

March 4, 2021

Environment and Climate Change Canada
Clean Fuel Regulation Consultation

Sent by email to ec.cfsncp.ec@canada.ca

Re: Consultation on the Clean Fuel Regulations

With approximately C\$9 billion in assets under management, NEI Investments' approach to investing incorporates the thesis that companies can mitigate risk and take advantage of emerging business opportunities by integrating best environmental, social and governance (ESG) practices into their strategies and operations. It is with this goal of driving ESG performance, and the associated benefits of that performance, that inform our brief comments on the Canadian government's Clean Fuel Regulations (CFR). Thank you for the opportunity to provide our perspective.

We are very supportive of the CFR and its objective of reducing the carbon intensity of liquid fuels used in Canada. We believe the structure of the CFR, with its non-prescriptive approach to achieving intensity reductions, will help spur innovation and support promising technologies that would have otherwise struggled to achieve scale. Notwithstanding the real costs that will come with compliance, we believe that ultimately this increased innovation will strengthen the industry and build a credible pathway for its contribution to our shared national net-zero ambitions. Having a strong and profitable energy industry is important for the Canadian economy, and for Canadian investors specifically, but it will have to be a carbon-efficient and innovation-focused industry to be resilient in a low carbon future.

Ultimately, we believe that the imperative to avoid the worst impacts of climate change, and the urgency with which we need to reduce greenhouse gas emissions (GHGs) to reach that goal dictates the need for robust policy measures. We believe the CFR achieves a reasonable balance between ambition and pragmatism and provides a level playing field for existing and future energy players.

Regarding the CFR itself, we have the following comments:

- We agree with the timelines as put forth in the proposed regulation but recommend that the compliance period of the CFR occur no later than the proposed December 2022. We believe there has been substantive consultation signalling the coming regulation and that there are reasonable pathways to compliance already available to producers. As such, we do not feel there would be any rationale for postponing the compliance period.
- Regarding the stringency of the reduction requirements, we believe one of the most important elements of the proposed regulation are the clear and consistent annual targets. For the regulation to incent the investment required it must be clear and explicit in outlining compliance expectations so that companies can efficiently plan their capital expenditures.
- Investors and other stakeholders would benefit from transparency regarding how companies are maintaining compliance with the regulations. Excluding any proprietary or competitive information, publicly available compliance records would be a very beneficial source of information for assessing the success of corporate strategies.

- We acknowledge the rationale for excluding solid and gaseous fuels from the CFR and realize that those fuels will not be covered when compliance begins in December 2022. However, we encourage government to continue to pursue meaningful consultation with industry on how these fuels could effectively be incorporated in the future. Effective, but fair, regulation will be needed to incent the kind of innovation that can spark truly transformative developments of the kind the industry will need to achieve net-zero goals by 2050. In particular, the government's intention to spur the growth of a globally competitive Canadian hydrogen industry would be strengthened by a focus on gaseous fuels. Aligning such a regulation with the larger climate strategy would be critical and achievable with adequate industry input.

Thank you again for the opportunity to provide comments on the proposed CFR. We commend the government of Canada for implementing a robust and reasonable policy that will drive substantive real-world reductions in GHGs. If you have any questions on any of the above, please don't hesitate to contact us.

Sincerely,
NEI Investments



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