CIPMA | Canadian Independent Petroleum Marketers Association

Standing Committee on Natural Resources
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6
Canada

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Subject: Canadian Independent Petroleum Marketers Association (CIPMA) brief to inform the Committee's study of the Canadian low-carbon and renewable fuels industry

Introduction

On behalf of the Canadian Independent Petroleum Marketers Association (CIPMA), we appreciate this opportunity to contribute our views with regards to your ongoing study on Canada's low-carbon and renewable fuels industry. Because our association represents the views of the retail sector, this is a policy piece of great significance to our members.

CIPMA and allied industry associations want to be part of Canada's climate change solution. This includes developing innovative, affordable, and reliable low-carbon transportation options. We recognize that increased renewable fuel blending is a key element of the federal government's Clean Fuel Standard (CFS).

Our members are committed to meeting the blending targets defined in the CFS; however, there are some key barriers that must be addressed.

Barriers to commercialization of bio blends

Higher biofuel blend levels, particularly E15, E85, and B6-20, can be implemented at many existing retail and wholesale sites and include a range of costs depending on the asset's age. However, upgrade costs are a barrier to investment by fuel retailers and infrastructure operators, many of whom are independent business owners already significantly impacted by COVID-19.

The costs to accommodate higher bio blends at the retail level are significant, including additional underground storage, upgrading of gasoline dispensers and related components, and site reconfiguration to accommodate new equipment.

Without the proper infrastructure and supply chain in place, the government's efforts to increase bio blend targets will have little impact in advancing its net-zero commitments because consumers will be unable to access them at the pump.

Our recommendations

In our response to the Government of Canada's Clean Fuel Standard, we recommended the government establish a national funding envelope to support infrastructure upgrades for retailers, with the same spirit and intent as the Zero Emission Vehicle Infrastructure Program. These funds are critical to ensuring low-carbon fuel options are readily available to consumers through commercial distribution at retail sites.

It is our view, and that of many of our industry association colleagues, that funding must be made available to bring biofuels to the market. Investments are urgently needed for terminal infrastructure and the infrastructure at retail sites to allow the proper hardware and storage capacity for these products, which have different requirements than conventional gasoline.

Our hope is to see funds set aside in the Clean Fuel Fund, which was announced by the government on December 11, 2020 and which received a further commitment of $1.5 billion over five years in Budget 2021, to support the production and distribution of low-carbon and zero-emission fuels.

To do this thoughtfully and with value for Canadian taxpayer dollars, three actions must be taken:

1. Accelerate infrastructure investment to produce Canadian-made low-carbon fuels
Canadian refiners supply 95 % of transportation fuels in Canada through refining and blending renewables. Under low-carbon policies there are meaningful near-term opportunities to lower the carbon intensities of fuel produced at refineries. These opportunities include co-processing biogenic feedstocks, using renewable natural gas within refining processes, electrification of systems currently run on fuel gas, and discreet lines of renewable liquid fuel manufacturing supported by utilizing existing hydrogen production. Lowering carbon intensities within refineries is generally a lower cost, often less time-consuming option to meet GHG reduction targets than greenfield projects.

Canadian refiners and biofuel producers have the experience and expertise to produce fuels at the scale which will be necessary to meet ambitious provincial and federal low-carbon targets. Renewable blend levels for ethanol, biodiesel and renewable diesel can be added to fuels at levels consistent with conventional petroleum products. The scale of this effort will require billions of dollars in infrastructure investments. This is all taking place at a time when capital budgets have been depleted due to reduced demand as a result of the pandemic. Additional carbon intensity reductions from refinery-produced fuels and blending renewables will result in substantial GHG reductions and reduce our reliance on expensive imports.

Lower carbon intensity fuel production at refineries and biofuel facilities will maintain and create family-sustaining jobs, leverage existing assets and expertise, and keep consumer transportation costs down. This is particularly important given the scale of the challenge. Costs for projects that materially influence carbon intensity range between $50 million and over $1 billion. Based on recent projections, there is a need for over 3 billion litres of ethanol and over 2 billion litres of biodiesel. This will require significant investments (~$10 billion) in new facilities to ensure these products are sourced here in Canada.

Federal support of $1.5 billion would significantly accelerate investment in new facilities in Canada, minimize Canada's reliance on internationally produced biofuels and support Canada's plan to achieve net-zero emissions by 2050.

2. Support deployment of low-carbon fuels at terminals and retail stations
Fuel terminals and retailers, many of whom are independent small businesses, are particularly vulnerable in what is a high-volume, low-margin market for fuels. They will have to work alongside government to meet biofuel targets; what they lack is the financial capacity to invest in the necessary upgrades to meet the CFS standards.

