is recommended. Requirements should start at a level that is achievable with current domestic capacity and then increase gradually to encourage and complement continued growth in Canadian production. This provides clarity and predictability for investors while ensuring the policy remains grounded in real market conditions. A gradual ramp-up also aligns with production growth timelines for low-carbon hydrogen and related fuels, allowing domestic producers to scale responsibly while avoiding supply disruptions.

To reduce administrative burden and improve responsiveness to market conditions, the Government could also consider incorporating an automatic adjustment mechanism tied to objective indicators such as verified domestic production capacity, supply availability, or broader industry dynamics. Where feasible, such adjustments could be aligned with existing CFR review cycles rather than requiring frequent regulatory amendments. This would allow requirements to evolve in line with market realities while avoiding overly complex or resource-intensive regulatory processes.



**4. Under a minimum domestic content approach, what percentage of the respective gasoline and diesel CFR regulated volumes is recommended?**

N/A

**5. Are there special circumstances, cases or exceptions that should be taken into consideration if a minimum domestic content approach is taken?**

If a minimum domestic content requirement is adopted, several special circumstances should be taken into account to ensure the measure strengthens domestic production without creating unintended compliance risks. Regional variations in access to domestically produced low-carbon intensity fuels—

particularly in provinces without nearby production facilities or sufficient transportation infrastructure—may limit the ability of some suppliers to comply in the near term.

Early-stage sectors face distinct challenges including infrastructure constraints, limited commercial deployment, and higher production costs, and may require transitional flexibility to support scale-up. Temporary exemptions or compliance options should also be available in cases of unforeseen supply disruptions, such as facility outages, feedstock shortages, or transportation bottlenecks. In addition, suppliers with small obligated pools or those operating exclusively as importers may require proportionate requirements to avoid disproportionate impacts unrelated to emissions performance or investment signals.

In addition, consideration should be given to ensuring that domestic content requirements support investment across the full domestic low-carbon fuel supply chain, not solely fuel production. In some cases, the binding constraint to increased use of Canadian-made low-carbon fuels is downstream infrastructure—such as transportation, storage, blending, and distribution—rather than production capacity itself. Flexibility mechanisms should therefore recognize circumstances where compliance is limited by the need for reinvestment in enabling infrastructure, and ensure the policy does not inadvertently concentrate benefits upstream while leaving system-wide constraints unaddressed.

**6. Considering the different costs and challenges for each type of fuel, if a credit multiplier approach is taken, should there be a differentiated rate set for each type of domestic low-carbon intensity fuel? If so, what multiplication rate is recommended for each type of fuel?**

A differentiated credit multiplier is appropriate and would more accurately reflect the maturity, cost structure, and strategic importance of different low-carbon fuel pathways. Emerging and capital-intensive fuels—particularly hydrogen, renewable gaseous fuels, and advanced biofuels—face significant competitiveness challenges relative to U.S. producers benefiting from international jurisdictions. These fuels warrant higher multipliers to support early market development and attract investment. Mature



pathways such as ethanol and biodiesel may require more modest multipliers aligned with their cost structures and the competitive pressures they face.

In applying differentiation, consideration should also be given to how effectively a given fuel pathway contributes to emissions reductions within the transportation system, including vehicle efficiency and end-use performance. For example, pathways that enable higher-efficiency vehicles or zero-emission applications may deliver greater emissions reductions per unit of energy than marginal improvements to conventional internal combustion pathways. Complementary mechanisms—such as appropriate treatment of energy efficiency ratios—could therefore be considered alongside any credit multiplier to better reflect real-world emissions outcomes.

**7. If a credit multiplier approach is taken, how could it be designed to prevent it from creating an oversupply of credits or depressing the credit price?**

To prevent a credit multiplier from generating excessive credits or depressing the CFR credit price, the measure should be carefully targeted and time-limited. Multiplier eligibility should be focused on early-stage fuels or pathways facing material competitiveness barriers, rather than applied universally across all fuel types. The government could also consider annual or cumulative caps on the volume of credits eligible for multiplier treatment to ensure predictable market impacts. Incorporating a scheduled review mechanism would allow ECCC to adjust multiplier levels in response to observed credit market dynamics, investment trends, and supply forecasts. These safeguards would support domestic producers while preserving the integrity of the CFR credit market and ensuring that the multiplier does not inadvertently reduce the incentive for other emissions-reducing actions.

**8. Are there other elements, data or information that should be considered?**

**Scope**

Yes, the volume of fuel qualifying for the multiplier must have some limit; otherwise, producers will flood the market with biofuels and crowd out emerging fuels like H<sub>2</sub>.

**Key questions on scope**

**9. Which fuels should be in scope?**

All domestically produced low-carbon intensity fuels eligible for credit creation under the CFR should be included in the scope of targeted amendments, including both liquid and gaseous fuels. This encompasses ethanol, biodiesel, renewable diesel, co-processed low-carbon intensity fuels, and emerging liquid pathways, as well as gaseous fuels such as biogas, renewable natural gas, hydrogen, and renewable propane. Including hydrogen and other renewable gases is particularly important given their expected rapid growth and their central role in decarbonizing transportation, industry, and heavy-duty applications. Broad inclusion ensures that the amendments strengthen the entire low-carbon fuels



ecosystem and that Canada avoids creating new competitive imbalances between fuel types or inadvertently excluding technologies critical to long-term climate objectives.

To ensure regulatory durability and investment certainty, the scope of targeted amendments should apply consistently to both currently approved CFR pathways and future eligible pathways as they are added to the regulation. This approach avoids the need for repeated amendments, supports innovation, and ensures emerging low-carbon fuels are treated equitably as markets and technologies evolve.

