



Newfoundland and Labrador
emissions reduction
Fund

Program Guidelines
Greenhouse Gas Reduction Projects

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Program Background

On April 3, 2024 the Newfoundland and Labrador Emissions Reduction Fund (NLERF) was registered as an eligible compliance mechanism by Environment and Climate Change Canada (ECCC) under the Clean Fuels Regulations (CFR).

Canada's CFR designed to reduce the lifecycle carbon intensity (CI) of transportation fuels used in the Canadian market. Regulated primary fuel suppliers in Canada may choose to contribute up to 10% of their annual carbon intensity reduction requirements to emissions reduction funds like the NLERF.

The NLERF will invest in climate action in Canada while providing an option for primary fuel suppliers to meet their regulatory requirements.

The NLERF is managed by *econext* – a not-for-profit association with a mission to accelerate clean growth in Newfoundland and Labrador (NL) by: (1) stimulating research, development, and innovation; (2) preparing its workforce for a greening economy; and (3) acting as a catalyst for climate change action within its industries, businesses, and communities.

econext has been working for over 30 years on behalf of its members across many sectors to support sustainable development that balances environmental benefit with economic growth. More information on *econext* can be found at www.econext.ca.

Information for Contributors

Contributors to the NLERF are those that are regulated under the CFR, referenced throughout this document as 'primary fuel suppliers'.

The CFR take a performance-based approach to reducing greenhouse gas emissions in Canada. The Regulations are designed to incentivize innovation and adoption of clean technologies and expand the use of low carbon intensity fuels throughout the economy.

Compliance Options

Primary fuel suppliers have three options to meet CI compliance under the CFR:

1. Primary fuel suppliers can create and use their own credits by either:
 - a. Undertaking projects that reduce the lifecycle carbon intensity of liquid fossil fuels (e.g., carbon capture and storage, on-site renewable electricity, co-processing);

- b. Supplying low carbon intensity fuels (e.g., ethanol, biodiesel); and/or
 - c. Supplying fuel or energy to advanced vehicle technology (e.g., electricity or hydrogen in vehicles).
2. Primary fuel suppliers can purchase excess credits created by another regulated entity under the CFR
 3. Primary fuel suppliers can purchase credits from an authorized emissions reduction fund (ERF) such as the NLERF. A list of authorized ERFs can be found [here](#).

Interested parties should refer directly to [ECCC materials](#) for official information on the CFR.

ERF Credit Price

All ERF credits are set at a price stipulated by the Federal Government. Per subsection 118(4) of the Regulations, the ERF credit price is set at \$350 in 2022 (consumer price index [CPI] adjusted) per compliance credit. The formula for the credit price is as follows:

$$\text{\$350} \times (\text{CPIA} \div \text{CPIB})$$

where

CPIA is the average Consumer Price Index for the calendar year to which the compliance period relates, as published by Statistics Canada under the Statistics Act; and

CPIB is the average Consumer Price Index for the 12 months of the year 2022, as published by Statistics Canada under the Statistics Act.

For example, for the 2025 compliance period the ERF program credit price is CAD \$380. Information on CPIA and CPIB can be found on the [Consumer Price Index Portal](#).

Compliance Periods

A registered primary supplier may create compliance credits for a compliance period by contributing to a registered emission-reduction funding program during

- a. The period beginning on the January 1 that follows the end of the compliance period and ending on the following July 31; or
- b. The period beginning on the October 31 that follows the end of the compliance period and ending on the following November 30.

The NLERF can receive contributions on a continuous basis (within the compliance periods outlined above).

Fund Operations and Governance

To become an authorized compliance mechanism under the CFR, *econext*'s NLERF was required to meet expectations on program governance and operations, including:

- Management Practices
- Directors Code of Conduct
- Financial Management and Controls
- Transparency and Accountability
- Information Systems and Procedures
- Protection of Personal and Sensitive Information
- Reporting and Oversight

The fund is managed by the NLERF Management Committee which recognizes the importance of administering an efficient funding process to ensure proponents have timely information to inform investment decisions. The NLERF Management Committee is responsible for reviewing received RFPs and deciding which GHG emissions projects will be supported.