We are encouraging the federal government to explore the possibility of federal investments to support infrastructure upgrades to support higher renewable blend levels, blending and storage capacity, and upgrades to retail outlets (pumps and tanks).

There are more than 70 terminals in Canada that will require upgrades to storage tanks and piping. Each upgrade can range from $5 to $20 million depending on size and location. Many older, rural stations will also require remediation, driving costs much higher.

There are more than 12,000 retail outlets in Canada that will require upgrades to tanks as well as offering different fuel systems such as electric charging stations or hydrogen. Each upgrade can range from $150,000 to $400,000.

Federal support of $200 million over 4 years for terminal and retail outlets would meaningfully support the transition to higher blended transportation fuels.

3. Research low-carbon transportation fuels and communicate the results to Canadians
Research and public information about low-carbon fuels must go hand in hand with investments in technology and innovation. We therefore recommend the federal government partner with the Transportation Alliance to fund independent, peer-reviewed studies on existing and emerging low-carbon fuels.

The Alliance would also provide web-based information on emerging low-carbon transportation fuels to promote informed choices that are vehicle-compatible and appropriate to lifestyle, region and climate. In addition, it would look at opportunities for developing personal app(s) to search/locate retail outlets providing low-carbon fuels as well as promote awareness of vehicle/fuel economy ratings and fuel conservation practices for passenger and commercial vehicles, including a fuel consumption tracker. The Alliance would be a joint public-private partnership with a yearly $1-million budget made up of 50% private and 50% public funds. Public funds would support research, studies and participation by non-private industry groups such as Indigenous peoples, academia and environmental groups.

Return on investment to Canadians
We believe this national fund is a practical and immediate step the government can take as part of its green, post-pandemic recovery plan. It shows a commitment to green recovery that will set Canada's transportation fuel producers and retailers up for success as they work to do their part to ensure a cleaner future that doesn't compromise the economic importance of our natural resource sector and of everyday Canadians working to support it.

COVID-19 economic recovery investment in new biofuel blending infrastructure, research and communication to Canadians will:

- Ensure the long-term future of small- to medium-size service businesses that build and maintain Canada's transportation fuel supply infrastructure
- Advance Canada's climate goals by addressing a key barrier to making low-carbon alternatives to gasoline and diesel more accessible and affordable to Canadians
- Fill a gap in the current limited financial capacity to invest in needed infrastructure
- Expand the availability of low-carbon biofuels to rural communities and Indigenous peoples across Canada and support independent fuel retailers with new revenue generation opportunities for participation in provincial and federal clean fuel compliance credit markets
- Grow Canada's domestic biofuel industry by adding new plants and new distribution channels to Canada's $60-billion on-road and off-road fuels market

- Conduct leading-edge research into low-carbon fuel alternatives and provide valuable information to Canadians to better enable them to support Canada's climate policy objectives
- Support clean recovery and boost employment in the skilled trades

In summary
CIPMA's members continue to adapt their business models in this ever-evolving market and in the wake of COVID-19, with a long-term view of generating more significant innovation at fuel sites to offer consumers a diversity of low-carbon transportation fuel choices.

For the government to succeed in its efforts, strategic investments must be made to ensure necessary infrastructure upgrades are expedited, and proper consumer education efforts are put in place to expand awareness. It cannot be understated how important it is for supply chains to be properly resourced at retail sites to ensure all the effort put into bio blend production does not go to waste and low-carbon fuels are easily accessible to Canadian consumers.

We are committed to advancing efforts that complement federal and regional carbon reduction regulatory efforts while fostering competition and innovation in the Canadian resource economy – an essential driver of our post-pandemic economic prosperity.

About CIPMA
The Canadian Independent Petroleum Marketers Association is a national not-for-profit trade association representing the unique interests of its members. Founded over 20 years ago, CIPMA has become a fixture in the Canadian downstream petroleum industry.

CIPMA members are the backbone of Canada's fuel supply, distribution and marketing industry. We are progressive petroleum leaders who are responsible for the distribution of gasoline, diesel, heating oil, propane, aviation fuel and renewable fuels across a vast geography, to diverse industries, and to millions of Canadian consumers.

Through our retail network and distribution partners, our members serve the commercial, agricultural, industrial, wholesale and retail markets in every part of the country and have strong connections to the communities they serve.

Sincerely,

Jennifer Stewart
President and CEO

Michelle Coates Mather
Vice President