

June 22<sup>th</sup>, 2026

NOVA SCOTIA ENERGY BOARD

In the Matter of: ***The Petroleum Products Act and the Petroleum Products Pricing Regulations***

- and -

In the Matter of: **An Application by the Canadian Fuels Association, a corporation registered under the *Canada Not-for-profit Corporations Act*, pursuant to sections 17A and 24(2)(b) of the *Petroleum Products Regulations* (“Regulations”) for an investigation of the methodology for setting a clean fuel adjustor amount, and an Interim Order pursuant to section 24A(2) of the Regulations, to ensure that the clean fuel adjustor amount is just and reasonable as a component of fixed wholesale prices**

**NOTICE OF APPLICATION**

**TO: The Nova Scotia Energy Board (the “Board”)**

1. On November 25, 2025, the Board issued its decision in Matter M11978, an Application by Steve R. Murphy’s Auto Services Ltd. and WSK Investments Limited requesting that the Board undertake an investigation under s. 24(2)(a) of the Regulations about the sufficiency of the current wholesale margin for self-service and full-service gasoline and diesel (the “Decision”).
2. In the Decision, the Board found as follows at paragraph 78:

“The Board finds that the clean fuel adjustor should continue to be reviewed on a regular basis. The Board heard evidence at the hearing that the CFR compliance market is still evolving and needs to be closely monitored. The compliance methods and related costs were still being reviewed by industry. Further, the carbon intensity targets become more stringent each year on January 1<sup>st</sup> and inflation must be considered. The Board finds that the next review will occur after December 31, 2026, unless otherwise ordered by the Board. Before then, however, the clean fuel adjustor amounts shall be adjusted annually for inflation and carbon intensity **and industry can apply to have the methodology reviewed if they consider that circumstances have changed.**” (emphasis added)

3. Please accept the following as an Application by the Canadian Fuels Association, a corporation registered under the *Canada Not-for-profit Corporations Act*, pursuant to

sections 17A and 24(2)(b) of the Regulations for an investigation to review the methodology for setting a clean fuel adjustor amount as a result of changed circumstances since the Decision. The circumstances that have arisen since the Decision require review and adjustment of the clean fuel adjustor to ensure that it continues to be just and reasonable as a component of the fixed wholesale prices. These circumstances also constitute an emergency situation justifying an Interim Order until the required public hearing for the investigation can be held.

#### **CURRENT METHODOLOGY FOR SETTING THE CLEAN FUEL ADJUSTOR**

4. The Board's current methodology for setting a clean fuel adjustor amount, as approved in the Decision, selects **the lesser of** the maximum Clean Fuels Regulations ("CFR") credit price under the Canadian credit clearance mechanism (adjusted annually for inflation and carbon intensity reductions) and the Argus Atlantic CFR compliance cost. For reasons set out in further detail below, the Applicant respectfully submits that the current methodology is not just and reasonable, as the maximum CFR credit price under the Canadian credit clearance mechanism should no longer be used as part of the methodology for setting a clean fuel adjustor amount.
5. In approving its current methodology, the Board relied on the evidence of its consultant, Jason Parent of Signal Energy Consulting ("Signal"). At paragraphs 73 and 75 of the Decision, the Board stated:

"The Board accepts Signal's evidence that the Board's current methodology to calculate the clean fuel adjustor does not reflect the full CFR compliance costs which are incorporated in Rack prices. **Signal was also able to confirm that its recommended methodology (i.e., a formula using the lesser of the maximum CFR credit prices and the Argus Atlantic CFR compliance cost) was generally consistent with the 1.8 cpl margin difference between Rack and benchmark prices (i.e., 1.61 cpl on gasoline and 1.79 cpl on diesel fuel).** For its analysis, Signal used the same volume weighted averages that were used to calculate the observed 1.8 cpl shortfall in margins since June 2024...

**The Board finds that Signal's recommendation is an appropriate way to address the observed difference between Rack and benchmark prices.** Addressing this issue will ensure the security of supply of petroleum products for customers in the province. The change in the volume-weighted difference between acquisition costs and benchmark prices should be addressed by adjusting the methodology used to calculate the clean fuel adjustor by selecting the lesser of the Argus Atlantic CFR compliance cost and the maximum CFR credit price under the Canadian credit clearance mechanism, subject to adjusting the latter for inflation and carbon intensity reductions on an annual basis as soon as those numbers are available after January 1st. **The Board accepts Signal's recommendation to use the lower of these two amounts.** As noted earlier, it is reasonable to expect suppliers to pursue the most cost-effective means of regulatory compliance with the CFR." (emphasis added)