Given the scale of global maritime emissions and emerging international demand for low-carbon marine fuels, supporting pathways such as e-methanol could position Canada to play a leading role in the decarbonization of international shipping, provided such fuels demonstrate strong lifecycle emissions performance and align with CFR objectives.

#### **10. What considerations should inform which fuels would be in scope?**

The selection of fuels in scope should be informed by their strategic importance to Canada's long-term decarbonization pathway, their growth potential, and the competitiveness challenges they face relative to international jurisdictions. Fuels with emerging markets or higher capital intensity—such as hydrogen, renewable gaseous fuels, and advanced biofuels—require strong and early policy signals to attract investment and achieve scale. Consideration should also be given to regional production capacity, feedstock availability, and infrastructure readiness to avoid creating disproportionate advantages for certain fuel types or regions.

Finally, scope decisions should reflect the CFR's core objective of reducing lifecycle carbon intensity, ensuring that fuels capable of delivering significant emission reductions are supported rather than constrained by market design. A broad, inclusive scope grounded in these criteria will help strengthen domestic supply, enhance resilience, and accelerate the transition to a low-carbon economy.

#### **Key questions on special circumstances & exemptions**

##### **11. If minimum domestic content requirement or other mandatory requirements are set, should the requirement be the same for all primary suppliers?**

- **Are there specific criteria, considerations or circumstances that could justify setting different requirements that should be taken into account?**

Yes, only primary suppliers with production located in Canada should be able to qualify.

##### **12. Should the requirements be set only above a minimum volume threshold (i.e. domestic requirements would only apply to primary suppliers who supply more than a minimum amount of gasoline or diesel)?**

- **If so, what threshold do you recommend?**



N/A

**13. Should the requirements be progressive and / or be calculated as a function of the size of the primary supplier's obligated pool (e.g. lower percentage of domestic content requirement for small pool vs higher percentage of domestic content requirement for big pool)?**

N/A

**14. Should a special clause or mechanism be integrated in the amendments to provide additional flexibility in the case where the domestic low-carbon intensity fuel supply is insufficient to meet the minimum domestic content requirement? How should this be designed?**

Yes, if a primary supplier is unable to meet the minimum content requirements they should be able to contribute to Emission Reductions Funding programs to offset a percentage of their remaining obligations.

**Additional input requested**

**15. For primary suppliers, what are your constraints to obtaining Canadian-made low-carbon intensity fuel (e.g. transport, contracts, geographical concerns, specific constraints related to blending, etc.)?**

The most significant barriers affecting the uptake of Canadian-made low-carbon fuels include transportation limitations, uneven regional production distribution, long-term contracting practices, and infrastructure gaps for blending and distribution. These challenges can constrain market access despite adequate domestic production capacity. Achievable percentages of CFR-regulated volumes will therefore depend heavily on regional logistics and the rate at which infrastructure is expanded. That said, with appropriate regulatory support, a meaningful and growing share of domestic low-carbon fuel supply—including emerging gaseous fuels—could reliably serve regulated markets over time.

Moreover, the predictability and durability of policy signals is critical for low-carbon fuel producers making long-term investment decisions. Frequent policy changes, short-term measures, or unclear future direction increase investment risk and financing costs, particularly for capital-intensive pathways. Clear long-term intent, stable compliance frameworks, and well-signalled transition pathways are therefore essential to sustaining private investment and ensuring Canadian producers can remain competitive over time.

Additional constraints also arise for gaseous low-carbon fuels, where physical delivery and blending requirements can be more complex or location-specific. Geographic misalignment between production sites and obligated demand centres, combined with limited pipeline or distribution infrastructure, can restrict physical offtake even where domestic supply exists. In such cases, limited recognition of book-



and-claim or other non-physical compliance mechanisms may further constrain market access. Contracting challenges are also exacerbated by misalignment or uncertainty across federal programs and policy frameworks, which can increase counterparty risk and complicate long-term offtake agreements.

**16. If physically procuring domestic low-carbon fuel is challenging, are there constraints to obtaining the credits created based on the production of domestic low-carbon fuels from the credit market instead?**

N/A

**17. For low-carbon intensity fuel producers, what measures would be sufficient to ensure you can continue to produce or stay competitive?**

To remain competitive, domestic low-carbon intensity fuel producers—especially those in hydrogen and renewable fuels—require predictable and sustained policy signals. Key measures include: mechanisms that ensure stable demand for Canadian-produced fuels, support for overcoming competitiveness gaps relative to international jurisdictions, expanded pathways for credit creation using accurate lifecycle carbon intensities, and timely regulatory certainty to enable long-term investment decisions. Amendments that strengthen domestic market pull, reduce volatility in the credit market, and facilitate infrastructure development will be essential for producers to continue operating and scaling in Canada.

**18. Recognizing this may vary by approach, how much time would you need after the publication of the amendments in *Canada Gazette*, Part II to implement the changes required in the amendments?**

Clear transition provisions and reasonable effective dates will be critical to allow producers to adapt without disrupting ongoing operations or investment planning.

**19. Do you have any other information or considerations to support the development of these targeted amendments to the CFR?**

N/A

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The Canadian Hydrogen Association appreciates the opportunity to contribute to this important consultation and supports the Government of Canada's efforts to strengthen the resiliency and competitiveness of the domestic low-carbon fuels sector.



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We look forward to continued engagement with Environment and Climate Change Canada as the draft amendments progress and welcome further opportunities to provide insights on how the regulatory framework can best support Canada's climate, economic, and energy objectives.

Best,

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President and CEO

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