

The Right Honourable Stephen Harper  
Prime Minister of Canada  
Langevin Block  
80 Wellington Street  
Ottawa, Ontario, K1A 0A2  
BY FAX: 613-941-6900

May 19, 2006

**RE: Renewable Fuels Announcement**

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Dear Prime Minister,

It has come to our attention that an announcement will soon be made regarding a renewable fuels strategy for Canada. While we are encouraged by the possibility of an integrated approach to increasing the amount of renewable fuels used in the country, we will also be watching the details of this initiative closely to ensure it is making the best use of resources towards achieving its environmental objectives.

At this time, we would like to share with you our perspective on the essential components to any renewable fuels strategy. This list was developed after a thorough investigation of renewable fuels policies both within Canada and internationally on how best to maximize environmental benefits, and takes into account the results of technical research Pembina performed for the corporate sector.

The following are essential components to a renewable fuels strategy:

- 1) A minimum requirement for renewable fuel content in gasoline and diesel fuel, preferably with a clear indication that the requirement will increase over time.
- 2) Specific, effective incentives to encourage fuels derived from the lowest environmental impact sources, when compared with standard (corn and grain) ethanol products. (E.g., the U.S. provides additional credits towards their Renewable Fuel Standard for lignocellulose derived ethanol and biodiesel.)
- 3) Targeted support for the development of new renewable fuel technologies with a goal to become global leaders in economic competitiveness and environmental performance.
- 4) Promotion and incentives for sustainable agricultural practices. It has been shown that the environmental benefits of renewable fuels can vary widely depending on the agricultural practices used, even within Canada. (E.g., differences in farm energy use, fertilizer choice, land use changes, cultivation practices and transportation distances can vary life-cycle greenhouse gas emissions by more than 30%.)



- 5) Market development assistance for renewable fuel co-products. Many of the environmental benefits of renewable fuels come from the use of their co-products (e.g., a large percentage of the life-cycle greenhouse gas benefits of both ethanol and biodiesel occur when their co-products displace similar products produced by conventional means). If co-product markets do not expand accordingly, the overall environmental benefit of renewable fuels will be greatly diminished, and may even become negative in some cases.

It is our view that these are foundational components to any renewable fuels strategy if it intends to achieve maximum environmental benefits for the resources spent.

Furthermore, it is critical to realize that a commitment to a renewable fuels strategy is a very small component of the overall action plan Canada needs to substantially reduce greenhouse gas emissions. It is also important for Canadians to understand that renewable fuels are only one component of a national strategic framework for the future of energy in Canada.

We would be pleased to discuss these points further with you or members of your staff.

Thank you for your time and your attention to this matter.

Sincerely,



Marlo Raynolds, PhD  
Executive Director  
Pembina Institute

**Cc:**

The Honourable Rona Ambrose, P.C., M.P. Minister of the Environment (819-994-6689)  
The Honourable Gary Lunn, P.C., M.P. Minister of Natural Resources (613-996-4516)  
The Honourable Chuck Strahl, P.C., M.P. Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board (613-759-1081)