**CHANGED CIRCUMSTANCES THAT JUSTIFY A REVIEW**

6. On November 7, 2025, the New Brunswick Energy and Utilities Board (EUB) issued an Order and Notice of Hearing in Matter PT-005-2025, A Review As a Consequence of the Pending Repeal of the Cost of Carbon Adjustor from the *Petroleum Products Pricing Act*. The Notice indicated that the NBEUB retained Signal to conduct a review and provide a report on its findings by January 9, 2026.
7. The Oral Hearing in Matter PT-005-2025 was held before the EUB on February 24, 2026. During the hearing, Mr. Parent of Signal was specifically questioned regarding his recommendation in Nova Scotia by counsel for the EUB regarding his recommendation to the Board in Nova Scotia. The full transcript is attached to this Application as Appendix A. In response to questions from counsel for the EUB, Mr. Parent indicated that he doesn't think he would make the same recommendation for Nova Scotia, stating as follows at pages 45-46 of the Transcript:

MS. MALLORY: Okay. Is there any reason why the Board wouldn't use the CCM maximum price in New Brunswick?

MR. PARENT: Well, it – it would require that I go back and kind of explain the thinking in Nova Scotia, which, **if I'm being completely honest, I'm not sure I would recommend having information that I have now.**

MS. MALLORY: Okay. And why is that?

MR. PARENT: So the – the – the idea of using the lower of and using the – the – the CCM was based on the – the fact that people are going to seek the lowest cost for compliance, and if that option exists, that it's effectively a – a marginal cost for compliance. So if you need to comply, and that's the lowest cost option, you're going to take it. **What was not considered at the time and what's been brought to light in the interim is that there's just – I don't think there's a lot of volume moving through the CCM, and so it doesn't act like a true marginal cost in the market. So – so again, at the time in Nova Scotia, when I made the recommendation, it was based on the theory that – that that would – that that would work, that it would function that way. It was how it was intended to function, I think. Practically, I don't think it has functioned that way.**

MS. MALLORY: Okay.

MR. PARENT: At least that's some of the feedback that I've got from – through industry consultation. And so again, **if I was doing the Nova Scotia report right now, I don't think I would make the same recommendation."**

(emphasis added)

8. The Applicant concurs with Mr. Parent's testimony and agrees that the Canadian credit clearance mechanism does not act like a true marginal cost in the market. **This is evident from the increasing spread** between the maximum CFR credit price under the Canadian

credit clearance mechanism and both the Argus Canada CFR price and the Argus Atlantic CFR price.

9. In light of Signal changing its view on the recommendation that the Board relied on in approving the current methodology, and in light of the significant discrepancy between the maximum CFR credit price under the Canadian credit clearance mechanism and the Argus Atlantic CFR price, the Applicant requests that the Board conduct an expedited review to determine whether there should be changes to the current methodology.
10. Further, on May 13, 2026, the EUB issued its decision in Matter PT-005-2025, which is attached to this Application as Appendix B. The EUB's decision made a number of key findings based on the expert evidence of Signal as well as the Public Intervenor's consultant, Doane Grant Thornton, that further support this Board conducting an expedited review of the current methodology being used in Nova Scotia. At paras. 43-46, the EUB found (emphasis added):

[43] Since the Board's interim decision on November 28, 2025, CFR compliance costs have been accounted for in the wholesale margin. Those costs were based on the California LCFS market prices as of November 28, 2025. Consequently, 7.90 cpl of the 17.41 cpl margin for gasoline is attributable to the putative CFR compliance costs; 8.81 cpl of the 20.32 cpl margin for diesel is attributable to putative CFR compliance costs.

[44] Prior to the 2025 amendments to the Act and General Regulation, the Board referred to the California low carbon fuel standard, LCFS, market price as the most relevant proxy for CFR compliance costs. At the time the cost of carbon adjustor was introduced in 2023, there was no mature, liquid market for trading CI credits in Canada. In this matter, Angie Brown, an expert qualified to give evidence in the field of the pricing of regulated petroleum products, noted that the adoption of the market price for California LCFS was only seen as a stopgap measure. She testified that even now, the Canadian credit clearance mechanism does not have the volume of activity that would reach a standard for her to be able to conclude that it is truly reflective of real market conditions. She said that in this country most CI credits trade on a contractual basis outside the Canadian credit clearance mechanism. **Ms. Brown testified that it is now generally accepted among industry stakeholders that the California-based proxy price for the cost of CFR compliance is very high and unsupported. Ms. Brown noted that the stakeholders with whom she had consulted told her that they were making national decisions for CFR compliance, not province or region-specific ones. When pressed, she could see no reason why the Canadian CFR Compliances Costs reported by Argus Media should not be used as the appropriate proxy for the cost of CFR compliance here in New Brunswick.**

[45] **The Board is satisfied that the continued use of a California-based proxy for CFR compliance costs is no longer appropriate and that the price for Canada CFR Compliance Costs reported by Argus Media in its Americas Biofuels publication is a more appropriate and relevant proxy for CFR compliance costs here in New Brunswick.**

[46] The transition from the California-based proxy for CFR compliance to the Canada CFR compliance costs will eliminate the need to adjust for contributions to registered emission-reduction funding programs because while the California price did not contemplate Canadian programs, the Board presumes that the Canada CFR compliance costs already reflect those contributions.

