

## **Taxing Renewable Fuels Could Raise Costs, Discourage Consumers**

### **For Immediate Release**

Ottawa (March 20, 2007) – The Canadian Petroleum Products Institute (CPPI) questions the wisdom of eliminating the Federal excise tax exemption on renewable fuels. Finance Minister Flaherty announced yesterday that it would end the exemption on April 1, 2008.

“Taxing the very fuel the government wants Canadians to buy sends a confusing signal about the government’s commitment to a renewable fuels strategy. By removing the tax exemption, the government is increasing the cost of fuel”, said Tony Macerollo, Vice President, Public and Government Affairs of CPPI.

CPPI endorsed a renewable fuels strategy in December 2005. Specifically, CPPI supported the government requiring 5% average renewable content based on gasoline volumes by 2010 (equivalent to some 2 billion litres), and 2% renewable content based on diesel and home heating fuel volumes (equivalent to some 0.6 billion litres) by no earlier than 2010 and no later than 2012 .

Contingent on this policy was that the following principles guide its implementation:

- o Tax treatment for biofuels and the biofuel industry that is competitive with the United States and other jurisdictions.
- o Fair and equitable rules for all sources of biofuel supply, blendstocks and biofuel blends, both domestic and imports.
- o Fair and equitable rules for all marketers of fuels.

“Eliminating the FET Exemption will make us less competitive with the United States and it will send mixed signals into the marketplace”, said Mr. Macerollo. “This action may even have the opposite effect of the government’s goal to expand production in Canada. On the one hand, the government wants alternative fuel production, but is driving up the cost of using it.”

CPPI is hopeful that the federal government will reconsider this significant issue.

CPPI is a national association of major Canadian companies involved in the refining, distribution and/or marketing of petroleum products for transportation, home energy and industrial uses. Collectively, CPPI member companies operate 16 refineries (representing over 80 per cent of Canadian refining capacity) and supply over 7,000 branded retail outlets with transportation fuels across Canada.