



April 23, 2009

Marc LePage

Consul General
Consulate General of Canada
San Francisco | Silicon Valley
580 California St. 14th Floor
San Francisco, CA 94104

To: California Air Resources Board Chair and Members

Re: Government of Canada's Comments on the Proposed Low Carbon Fuel Standard

I'm Marc LePage, the Consul General of Canada in San Francisco/Silicon Valley. I appreciate the opportunity to speak here today, and the openness which CARB has shown to meeting with Canadian officials in the development of the LCFS regulation. Canada has sent a letter to Governor Schwarzenegger, with copies to you, which I will now summarize.

Before I address the proposed LCFS regulation specifically, I want to remind you of the important relationship that Canada and California share. Canada is California's second largest trading partner with more than \$35.4 billion dollars of goods traded every year between us.

We are also partners in energy and environmental policy through joint initiatives such as the Canada-California Strategic Innovation Partnership with the UC system, the Western Climate Initiative where four Canadian provinces are members, and the new US-Canada Clean Energy Dialogue that President Obama and Prime Minister Harper announced in February.

Canada shares California's objective of reducing greenhouse gas emissions. The Government of Canada has committed to an absolute reduction in greenhouse gas emissions of 150 megatonnes, or 20 percent, from 2006 levels by 2020.

While we share common goals, the Government of Canada has concerns about how the proposed LCFS regulation would treat oil from Canada, particularly from Canada's oil sands.

Since the oil sands are a key resource for Canada and, by way of our integrated energy relationship, the United States, we are concerned that the proposed LCFS regulation would treat oil sands crudes less favourably than other crudes that have similar climate change impacts.

We believe that this would be unfair and discriminatory since oil sands crude pathways have life cycle greenhouse gas emissions comparable to, and in some cases lower than, some of the fuels in the proposed "California Baseline Crude Mix". This point *will be/was* elaborated on by the representative of the Government of Alberta.

The approach in the proposed LCFS regulation may amount to discrimination against Canadian crude oil as it may favour other crude sources that have similar upstream GHG emissions. This could be contrary to the international trade obligations of the United States.

There are also potential implications for energy security: If the LCFS regulation discriminates against Canadian crude oil, this could limit California's ability to use Canadian crude in the future. Over the last twenty years, California's dependence on crude imports has grown from 5% to 45% of its total supply, with more than 80% of these imports coming from OPEC countries. In contrast, Canada is a secure and reliable energy provider to California and the United States.

Faced with the LCFS, fuel providers may react by sending lighter crudes to California and heavier crudes to other jurisdictions, leading to no net change or possibly higher GHG emissions on a global level.

Based on these concerns and other considerations, we would urge that the Board amend the proposed LCFS regulation to assign the same carbon intensity to all mainstream crude oil fuel pathways, from light to heavy crudes, including oil sands crude, rather than only to crudes in the "Baseline Crude Mix". These crudes all have similar life cycle carbon intensities, within a narrow and continuous range, with most of their life cycle emissions occurring during the end-use or combustion stage.

Before I close I believe it is important to note that Canadians are concerned about the environmental impact of oil sands development, including GHG emissions, and governments and industry in Canada are addressing these issues. For example, the Government of Canada is currently developing GHG regulations that will impact oil sands facilities among others. Industry is also taking action. Between 1990 and 2006, oil sands GHG emissions per barrel have already been reduced, on average, by 32 percent.

We would be happy to supply the Board and staff any additional information that you may require. As the implementation of the LCFS is developed, we look forward to continued cooperation with CARB in an open and transparent manner.

Thank you for your time.

Marc LePage
Consul General