The NLERF Management Committee is appointed by *econext* and composed of technical experts with expertise related to GHG emissions reductions, environment, and economic development. The NLERF Management Committee is guided by a Terms of Reference which includes strict Conflict of Interest policies and procedures.

Contributor Participation

Contributors to the NLERF are invited to become involved in program design and decision-making. This could include:

1. Assisting in the design of the call for project proposals (within fund parameters, commensurate to their contribution); and/or
2. Participating in the review of proposals received and decisions made (commensurate with their contribution).

NLERF contributors are also eligible to be applicants and respond to the fund RFP(s) with proposals. Fund contributors must indicate at the time of their contribution if they intend to be a fund applicant. In this circumstance:

1. The contribution received by the NLERF will be reserved for the contributor's application.
2. The fund contributor would be ineligible to assist in the design of the call for project proposals.

3. The fund contributor would be ineligible to participate in the review of submitted proposals.
4. The fund contributor would be required to submit a fulsome application which meets the eligibility criteria of the NLERF (see: 'Information for Applicants' below). Applications will be reviewed against the fund criteria with decisions rendered as per the guidelines.

Contributor Benefits

Beyond achieving regulatory compliance, NLERF contributors will receive appropriate recognition for the contribution that they are choosing to make to NL's economy and environment green economy. This could include:

1. Inclusion of contributor logo and reference to contribution in all NLERF communications (i.e., fund website, calls for proposals, project announcements, etc.);
2. Partnership in marketing and communications activities around projects funded through contributions (i.e., project announcements, project milestones and updates, signage on or near project if it is public facing, etc.); and/or
3. Recognition via *econext*'s considerable marketing and communications network within the province.

Primary fuel suppliers should contact the NLERF with their interest and questions at emissionsreductions@nlerf.ca.

Information for Applicants

The NLERF will open to applications following the receipt of a contribution from a primary fuel supplier. The below information for applicants assumes that the NLERF received financial contributions before December 31 in any given year. If the NLERF receives no contributions before December 31, a call for proposals will not be issued for the compliance period.

Fund Timelines

Following the contributions received in any given year on or before December 31, the NLERF will issue a Request for Proposals (RFPs) for GHG emissions reduction projects in NL and/or Canada. This call will be open for at least a 3-month period to allow applicants sufficient time to develop their GHG emissions reduction project concepts.

Call for Proposals – Upon Receipt of Contribution
Application Period – 3 Months
Application Evaluations – 1 Month
Fund Decisions and Contracting – 1 Month

As contributions to the fund may be received at different times during prescribed compliance periods, the NLERF may issue a call for proposals at any time.

Note that open calls for proposals will only occur should the NLERF receive a contribution from a primary fuel supplier, and the contribution has been designated for an open call.

Calls for proposals will be issued on the NLERF website at <https://nlerf.ca/>.

Eligible Projects

Eligible projects are those that will achieve quantifiable GHG emission reductions within NL and/or Canada. Projects must have incremental GHG reductions to be eligible. GHG emissions reductions are incremental if they will be achieved relative to what would occur in the business-as-usual scenario.

GHG emissions reductions must be achieved by December 31, 2030 in the case of a contribution made on or before December 31, 2025 or on the fifth anniversary of the day on which the investment is made, in any other case.

Examples of such projects include, but are not limited to:

- Production of low-carbon / clean fuels;

- Purchase or modification and installation of technologies that achieve or enable fuel-switching (e.g., renewable energy, low-carbon fuels);
- Energy efficiency retrofits for buildings;
- Public transit investments including fuel switching initiatives, the acquisition of Zero Emission Vehicles (ZEVs), and/or enabling infrastructure;
- Commercial fleet fuel switching initiatives, the acquisition of ZEVs, and/or enabling infrastructure;
- Enhancing carbon sinks (e.g., carbon sequestration in forests or soils);
- Purchase or modification and installation of negative emissions technologies (e.g., carbon capture); and/or
- A package of two or more the activities described above.

