



February 6, 2024

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5
Delivered via Email

Dear Minister Freeland,

RE: Sustainable Aviation Fuels Incentive

We are reaching out on behalf of Canada's aviation ecosystem seeking bold action in Budget 2024 on Sustainable Aviation Fuels (SAF) - a resource that represents significant economic and environmental opportunity and benefits for Canada.

The airline and aerospace sectors in Canada and around the world are taking ambitious steps to achieve net-zero emissions by 2050. In the last several years, billions of dollars have been invested by these sectors in technological research and development, purchasing fuel-efficient aircraft, improving operational efficiency so that less fuel is consumed, electrifying ground fleets, and other decarbonization strategies. While these are important steps toward our shared goal of net-zero air travel, wide-scale production and adoption of SAF represents the most important tool available to significantly reduce aviation emissions - the federal government's own Aviation Climate Change Action Plan and Defence Climate and Sustainability Strategy recognize the essential need for SAF to decarbonize.

SAF can be made either from various renewable feedstock including forestry, agricultural and municipal waste, or it can also be produced using captured carbon and renewable power. Compared to traditional jet fuel, SAF can reduce lifecycle carbon emissions by up to 80%. SAF is a drop-in fuel, so it can be blended with conventional jet fuel and used in existing aircraft and infrastructure. When it comes to producing SAF, Canada has significant potential and important natural and geographical advantages compared to other countries. We have varied sustainable biomass in abundance, unparalleled experience in resource development and renewable energy, and most importantly, stakeholders across the entire value chain ready to act and be leaders in this front.

Despite the federal government's endorsement of net zero for Canada's aviation sector by 2050, and the enormous potential for Canada to seize our natural advantage in this space, Canada has not yet implemented incentives to ensure that SAF production happens domestically. As a result, Canada has yet to produce any SAF at a commercial scale. Without a shared commitment by government and industry to lead, Canada will miss the benefits of a net-zero industry that will be a cornerstone of sustainable aviation.



Already, the lack of bold, deliberate national sustainable aviation policies is driving investment to other countries, and in the process putting our 2050 net-zero at risk.

The United States has recognized the potential of and is incentivizing production of SAF. The U.S. *Inflation Reduction Act* (2022) provides incentives of up to \$1.75 per gallon of SAF produced. Combined with competitive state-level incentives, energy firms are choosing to invest in production facilities in the United States.

Canada must ensure that our aviation industry can access affordable ways to decarbonize. Domestic SAF incentives are essential to ensure Canada's airlines and aerospace industries are positioned to be competitive internationally, and to meet ambitious emissions reduction goals for the aviation sector.

Your government has taken action to stimulate clean electricity and hydrogen energy markets in both Budget 2023 and the November 2023 Fall Economic Statement. Now is the time for Canada to step up with its own incentive program and policy regime for SAF. Specifically, we would like to see Budget 2024 adopt recommendations put forward by the Canadian Council for Sustainable Aviation Fuels, including:

- 1. Implement refundable investment tax credits at a rate of 50% for SAF production facilities.**
- 2. At the same time, a Production Tax Credit (PTC) with a ten-year horizon equivalent to the one in the United States should be implemented.**
- 3. If a PTC is not possible, Canada should introduce a commodity price contracts for difference (CFDS) or 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.**

Air travel is essential to keep Canadians connected to their loved ones, to business opportunities, and to the world. But for this vital industry to adapt to the realities of climate change and decarbonization, SAF, and federal SAF incentives, are critical.

The Canadian aviation, aerospace and SAF ecosystem stakeholders want to work with the federal government to create economic opportunities that will contribute towards building a decarbonized country, and this starts with implementing a federal policy framework to build a domestic SAF supply chain that will help achieve lower GHG emissions in the aviation industry.

We look forward to working with you ahead of Budget 2024 to set the conditions for Canada to seize these opportunities.



Sincerely,

Michael Rousseau
President and CEO
Air Canada

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CC: The Hon. Anita Anand, President of the Treasury Board
The Hon. Bill Blair, Minister of National Defence
The Hon. François-Philippe Champagne, Minister of Innovation, Science and Industry
The Hon. Pablo Rodriguez, Minister of Transport
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