Provinces promote clean fuel industry

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OTTAWA -- At least two provincial governments are taking steps to encourage the use of ethanol or bio-ethanol as gasoline additives as Ottawa and the provinces prepare to meet this week to discuss possible responses to global warming.

Saskatchewan unveiled its plan to develop an ethanol industry in March, which included legislation that would allow the government to mandate that all gasoline sold in the province must include cleaner-burning ethanol. That announcement also included the effective elimination of the provincial fuel tax on ethanol produced and used in Saskatchewan.

Manitoba, which is also considering mandating the use of ethanol, is expected to unveil its strategy this week. Like Saskatchewan, that province is anxious to create new markets for its farmers.

Other provinces, including Ontario, have taken smaller steps toward giving the fledgling industry a push. But the Prairie provinces have a particular incentive to take the plunge into these alternative fuels because they would also create additional markets for their critical agricultural sectors.

Many provinces have removed provincial fuel or excise taxes on ethanol and other clean fuels. But provincial and industry officials say the federal government's support is needed -- and that Ottawa is dragging its heels.

"With one stroke of a pen, you could create a Canadian ethanol industry," one industry source said.

Andrew Thomson, who was Saskatchewan's Minister of Energy and Mines when that province's plan was announced, said the federal government's indecision on mandating ethanol has been frustrating. "It would seem to be a no-brainer to do it," he said. "We got tired of waiting for Ottawa -- we decided to go it alone."

Sources say there's strong support for a mandate within the federal cabinet, but that no decision has been made. Natural Resources Minister Herb Dhaliwal couldn't be reached for comment, but an official said the issue is still at the consultation stage.

Canada and the provinces are set to meet in Charlottetown today to discuss possible policy options for trying to meet this country's obligations under The Kyoto Protocol of 1997, an international agreement to fight global warming through the reduction of fuel emissions. Those options include the use of ethanol, bioethanol and other alternative fuels, the spokesperson said.

Ethanol, which uses corn, grains and other food sources to make cleaner fuel, is now available as a gas additive at many Canadian retail gas stations. Bioethanol, which uses farm waste and can therefore be used in much greater quantities, is further behind in development.

The powerful oil industry's influence has traditionally been seen as an obstacle to mandating alternative fuels, but the upstart sector received a boost earlier this month when oil giant Royal Dutch/Shell Group bought a minority stake in Ottawa-based Iogen Corp. Iogen, a leading developer of bioethanol fuel, expects the oil company's capital and distribution network will allow it to commercialize its product much faster.

Duncan Macleod, Shell's lead executive on the Iogen deal, said bioethanol has a chance to overhaul the fuel industry. "This could be huge."

Iogen expects that it will start to build commercial plants in 2004 and will be able to provide a commercial product in 2006.

The development of an alternative fuels market has been a long, slow process that first generated widespread attention following the 1970s oil crisis. After interest faded during the 1980s when oil prices tumbled, alternative fuels made a resurgence in the early-1990s with the growth of the environmental movement. Interest in alternative fuels sputtered again later in the decade as oil prices fell and technological hurdles proved stronger than had been previously believed.