Ineligible projects include:

- Reductions based solely on behavioural change;
- Educational or capacity-building projects;
- Research or standalone studies;
- Activities that must be undertaken as part of routine maintenance;
- the replacement of equipment that has failed or has reached the end of its useful life is not eligible for funding (unless it can be demonstrated that the replacement represents a significant improvement over an appropriate baseline);
- Construction of new buildings or infrastructure (wherein GHG emissions reductions are obtained relative to a hypothetical alternative new building);
- Reductions based solely on products manufactured or sold by the applicant for market consumption (e.g., where GHG emissions reductions can only be realized upon purchase, installation and/or use of the product by an unidentified third party);
- Active transport infrastructure (e.g., biking or pedestrian infrastructure)

Projects must also meet other eligibility criteria, as follows:

- Capacity to make use of commercially available technology;
- Confirmation of project location;
- Ability to quantify, using established methods and best practices, GHG emissions reductions to be achieved through the life of the project;
- All GHG emissions reductions achieved must be directly and immediately the result of activities funded by the program;
- Demonstration that applicable any federal, provincial, and municipal regulations, codes, standards, bylaws, and/or legislation have been considered and will be adhered to; and
- Project that include the production of electricity or fuel must be primarily for own use and within the applicant's or identified partner's operations (except for projects located in rural or remote communities).

In order to ensure compliance with the regulations, funded projects must have a duration of five (5) years or less.

The NLERF Management Committee may decide on priority areas for investment in eligible project for any given call in advance of the RFP being issued.

Eligible Applicants

The NLERF will be open to a wide range of applicants, including:

- Provincial governments or crown corporations;
- Municipal governments;
- Indigenous governments, communities, or organizations;
- Not-for-profit organizations;
- Public education institutions; and
- Private sector for-profit small, medium, and large businesses.

Applicants must be legal entities incorporated or registered in Canada. Applicants must demonstrate they have the authority over the facility, process, or asset to undertake the project. At its discretion, the NLERF may restrict the list of eligible applicants for any given funding call.

Eligible Project Costs

Applicants are encouraged to engage with the NLERF on their project concepts to discuss their eligibility.

Minimum and maximum project sizes funded by the NLERF are dependent on resources available (i.e., contributions received) at the time of the call. Applicants can request up to 100% of project costs from the NLERF, however projects that leverage other sources of financing will be viewed favourably. Project applicants will be required to make a cash contribution of 10% of total eligible project costs (in addition to eligible project costs) to cover program administration expenses.

Eligible expenditures are expenses considered to be direct and necessary for the successful implementation of an approved project. Contributions will be made towards eligible expenditures directly related to eligible projects that are reasonable and required to achieve program objectives and outcomes.

Eligible expenditures include, but are not limited to the following:

- a) acquiring, constructing, rehabilitation and improvement of assets;
- b) material and supplies;
- c) professional fees for contracted services, GHG emission reductions and energy savings estimate verification, and results monitoring, measuring and reporting;
- d) planning and assessment, such as surveying, engineering, architectural supervision, testing, and management consulting services (the NLERF will only contribute up to a maximum of 5% of its total contribution to the project towards these costs unless otherwise agreed);
- e) all capital expenditures, including site preparation and construction expenditures;
- f) expenditures associated with performing activities related to the project by contractors;
- g) licenses and permits;
- h) renting or leasing of equipment related to the construction of the project;
- i) training related to new technologies, equipment, software and systems;

- j) engineering and environmental reviews, including costs related to an environmental or impact assessment, and the costs of mitigation measures, follow-up, and remedial activities identified in any environmental or impact assessment;
- k) consultation of Indigenous groups where required by federal or provincial rules;
- l) salaries and benefits for new employees hired to implement the project, provided that the employee is engaged directly in respect of the work;
- m) travel expenditures as defined by the Travel Director of the National Joint Council including the cost of accommodations, vehicle rental and kilometric rates, bus, train, airplane or taxi fares, allowances for meals and incidentals, etc. (NLERF will only contribute up to a maximum of 5% of its total contribution to the project towards these costs)
- n) Harmonized sales tax (HST) for which the recipient or a third party is not eligible for a rebate, and any other costs that are ineligible for rebate, and
- o) other costs that, in the opinion of NLERF, are considered to be direct and necessary for the successful implementation of a Project and have been approved in writing by NLERF prior to being incurred.

Contribution agreements issued to successful applicants will outline in detail the project's eligible costs.

Ineligible Project Costs

Certain expenditures are not eligible for funding; therefore, applicants must not include them in the calculation of the total eligible expenditures of the proposed project.

