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Re: Feedback on Marine Regulatory Modernization

Introduction

As per your request (email dated August 15, 2018) please find Irving Oil's response with feedback on proposed policies and regulations for the Canadian marine sector. Irving Oil has successfully operated safe, reliable and efficient marine activities throughout eastern Canada for many years.

Irving Oil was founded in 1924 and is an international refining and marketing company with a history of long-term partnerships and relationships. Irving Oil operates Canada's largest refinery, in Saint John, New Brunswick (NB), which is located 65 miles north of the United States (US) border. Irving Oil also operates Ireland's only refinery, located at Whitegate in southern Ireland (IE). With over 900 fueling locations, operations from 11 distribution terminals, and a delivery fleet of tractor-trailers, Irving Oil serves wholesale, commercial, and retail customers in Atlantic Canada, Quebec (QC), Ontario (ON), New England, and IE.

The Irving Oil refinery is among the last two remaining refineries in Atlantic Canada and is by far the largest, making it an asset of strategic importance to Canada's energy mix and security. With the recent \$80 million reopening of the Halifax Harbour terminal facility, Irving Oil is the only oil company operating marine distribution facilities in all four Atlantic provinces.

The following comments relate to key regulatory and policy challenges for consideration in the review process. We welcome further opportunities to discuss in more detail.

Coasting Trade Act – Temporary Importation of Foreign Flag Vessels

The *Coasting Trade Act* governs the ability to use foreign flagged vessels in Canadian waters on a temporary basis. The current definition for "suitable and available alternatives" in the *Coasting Trade Act* is not clear. Technical feasibility, safety and shipping economics are all key components that need to be assessed in determining foreign flag waivers. For example, smaller domestic vessels making multiple trips, as opposed to a single foreign flagged vessel, may result in undue cost, safety risk, or dock compatibility concerns.

Further, it is important that Canada considers international standards to maintain relative regulatory consistency between Canadian flagged vessels and foreign flagged vessel requirements. Canada is a party to international standards development within the International Maritime Organization (IMO). As such, consistency with IMO standards is important to maintain the global competitiveness of our marine shipping industry.

Oceans Protection Plan (OPP) Modernization

Transport Canada recently published the discussion paper entitled 'Strengthening Marine Environmental Protection and Response Potential Legislative Amendments' (August 2018). Irving Oil will provide a formal response to Transport Canada on this publication and looks forward to future dialogue on the OPP development process.

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TERMPOL

Since early in 2018, Irving Oil has been working with Transport Canada to provide feedback on proposed changes to the TERMPOL regulatory process. Changes to the TERMPOL process could impact Irving Oil's marine supply, sales, and distribution process. Continued dialogue on this matter is expected and Irving Oil will be an active participant.

Carbon Pricing (Marine-related)

Carbon Pricing in Canada presents a major risk to our business. Prices for our products will increase according to carbon pricing policies with an aim to reduce demand for these products. Further, costs borne at our Refinery under the Federal Output-Based Pricing System will have a negative impact on our competitiveness internationally. Distributed marine fuels will also be impacted by carbon pricing, and thus we believe the policy should be developed in such a way that does not dissuade vessels from bunkering in Canada from both a cost and an administrative burden perspective. Irving Oil has been working closely with all levels of government to ensure this policy is developed in a way that treats our industry fairly and does not impede our ability to compete in the international market.

Given the global nature of the marine shipping business, marine fuels are typically excluded from carbon pricing. Under the Federal Carbon Pricing Backstop, marine fuels are included, but exported fuels vessels will be exempted from paying the carbon levy. As a notable parallel, the existing Federal Excise Tax (FET) process for exempting foreign vessels bunkering in Canada has been administratively challenging in the past because exemptions for FET are not able to be passed through brokers/agents for fueling vessels leaving Canada. This has put unnecessary administrative burden and financial strain on foreign vessels and agents, disincentivizing marine bunkering in Canada. As carbon pricing is developed, the Government of Canada should consider streamlining the mechanism for passing these exemptions through brokers/agents. This could be achieved by allowing fuel suppliers to provide an auditable burden of proof that the vessel left Canadian waters.

Staffing of Canadian Flagged Vessels

There is currently a shortage of Canadian qualified persons in Canada's shipping industry. Irving Oil wants to maintain high-quality personnel aboard our domestic chartered vessels and for domestic vessels that we deal with on a day-to-day basis. Regulations have a role to play to ensuring a strong pipeline of qualified personnel in Canada to staff these vessels, whether it be from immigration policy to other programs that help feed this pipeline.

Summary and Next Steps

Irving Oil is available to discuss in more detail in-person at your convenience. We appreciate the Federal Government's commitment to engaging industry and look forward to further opportunities to contribute to the development of regulations in Canada.

Sincerely,



Jeff Matthews
Chief Business Development Officer
Irving Oil

cc: Joe Harriman – Director, Environmental and Regulatory Strategy, Irving Oil
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