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CFR Market Overview

Federal Clean Fuel Regulations | October 2026 Update | Published October 7, 2026

Market Overview

The federal Clean Fuel Regulations (CFR) require primary suppliers of gasoline and diesel, meaning producers and importers, to cut the lifecycle carbon intensity (CI) of their fuel pools. Credit creation began in 2022, CI limits have applied since July 1, 2023, and each calendar year is now a compliance period.

The required cut rises 1.5 gCO_2e/MJ a year, from 8.0 g in 2026 to 14.0 g in 2030, roughly 15% below reference CI. Suppliers comply by creating or buying credits; one credit equals one tonne CO_2e.

The market has tightened sharply. ECCC's average transfer price was **$157** in 2024. Spot crossed $400 in early 2026 and held a $420–445 range for most of the summer, before falling to $325 on September 8 and recovering to $350 by September 10 as buyers awaited the amendments (Clearblue Markets).

What Changed

- **No rule changes yet:** The regulation text is unchanged since September 2024. No CFR amendment has been published in the Canada Gazette in 2025 or 2026.
- **Domestic biofuels push:** On September 5, 2025, Ottawa announced targeted CFR amendments to support Canadian biofuels, plus a Biofuel Production Incentive of over $370 million (2026–2027) for domestic biodiesel and renewable diesel producers.
- **Amendment options:** ECCC's December 2025 discussion paper floated a minimum domestic-content requirement or a domestic credit multiplier. Comments closed January 15, 2026. In late June 2026, ECCC asked the Minister to decide on further design elements. No draft text yet.
- **CCUS support:** In the May 15, 2026 Canada-Alberta agreement, Ottawa committed to keep a minimum credit creation rate of at least 20% for upstream CCUS projects under the CFR.
- **Durability pledge:** Under the July 2, 2026 Pathways MOU with Alberta and the Oil Sands Alliance companies, Ottawa agreed to advance proposals for CCS operating-cost support, including enhanced CFR durability.
- **Import reliance:** 73% of 2024 CC2 credits came from imported fuel, according to ECCC.

CFR REDUCTION REQUIREMENT

8.0 g/MJ

2026 | 14.0 g/MJ From 2030

CI Limits (gCO_2e/MJ)

Year	Gasoline	Diesel	Cut
2023	91.5	89.5	3.5
2024	90.0	88.0	5.0
2025	88.5	86.5	6.5
2026	**87.0**	**85.0**	**8.0**
2027	85.5	83.5	9.5
2028	84.0	82.0	11.0
2029	82.5	80.5	12.5
2030+	81.0	79.0	14.0

Reference CI: gasoline 95, diesel 93 gCO_2e/MJ. Limits apply from July 1, 2023.

Price Markers ($/Credit)

Measure	2024	2025
Clearance mechanism max	319	326
Fund price (ERFP)	372	380
ECCC avg. transfer price	157	–

Ceilings are $300 and $350 in 2022 dollars, CPI-indexed. 2025 full-year ECCC average not yet published.

CFR MARKET OVERVIEW

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CFR MARKET OVERVIEW

How The CFR Works

Who's Regulated	Producers and importers of gasoline and diesel; suppliers of less than 400 m³ of gasoline, or of diesel, in a period are exempt for that fuel. Liquid fossil fuels only. At least 5% of each gasoline pool and 2% of each diesel pool must be displaced by low-CI fuel.
Credit Categories	▪ **CC1:** Projects that cut the lifecycle CI of fossil fuels, such as CCS and co-processing. ▪ **CC2:** Supplying low-CI fuels such as ethanol, renewable diesel and biodiesel. ▪ **CC3:** Fuel or energy for advanced vehicles, such as EV charging and hydrogen. EV charging credit revenue must be reinvested.
Use Limits	Three separate caps of 10% of the reduction requirement each: fund-program credits, gaseous-fuel credits, and CC1 credits from generic quantification methods.
Flexibility Tools	▪ **Clearance mechanism:** Suppliers buy pledged credits at a capped price ($326 for 2025) from August 31 to October 31 of the following year. ▪ **Fund route:** Pay into a registered program at $380 per credit for 2025, up to 10% of the requirement. These credits cannot be traded. ▪ **Deferral:** Up to 10% of the requirement can be deferred, growing 5% a year, and must be met within five years.
Banking	Surplus credits can be banked or sold. The regulation sets no expiry for ordinary compliance credits.
Deadlines	Quarterly credit-creation reports. April 30: annual credit-creation report. July 31: annual compliance report. August 31–October 31: clearance mechanism. December 15: final deadline to satisfy or defer.
Registry And Links	Credits are tracked in ECCC's Credit and Tracking System (CATS). The CFR runs alongside BC's Low Carbon Fuel Standard, and a CCS project can earn both TIER sequestration credits and CFR credits.

Where We Can Help Next

- **CFR price discovery:** Our CFR Pricing Report tracks credit prices, market balance and regulatory developments.
- **Compliance strategy:** We model obligations through 2030 and weigh credit purchases, the clearance mechanism, the fund route and deferral.
- **Credit creation:** We assess CC1, CC2 and CC3 opportunities, including stacking CCS credits with TIER sequestration credits.

Sources: Clean Fuel Regulations (SOR/2022-140); ECCC CFR pages, credit market reports and December 2025 discussion paper; Government of Canada (May 15, 2026); Alberta TIER CCS fact sheet; Clearblue Markets.

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