Ineligible expenditures include, but are not limited to:

- a) expenditures related to developing a business case or proposal for funding;
- b) any expenditures related to a contract signed prior to signing of the funding agreement;
- c) expenditures related to purchasing/leasing of land, buildings, vehicles, and/or equipment not directly required for the project;
- d) financing charges and interest payments on loans, including those related to easements and servitudes (e.g. surveys);
- e) amortization of unrealized appreciation of assets and depreciation of assets;
- f) interest, penalties and fines;
- g) allowance for interest on invested capital, bonds, debentures, bank, or other loans together with related bond discounts and finance charges;
- h) furnishing and non-fixed assets which are not essential for the operation of the project;
- i) expenditures associated with operating expenses and regularly scheduled maintenance work;
- j) provisions for contingencies;
- k) premiums for life insurance on the lives of officers and/or directors;
- l) any goods and services which are received through donations or in-kind contributions;
- m) any business expenses, including but not limited to: advertising and promotion (non-program/project specific), bank charges (non-program/project specific); computer maintenance expenses; insurance, memberships and subscriptions; rent and utilities, repairs and maintenance expenses; other indirect type of expenditures relating to the organization's office(s);

- n) HST for which the recipient or a third party is eligible for a rebate, and any other costs eligible for rebates;
- o) increase in compensation for officers and employees;
- p) entertainment expenses; and
- q) dues and other memberships.

All expenditures incurred after the project's end date are ineligible for funding.

Project Durations

GHG emissions reductions must be achieved by December 31, 2030 in the case of a contribution made on or before December 31, 2025 or on the fifth anniversary of the day on which the investment is made, in any other case.

Accordingly, the maximum duration of a funded project shall not exceed five (5) years, except for those funded before December 31, 2025 which can run for a marginally longer time period (until December 31, 2030).

The total life of an initiative may exceed beyond what is funded, e.g., activities associated with the project and impacts stemming from the project may continue on beyond the project's end date from a contractual perspective with NLERF.

However, projects must achieve the prescribed GHG emissions reductions within the contracted project timeframe and within the budget outlined. No funding will be provided for activities that extend beyond the duration of the project.

Evaluation Criteria

Proposals will be assessed for eligibility, completeness, accuracy, and overall merit. Merit criteria include:

1. Total GHG emissions to be abated:
 - a) by December 31, 2030 (in the case of projects initiated on or before December 31, 2025) or the fifth anniversary of the day on which the contribution is made, in any other case;
 - b) by 2050;
2. Marginal abatement cost (e.g., the cost of GHGs reduced on a per tonne basis);
3. The applicant's ability to complete the project, the project's feasibility, and related risks;
4. Other confirmed sources of financing for the project aside from the NLERF;
5. Project sustainability plan if operational costs exist for the initiative beyond the lifetime of the funded project; and
6. Other impact factors including:
 - a) Additional environmental benefits, such as reductions in air pollution or improving resiliency and adaptation to climate change;
 - b) Visibility of project to the public;

- c) Educational value of the project for the public;
- d) Economic development impacts (e.g., jobs, GDP, alignment with provincial priorities, and other indicators); and
- e) The creation of positive impacts for Indigenous communities

GHG emissions reductions resulting from projects must be material (measurable and verifiable) and incremental (in addition to existing actions). Formal proposals will require applicants to follow methodological guidelines that will be provided with an applicant guide.

Guidance will be provided on which emissions reductions are eligible and how to estimate annual GHG reductions for projects. The methodology used in this regard will be ISO-14064-2. Templates and tools will be provided to enable applicants to provide this information clearly and consistently.

Contribution Agreements

Applicants who have had their project selected and approved for funding will enter into a contribution agreement with *econext*. The contribution agreement will define the project scope, outline the terms of the funding and reporting requirements, schedule disbursements, determine progress expectations and timelines, etc.

More Information

More information about the NLERF can be found on the website at <https://nlerf.ca/> or by emails emissionsreductions@nlerf.ca.

More information on Canada's clean fuels regulations can be found [here](#).

About *econext*

econext is a not-for-profit association with a mission to accelerate clean growth in Newfoundland and Labrador by: (1) stimulating research, development, and innovation; (2) preparing its workforce for a greening economy; and (3) acting as a catalyst for climate change action within its industries, businesses, and communities.

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