

# Canada Clean Fuel Regulations (CFR)

## Fact Sheet: Clean Fuel Markets

### What CFR does?

Canada’s Clean Fuel Regulations (CFR) has been designed to cut greenhouse gas emissions from the transportation sector by lowering the carbon intensity of gasoline and diesel used in Canada. The regulations apply to producers and importers of gasoline and diesel who must progressively reduce the lifecycle carbon intensity of the fuels they place on the market.

The CFR operates through a credit based compliance system that encourages investment in cleaner energy, carbon capture, and low carbon technology. To comply, primary suppliers must hold enough CFR credits to meet their annual carbon intensity reduction requirement. They can generate some credits through eligible activities but must obtain the remainder from voluntary credit creators.

Voluntary credit creators are entities that are not obligated under the CFR but choose to register eligible projects that lower the carbon intensity of fuels. In this way, the CFR turns carbon intensity reduction into a market based opportunity, rewarding clean fuel production and incentivizing investments in technologies that support Canada’s transition to a lower emission transportation system.

### How credits are generated?

#### Category 1 (CC1)

#### Lowering the CI of Fuels

Focuses on reducing the carbon footprint of traditional petroleum fuels through strategies such as:

- Carbon capture and storage
- Low-carbon intensity electricity integration
- Enhanced oil recovery
- Co-processing of biocrudes in refineries and upgraders.

#### Category 2 (CC2)

#### Supplying Lower-CI Fuels

Involves increasing the availability and use of alternative fuels with lower carbon intensities, including:

- Renewable diesel and sustainable aviation fuel (SAF)
- Biodiesel
- Ethanol
- Hydrogen
- Renewable natural gas (RNG)
- Biogas

#### Category 3 (CC3):

#### Switching Energy Use

Emphasizes transitioning to alternative energy sources and transportation modes to reduce reliance on fossil fuels, such as:

- Electric vehicles (EV charging)
- Hydrogen fuel cell vehicles
- Natural gas vehicles (LNG/CNG)

## The Opportunity

Canada's CFR market presents a significant opportunity for clean-fuel producers. With credit prices around **CAD 350/ credit** and tightening CI targets, the system is structurally short: only 11.3 million credits were issued in the first 18 months against deficits exceeding 12 million tonnes, and 2024 supply (excl. CC1 and electricity) remained limited at ~7.9 million credits. This persistent gap between obligated demand and available low-CI supply means new eligible projects can capture strong, sustained monetisation potential, positioning clean-fuel developers to benefit from long-term credit value support and high compliance-driven demand.

## How Climate Decode can support?

### Assessing CFR Monetization Pathways

- Evaluate CI-based credit generation potential
- Quantify annual credit volumes & revenues for RNG, ethanol, SAF, electricity, hydrogen
- Model multi-year monetization scenarios aligned to project timelines

### Carbon Intensity Management

- Open LCA-based CI/LCA modelling
- CI application preparation and submission
- CI optimisation across feedstock, process energy, transport, technology

### Credit Sales & Commercialization:

- Commercialization strategy support; credit sales and offtake facilitation; commercial modelling aligned with project economics and credit forecasts.

### CFR Account Management Services

- Full account registration in ECCC's CFR system
- Quarterly reporting
- Material balance documentation
- Annual reporting package preparation
- Maintenance of audit-ready evidence portfolios

### Verification & Compliance Management

- Manage all verification cycles
- Liaise with accredited verifiers
- Prepare documentation, audit packs and evidence trails

## Contact us

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