

Budget news & BFuel Canada Corp

2007 Federal Budget

A Cleaner, Healthier Environment

Investing in Cleaner Fuels

Renewable fuels are cleaner fuels that reduce air pollution and lower greenhouse gas emissions. The Government recently announced a regulation requiring a 5 per cent average renewable content, such as ethanol, in Canadian gasoline by 2010. The Government also intends to develop a regulation for diesel fuel and heating oil to contain 2 per cent average renewable content, such as biodiesel, by 2012, once it has been verified that the new blended fuel is safe and effective for our Canadian climate and conditions. Renewable fuel production is a new market opportunity for farmers and rural communities. Budget 2006 included \$365 million to assist farmers in realizing opportunities through agricultural bioproducts, including renewable fuels.

To meet the requirements of the proposed regulations, over 2 billion litres of renewable fuels will be required, creating tremendous business opportunities for Canadian renewable fuel and agricultural producers. Budget 2007 invests up to \$2 billion in support of renewable fuel production in Canada to help meet these requirements, including up to \$1.5 billion for an operating incentive and \$500 million for next-generation renewable fuels.

Up to \$1.5 billion over seven years will be allocated towards an operating incentive to producers of renewable alternatives to gasoline, such as ethanol, and renewable alternatives to diesel, such as biodiesel, under conditions where industry requires support to remain profitable. Incentive rates will be up to \$0.10/L for renewable alternatives to gasoline and up to \$0.20/L for renewable alternatives to diesel for the first three years, then decline thereafter.

In order to ensure companies do not earn excessive profits, government support will not be provided when rates of return exceed 20 per cent, determined annually. Support under the program to individual companies will be capped to ensure that benefits are provided to a wide range of participants in the sector—not just the largest oil-producing companies.

Budget 2007 also makes \$500 million over seven years available to Sustainable Development Technology Canada to invest with the private sector in establishing large-scale facilities for the production of next-generation renewable fuels. Next-generation renewable fuels—produced from agricultural and wood waste products such as wheat straw, corn stover, wood residue and switchgrass—have the potential to generate even greater environmental benefits than traditional renewable fuels. Canada is well positioned to become a world leader in the development and commercialization of next-generation fuels.

(Excerpt from federal budget March 19, 2007)