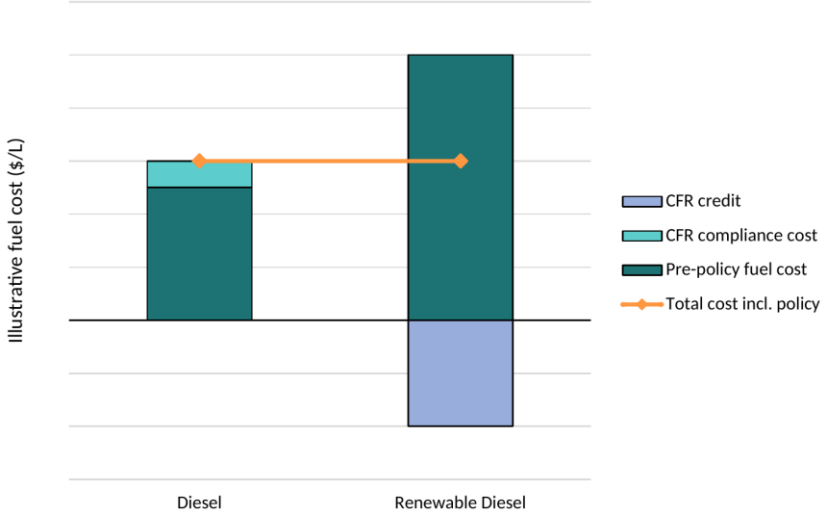
What drives the CFR credit price?

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Credit prices under the federal Clean Fuel Regulations (CFR) have risen sharply since the market opened, from an average of ~$100/t CO_2e in 2023 to $300-400/t CO_2e through the majority of 2026.[1] For fuel suppliers, credit generators and investors, the obvious question is where prices go next. Short-term swings can make the market look unpredictable, but over time the CFR price will come back to a few economic fundamentals: The cost of compliance actions and policy interaction. This blog explains what sets the CFR price today, how it responds when other policies change, what could put pressure on it in the long term, and how the outcome of the October 24th BC election could affect it.

The CFR credit price is set by the cost of the marginal compliance action. Like other low carbon fuel markets, the CFR credit price reflects the cost of generating the final (marginal) credit needed for compliance. In the near term, Navius' modelling finds that this marginal action is blending renewable diesel. Because renewable diesel costs more to produce than fossil diesel, CFR credits must be worth enough to close the cost gap between the two fuels (Figure 1).

Figure 1: Illustrative fuel cost example: how the CFR credit closes the cost gap



Note: Illustrative example only. For simplicity, the CFR is the only policy shown; in practice, other policies (e.g., provincial low carbon fuel standards and renewable fuel mandates) also help close the gap.

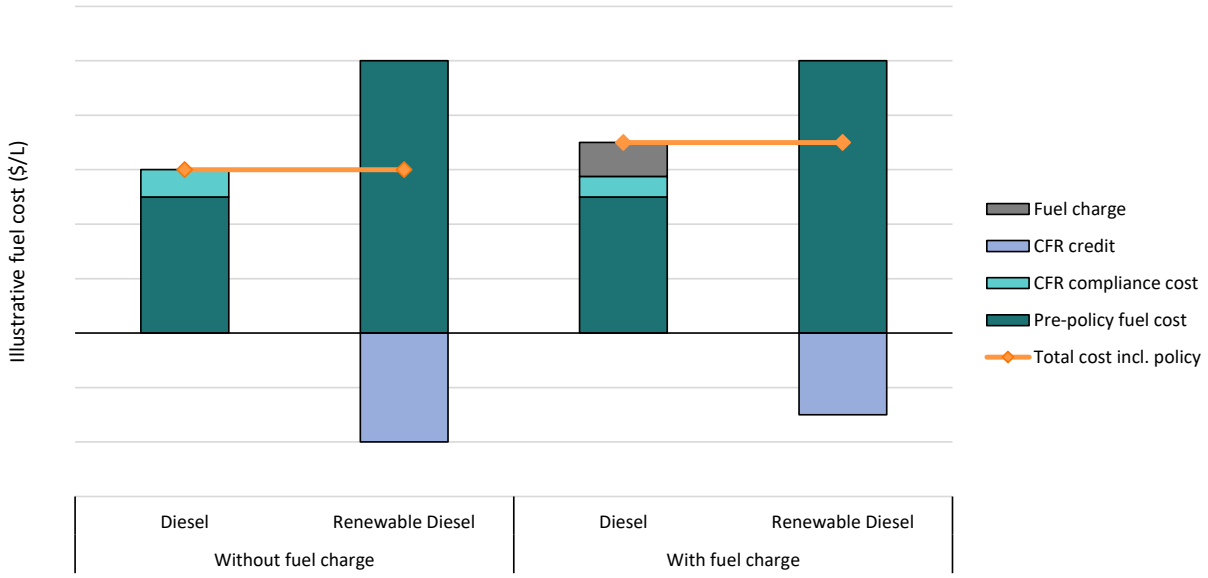
This means **the underlying dynamic driving the CFR price today is the cost of renewable diesel feedstocks (e.g., vegetable oil, waste oil and fats) relative to crude oil** (the feedstock cost makes up more than 80% of the cost for renewable diesel). As these feedstocks

[1] Environment and Climate Change Canada. (2026). Monthly and Quarterly Credit Transfer Datasets (September 2026). Available from: https://data-donnees.az.ec.gc.ca/data/climate/products/clean-fuel-regulations-credit-market-reporting/En/monthly-quarterly-credit-transfer-datasets?lang=en

get more expensive relative to crude oil, the gap grows and the CFR credit price rises, and vice versa.

