



ALBERTA  
ENVIRONMENT AND WATER

*Office of the Minister  
MLA, Drayton Valley-Calmann*

AR 46732

December 14, 2011

The Honourable Caroline Spelman, MP, Secretary of State  
Department for Environment, Food and Rural Affairs  
Defra Nobel House, 17 Smith Square  
London SW1P 3JR  
United Kingdom

Dear Secretary Spelman:

I am writing to bring to your attention the Government of Alberta's concerns over the current European Commission proposal for an implementation measure of the Fuel Quality Directive. I understand the Fuel Quality Directive Implementing Measure has been placed on the agenda for the December 19, 2011 meeting of the European Union Environment Ministers as an information point. For this reason, it is important that Ministers are aware of the strong concerns previously identified by the Government of Alberta, to both the European Commission and the members of the Fuel Quality Committee as part of the comitology process, with the approach taken in the proposed Fuel Quality Directive Implementing Measure.

I am writing to you as the Minister of Environment and Water for the province of Alberta, Canada. You may be aware that Alberta, Canada holds the third largest oil reserves in the world, most of which are in the form of oil sands. Oil sands are a naturally occurring mixture of sand, water and bitumen, a heavy form of oil. The Government of Alberta has followed the development of the European Union's Fuel Quality Directive closely.

Alberta fully supports the intent of the Fuel Quality Directive as we share a desire to reduce carbon alongside with the European Union. However, we have grown increasingly concerned as it has become apparent the proposed implementing measure has been deliberately crafted in such a way as to discriminate specifically, and uniquely, against oil sands fuels. The Fuel Quality Directive, as currently drafted, would not be an effective means of reducing the greenhouse gas intensity of the fuel mix used in the European Union. Moreover, it would provide a strong disincentive to transparency and independent greenhouse gas reduction efforts among European Union crude suppliers. Alberta believes the proposed Fuel Quality Directive would also be in contravention of the European Union's international trade obligations.

*Alberta* 

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Alberta shares the European Union's goal of carbon reduction. We believe that carbon reduction regimes should be developed in a way that is transparent, science-based and non-discriminatory. Alberta was the first jurisdiction in North America to regulate large emitters across all sectors with mandatory greenhouse gas emissions reductions. Our regulation includes a mandatory 12 per cent intensity reduction for all facilities that emit more than 100,000 tonnes per year. This reduction can be met through physical reductions, purchasing accredited Alberta offsets or paying \$15/tonne into the Climate Change Emissions Management Fund, which is then distributed to innovative clean energy research and technology projects.

The Fuel Quality Directive Implementing Measure, as it is currently drafted, does not follow the principles of being transparent, science-based and non-discriminatory. Alberta is simply asking for a principled approach to the European Union's Fuel Quality Directive and that the implementing measure is developed in a way that it ensures the following.

**1. Equal treatment of all crudes, not based on selective discrimination:**

There is no scientific reason to single out Canadian oil sands from other crude sources. Lifecycle greenhouse gas emissions for oil sands derived fuels are within the continuum of existing source crudes entering the European market. The implementing measure tries to justify its discriminatory treatment of one single crude source by creating an artificial category of "natural bitumen," but if the purpose of the Fuel Quality Directive is truly carbon management, carbon intensity is the only metric by which crude sources should be assessed.

**2. Policy is based on reliable data and sound science:**

Evaluate each source of crude on its own merit using a consistent methodology. The Commission has never fully disclosed the methodology used to develop the European Union average default value or the oil sands derived crudes value. The Commission's values do not align with analyses completed by outside experts, which find that there is little actual difference in life-cycle carbon intensity.

**3. Avoid duplication:**

As described above, Alberta was the first jurisdiction in North America to regulate carbon emissions for large industry (including all oil sands operations), with mandated reductions in intensity and a price on carbon emissions as a compliance option. The Fuel Quality Directive Implementing Measure does not credit oil sands derived fuels for this, but rather imposes a second penalty on producers. The current language creates a disincentive for other jurisdictions to introduce such measures.

**4. Do not penalize transparency:**

The Province of Alberta's energy sector is among the most transparent and highly regulated jurisdictions in the world. The draft Fuel Quality Directive implementing language states that it would be desirable to attribute specific carbon intensity values to each crude oil feedstock, but admits that the necessary data is not available from many other oil-producing countries. The lack of transparency among other crude producers results in a discrimination against the oil sands, penalizing a transparent jurisdiction and rewarding jurisdictions that are not. The current language creates a disincentive for other jurisdictions to develop more transparent reporting as to do so would logically remove them from the European Union average default value.

We urge the European Union to consider alternative models to the approach proposed in the current draft implementing measures. Europe, of course, needs a system that works within the European market. Alberta is asking only that this be done in a manner that applies consistent and equal treatment to all current and potential crude suppliers and is in alignment with the European Union's international trade obligations. Alberta's position has always been favourable towards any implementing measure that applies a consistent treatment to all crude sources, whether this is done through a single default value for all crude sources or by a measure that individually evaluates all crude producing jurisdictions that are current or potential suppliers to Europe.

The Government of Alberta has provided more technical feedback, with a greater level of detail, in previous letters directly to Fuel Quality Committee members from each member state. If you would like more information on Alberta's views regarding the proposed Fuel Quality Directive or Alberta's regulatory approach to greenhouse gas emissions, please do not hesitate to contact me.

Sincerely,



Diana McQueen  
Minister

c.c. Hon. Alison M. Redford, QC  
Premier

Hon. Chris Huhne  
Minister of Energy and Climate Change