



# SUSTAINABLE AVIATION FUELS NEED A PUSH IN CANADA

This is a critical time for the aviation industry when it comes to decarbonization and reducing its carbon footprint with lasting measures. Canada has an opportunity to be a leader in the production of sustainable aviation fuels (SAF) that will provide economic and environment benefits in every region of the country.

The House of Commons Natural Resources Committee's study "Canada's Clean Energy Plans in the Context of North American Energy Transformation" is a timely one, given the impact that the U.S. Inflation Reduction Act (IRA) has had on the clean energy landscape in North America. Canada has a lot of catching up to do when it comes to biofuels as the U.S. have not only already and steadfastly demonstrated the desire but have put in place measures to ensure that biofuel production and usage is supported. The IRA provides generous incentives to SAF producers in the form of a \$1.75 USD per gallon (\$0.62 CDN cents per liter) production tax credit.

A consortium of 60 airlines operating in Canada and 45 key stakeholders including ATAC, suppliers, aerospace manufacturers, airports, finance, and academia, created the Canadian Council for Sustainable Aviation Fuels (C-SAF), with the "mission to accelerate the deployment of SAF in Canada, and to ensure that the sector remains competitive as it transitions to a net-zero future, while at the same time creating new economic opportunities for Canadians". The C-SAF recommends that the Canadian government act immediately to implement the industry's recommendations to ensure that there is a future for made-in-Canada SAF.

The goal is to request that the federal government introduce a SAF incentive to stimulate production investment in Canada and to allow Canada's biofuels industries to compete against the US. SAF incentives are a critical element of a robust and comprehensive sustainable aviation policy to be further developed jointly by government and industry. The next federal budget is expected in the early Spring. As uncertainty over future revenues from renewable fuels production remains a high barrier to investment, C-SAF are asking for a revenue certainty mechanism to be introduced within this budget to provide greater certainty to investors for a defined period of time, drive

investment in SAF production in Canada and to provide a transparent way to close the price gap.

ATAC fully supports the C-SAF recommendations as follows and that they be put in place immediately as concrete measures:

1. Implement refundable investment tax credits at a rate of 50% for SAF production facilities.
2. Create a production tax credit (PTC) with a ten-year horizon equivalent to the one in the United States.
3. If a PTC is not possible, Canada should introduce commodity price contracts for the difference or a revenue certainty mechanism to support SAF production and boost its uptake, providing certainty to both airlines and SAF producers.
4. Allow for a book and claim mechanism for SAF use in Canada that will enable the benefits of SAF regardless of which airport the airline refuels at.

C-SAF wants to build a SAF market in Canada to create new future-proof economic opportunities while decarbonizing the aviation sector and enhancing energy security. We want to ensure SAF availability in Canada, ensure sector competitiveness, limit impact on air passenger and cargo consumers, and ensure regulatory certainty. At present, SAF is the only proven way to decarbonize aviation significantly. Other technologies are not ready, and if the net-zero emission target for aviation by 2050 set by the Federal Government is to be met, immediate action is required. Currently, there is no SAF production in Canada and the price of SAF is untenable so even meeting the current goal of 10% SAF use by 2030 is very doubtful unless aggressive Government of Canada actions and support are undertaken at this time. Serious investments are required if we are to secure an adequate domestic supply of SAF. Canada must be self-sufficient and competitive with the US in terms of SAF. The price gap with conventional aviation fuel must be closed if industry can support this important emissions-reducing national effort.

ATAC, an active member of C-SAF, fully endorses this industry led initiative and calls on the Government to actively engage in supporting this effort by implementing C-SAF's recommendations without delay.

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