When overlapping policies change, the CFR price adjusts to fill the gap. The CFR shares compliance actions with many other climate and energy policies, such as provincial low carbon fuel standards, renewable fuel mandates and carbon pricing. When one of these changes, so does the cost gap the CFR credit has to close. The repeal of the federal fuel charge in the spring of 2025 is a clear example.[2] Removing it made fossil diesel cheaper and widened the cost gap between renewable diesel and diesel, so the CFR credit price had to rise to close it (Figure 2). This was one contributing factor to the increase in CFR prices seen in 2025.

Figure 2: Illustrative fuel cost example: impact of the federal fuel charge

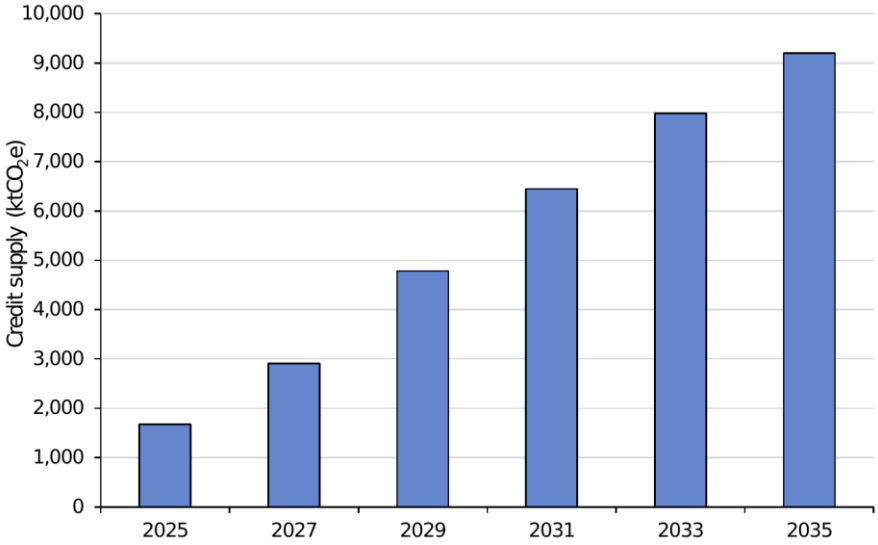


Note: Illustrative example only. Here the CFR and the federal fuel charge are the only policies shown. Removing the fuel charge widens the cost gap, so the CFR credit price rises to close it.

In the long term, growing EV credits put downward pressure on prices. Looking further ahead, a growing number of credits from electric vehicles (EVs) presents a risk to the credit market. Navius' most recent modelling shows electricity credits under the CFR growing to more than 9 million by 2035 (Figure 3), despite credits for home charging being phased out after 2030. Because the CFR's carbon intensity reduction requirements stop tightening after 2030, this growth increasingly displaces renewable diesel as the marginal way to comply. Without further tightening of the regulation, CFR credit prices face downward pressure by 2030.

[2] Department of Finance Canada (2025). Removing the consumer carbon price, effective April 1, 2025. Available from: https://www.canada.ca/en/department-finance/news/2025/03/removing-the-consumer-carbon-price-effective-april-1-2025.html

Figure 3: Navius forecasted electricity CFR credits



Source: Navius modelling using gTech

Repealing BC's ZEV mandate could push CFR prices up in the long term.
Like the federal fuel charge, the BC zero emission vehicle (ZEV) mandate is an overlapping policy, and changing it could impact the CFR price, but it acts through EV credits instead of the cost of diesel. The BC Conservatives' platform commits to "end the zero-emission vehicle sales quota".[3] Ending it would reduce EV credits, so renewable diesel would remain the marginal compliance action for longer. All else equal, that puts upward pressure on CFR credit prices in the longer term. How the BC Conservative's policies will impact the CFR market remains to be seen. While the platform indicates a repeal of the ZEV mandate and 'CleanBC', it is silent on BC's Low Carbon Fuel Standard, whose future will also influence the CFR market. We'll be unpacking how BC's post-election policy shifts play out for the CFR and BC LCFS markets over the coming months — stay tuned by subscribing to our Quarterly Market Outlooks.

Because prices return to fundamentals, the CFR market can be forecasted. Navius' energy-economy model, gTech, simulates the CFR market endogenously. Rather than assuming a credit price, gTech determines the cost-effective level of each compliance action from the underlying cost of generating credits, and the price emerges from that. Because it also represents the policies that interact with the CFR, gTech provides an internally consistent framework for examining how the market responds to changes in fuel prices or policy. This approach has tracked the market closely: see how our past forecasts compare to reported prices here.

Want our ongoing read on how the BC election outcome and other policy changes could shape Canada's low carbon fuel markets? Subscribe to our Quarterly CFR and LCFS Credit Market Outlook, or email aurora@naviusresearch.com.

[3] Conservative Party of British Columbia (2026). BC Conservatives 2026 Platform. Available from: https://conservativebc.ca/wp-content/uploads/2026/10/20261016_BCC_Platform2026_8-5x11-Draft-18_compressed.pdf