

CLEAN GAS STANDARD

A Policy Proposal for Canada

WHAT IS CLEAN GAS

- Clean gases have a lower carbon footprint compared to fossil fuels. This includes biogas, renewable natural gas, bio-synthetic gas, and low-carbon hydrogen.
- Clean gas can be used in various applications and can help reduce greenhouse gas emissions from the use of natural gas without requiring major infrastructure changes.
- Canada has set national GHG reduction goals for 2030. Even with current climate policies, there's still a gap in achieving these targets.
- Existing federal climate policies in Canada do not provide strong support for the production of clean gas, missing a significant opportunity for emissions reduction.
- Implementing a Clean Gas Standard will increase clean gas demand, lead to substantial reductions in greenhouse gas emissions and help Canada meet its climate goals.

POLICY PROPOSAL FOR A CLEAN GAS STANDARD

Requirements

Natural gas suppliers must gradually increase the percentage of clean gas in the natural gas they supply to end users. This requirement will be calculated on a corporate and nation-wide basis. Compliance is demonstrated through submission of compliance credits.

Covered Fuels

The regulation applies to all natural gas supplies in Canada except when natural gas is used as feedstock in industrial production or when the supplies are already addressed by sector-specific regulations in the electricity and petroleum sectors.

Clean Gas

Eligible clean gases include biogas, renewable natural gas, synthetic natural gas, and low-carbon hydrogen.

Credit Generation

Companies that produce or import eligible clean gas can generate credits based on the volume supplied to the Canadian market. Volumes must meet specific carbon intensity limits.

CLEAN GAS STANDARD: VOLUMETRIC REQUIREMENT (% OF NATURAL GAS VOLUME)

YEAR	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
% VOLUME	1.5	2.25	3.0	3.75	4.5	5.25	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0

THE IMPACT OF A CLEAN GAS STANDARD

Clean Gas Volumes

The Clean Gas Standard would increase the share of clean gas in the market from 0.6% in 2020 to 3.75% in 2030 and 13.0% by 2040.

GHG Emission Reductions

This proposal could result in substantial greenhouse emission gas reductions, with an estimated 4.8 million tonnes reduced annually by 2030, increasing to 19 million tonnes reduced annually by 2040.

Cost to End-Users

The additional costs for average residential users are projected to be modest, around \$0.25/GJ (\$21/year) by 2030, and \$1.27/GJ (\$113/year) by 2040.

CURRENT POLICIES AND GHG EMISSION REDUCTION TARGET

Regulation and the Role of Clean Gas

Federal and provincial governments have introduced various regulations that provide limited support for Clean Gas. These include limited incentives under the federal Clean Fuel Regulations (CFR) and volumetric

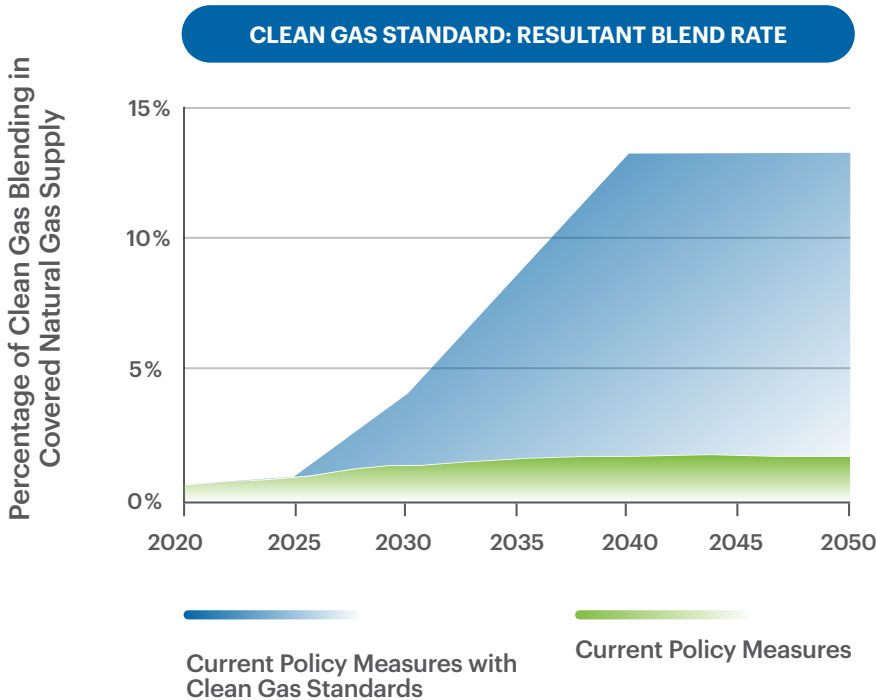
policies in British Columbia and Quebec. Combined, these policies are expected to raise Clean Gas in the market from 0.6% in 2020 to only 1.7% nationwide by 2040. Current policies fall short of providing robust national support for decarbonization of the gas stream. Additional action is needed.

Canada's GHG Emission Reduction Targets

Canada has committed to reducing greenhouse gas emissions 40-45% below 2005 levels by 2030 under the UNFCCC Paris Agreement. To achieve this, emissions must be reduced to 438 million tonnes of CO₂e by 2030. Current government analysis shows that even with all announced policies in place, emissions would be reduced to 506 million tonnes by 2030, leaving a gap of approximately 68 million tonnes. Additional policies are required to bridge this gap and meet the national target.

A Clean Gas Standard for Canada

The Clean Gas Standard would increase the portion of Clean Gas in the natural gas stream, decarbonize the natural gas stream, and deliver significant GHG reductions for Canada towards meeting our national GHG emission reduction targets, all while utilizing current infrastructure.



Clean gas makes up less than 2% of the market. Current policies and programs do not provide enough support for clean gas on a national basis and more should be done.