11. These findings by the New Brunswick EUB are further supported by publicly available analyses of Environment and Climate Change Canada's (ECCC) quarterly Credit Market Reports and independent market summaries. For instance, ClearBlue Markets' review <sup>(1)</sup> and cCarbon.info <sup>(2)</sup> of ECCC's Q1 2025 Credit Market Report <sup>(3)</sup> show that most compliance credit transactions occur through bilateral or contractual arrangements. For June 2026 (based on the May 2026 monthly average), the New Brunswick EUB applied a CFR compliance cost component of 12.23 ¢/L for gasoline and 13.62 ¢/L for diesel. These figures correspond to an Argus Canada CFR compliance cost average for May 2026 that sits well above \$400 per credit — materially higher than the CCM maximum price of \$326 per credit for the 2025 compliance period. This market evidence reinforces Mr. Parent's testimony and the EUB's conclusions that the CCM maximum price no longer serves as a reliable or representative indicator of actual CFR compliance costs faced by industry.

#### REQUEST FOR AN INTERIM ORDER

12. Section 24A of the Regulations provides that, in an emergency situation, the Board has the jurisdiction to make an interim order to temporarily prescribe interim fixed wholesale prices until a public hearing or inquiry can be held. Under section 17(1)(f) of the Regulations, the clean fuel adjustor amount is included in the fixed wholesale price.
13. As noted above, the current spread between (i) the maximum CFR credit price that is setting the clean fuel adjustor, and (ii) the Argus Canada CFR price that is more representative of the costs facing industry to comply with the CFR is significant, unsustainable, and threatens the security of petroleum supply. This constitutes an emergency situation that supports the Board issuing an Interim Order to change the current methodology for the clean fuel adjustor immediately.
14. This divergence has produced an understated clean fuel adjustor that sits well below the actual CFR compliance costs embedded in rack prices. By continuing to rely on the CCM maximum of \$326 rather than a more representative proxy such as the monthly average of Argus daily Canada CFR Compliance Costs (as now used by the New Brunswick EUB), the current methodology results in an adjustor that no longer reasonably approximates industry costs. With New Brunswick now incorporating CFR compliance costs of 12.23 ¢/L for gasoline and 13.62 ¢/L for diesel (reflecting May 2026 Argus Canada averages well above \$400 per credit), the misalignment in Nova Scotia is unsustainable. It creates competitive disadvantages relative to New Brunswick and poses risks to wholesale supply security in Nova Scotia. An immediate interim order adopting the monthly average Argus Canada CFR compliance cost (consistent with the EUB's determination following expert evidence) as the basis for the clean fuel adjustor is therefore justified as an emergency measure under section 24A of the Regulations

15. In summary, the Applicant seeks directions from the Board for Public Notice of this Application, including a timeline for the process related to the Application, as well as an Interim Order prescribing interim fixed wholesale prices that use a clean fuel adjustor methodology that does not include the Canadian credit clearance mechanism. Given that the Argus Canada CFR price (a) was selected by the EUB as the appropriate and relevant proxy for CFR compliance costs following review of expert evidence from Signal and Doane Grant Thornton, and (b) has produced adjustor values such as 12.23 ¢/L for gasoline in New Brunswick, the Applicant supports an Interim Order setting the clean fuel adjustor amount based on the monthly average of daily Canada CFR Compliance Costs reported by Argus Media until the hearing for the investigation can be

Dated at Ottawa, Ontario this 22<sup>th</sup> day of June, 2026



Carol Montreuil  
Vice President, Eastern Canada  
Canadian Fuels Association  
1000- 275, Slater street,  
Ottawa, Ontario K1P 5H9

e-mail : [carolmontreuil@canadianfuels.ca](mailto:carolmontreuil@canadianfuels.ca)  
Tel : 514-949-7550

Reference:

- (1) <https://www.clearbluemarkets.com/knowledge-base/canada-cfr-q1-2025-compliance-credit-market-report-review>
- (2) <https://www.ccarbon.info/market/clean-fuel-standards/canada-clean-fuel-regulations/>
- (3) <https://www.canada.ca/en/environment-climate-change/services/managing-pollution/energy-production/fuel-regulations/clean-fuel-regulations/compliance/credit-market-report-june-2024.html>