

# Parliamentary Budget Officer's Deeply Flawed Report on Federal Clean Fuel Regulations

*PBO report misrepresents clean fuel markets, overstates compliance costs*

VANCOUVER, BRITISH COLUMBIA, CANADA, May 23, 2023 /EINPresswire.com/ -- Advanced Biofuels Canada (ABFC) has released a statement detailing the significant flaws in the federal Parliamentary Budget Officer's (PBO) distributional analysis of the Clean Fuel Regulations (CFR) released on May 18, 2023.



"The PBO analysis is based on a key assumption about the Canadian fuel market that is so flawed that it invalidates the fuel price projections from the study."

*Ian Thomson, ABFC President*

ABFC recognizes the important role of the PBO to provide independent and transparent review of the cost impacts of government policies and regulations. Unfortunately, the PBO's recent CFR analysis includes critical shortcomings that significantly overstate costs. The report is also one-sided, failing to quantify the significant climate and

economic benefits from the Clean Fuel Regulations.

Ian Thomson, President of Advanced Biofuels Canada, made this statement today:

"The PBO analysis is based on a key assumption about the Canadian fuel market that is so flawed that it invalidates the fuel price projections from the study. The PBO acknowledges a 'more likely' lower cost scenario modelled Environment and Climate Change Canada (ECCC), but without explanation chose to assume the highest possible marginal cost scenario. In so doing, the PBO incorrectly assumes that Canada's fuel suppliers will not take any direct action to reduce carbon emissions in the fuel they sell. Instead, parties - not identified by the PBO - are assumed to undertake all of carbon reduction actions to 2030 and sell the fuel suppliers the 'credits' they earn at the highest marginal cost.

"This methodological error fully misrepresents how clean fuel markets actually function. Canada's clearest example - the decade-long experience of the BC Low Carbon Fuel Standard - demonstrates that fuel suppliers generate 80% of their own credits at costs below the marginal credit values, relying on credit market purchases for only 20% of the annual requirements. In essence, the PBO approach is suggesting that obligated parties will uniformly agree to pay the highest compliance cost for all credits and pass these on to consumers, rather than continue with their approach in BC to use lower cost clean fuels to remain competitive in the market.

“The PBO ignored irrefutable evidence that fuel suppliers are building capacity to produce billions of litres of low carbon fuels for Clean Fuel Regulations compliance, as demonstrated by recent investments at refineries across Canada, with more actively in the planning stages. Low carbon fuel markets in BC, California, and Oregon, have rapidly expanded the availability of clean fuel options, and increased the supply and competition in the fuel sector. The cost of clean fuels has proven to be far below the highest marginal costs used by the PBO, as shown by the Navius Research [Biofuels in Canada 2022 report](#) which details the cost of clean fuels regulations since 2010. The PBO ignores the job and economic benefits from these clean tech investments.

“The PBO analysis assumes no cost-reducing economies of scale or technological change before 2030, which is contradicted by over two decades of clean fuel growth in North America. Nor does the PBO account for the significant, positive economic impacts that clean fuel investments will have for the Canadian economy. Producing lower carbon fuels in Canada will create well paying jobs, expand value-added clean tech manufacturing in Canada, and support economic resilience in Canada’s agricultural, forestry, and waste management sectors. [ABFC estimates](#) annual economic impact from domestic clean fuel production to be \$14.1 billion in 2030, almost tripling the sector’s current \$5.3 billion economic impact in 2020.”

Thomson also noted that, “The PBO analysis does not incorporate the value of reducing greenhouse gas (GHG) emissions. [Analysis by Clean Energy Canada](#) points to costs of climate change to Canadians in excess of \$43 billion per year by mid-century. The primary objective of the CFR is the reduction of GHG emissions from transportation fuels such as gasoline and diesel. Any policy cost analysis that fails to account for the cost of inaction in reducing GHGs fundamentally misses the point.”

Advanced Biofuels Canada/ Biocarburants avancés Canada is the national voice for producers, distributors, and technology developers of advanced biofuels and renewable synthetic fuels. Our members are global leaders in the commercial production of these functional, scalable fuels, with over 24 billion litres of installed annual capacity worldwide. Our members include Canada’s leading advanced biofuels producers and technology innovators, who are actively developing new clean liquid fuel production and distribution assets and operations in Canada. For information on Advanced Biofuels Canada and our members, visit [www.advancedbiofuels.ca](http://www.advancedbiofuels.ca).

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