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

SUBJECT: Brief in Support of the Committee's Study on Creating a Fair and Equitable Canadian Energy Transformation

The Canadian Fuels Association represents the refiners¹, distributors and marketers of petroleum products including gasoline, diesel, home heating oil, and jet fuel, as well specialty fuels and lubricants. Our member refineries also produce asphalt and feedstock for chemical and lube manufacturing facilities, and meet 95 percent of Canadians' transportation fuel needs as well as products for export. Our members also produce more than 25% of the current biofuels made in Canada. Our members are dedicated to meeting Canada's climate goals, and we have outlined that dedication in our [Driving to 2050 vision](#).

First, I would first like to thank the Committee for its hard work. All of your studies, including the study on Creating a Fair and Equitable Canadian Energy Transformation, are important to Canada's natural resource sectors. This topic is a particularly important one for us as our sector represents **117,000 workers** at Canada's 16 refineries, more than 90 fuel terminals and 12,000 retail sites. Our workers earn wages that are 50% higher than the overall Canadian manufacturing average. Our member companies take the health and safety of workers very seriously, in fact we have one of the best safety performance records across Canadian manufacturing. Our employees are on the job 24/7 to provide reliable, fit for purpose transportation fuels to Canadian consumers and businesses from coast to coast to coast.

Our sector will be an instrumental driver of Canada's energy diversification towards Net Zero and beyond. We were very pleased to hear the remarks from Minister of Labour Seamus O'Regan and Minister of Natural Resources Jonathan Wilkinson made before the committee. As the Ministers pointed out, we should not be focusing on phasing one sector out in favour of another. There are many

¹ Canadian Fuels members: Federated Co-operatives Limited., Imperial Oil Limited, Irving Oil, NARL Logistics LP., North West Redwater Partnership, Parkland Corporation, Petro-Canada Lubricants Inc., Shell Canada Products, Suncor Energy Products Partnership, Tidewater Midstream and Infrastructure Ltd. and Valero Energy Inc.

opportunities across the country for industries like ours to assist in meeting Canada's climate goals. We would reiterate Minister O'Regan's statement that hydrogen offers a great opportunity for Canadian energy workers and companies to keep moving towards Canada's climate goals. We also agree with Ministers Wilkinson and O'Regan that CCUS provides another very promising pathway. The other technology we would like to highlight, which we discussed with the committee in the previous Parliament, are renewable biofuels. Biofuels are an opportunity for transportation fuels workers but also for agriculture and forestry workers, as next generation biofuels will harness the waste from those sectors as feedstocks to fuel Canada's transportation needs with fewer greenhouse gas emissions, all while contributing to the circular economy. We would note the Government has also announced dedicated programs to support these new and emerging fuel technologies such as the Clean Fuel Fund.

The strength of our sector lies in our workers and their expertise to innovate the fuels of tomorrow – all while adapting our current infrastructure. With over a century of innovation, leveraging the knowledge of our workers will be critical for achieving Canada's climate goals. As Minister Wilkinson said, "from a skill-set perspective, many of the opportunities of tomorrow will require the same types of skill sets as those of today. A hydrogen plant or a biofuels plant will require the same kinds of workers who exist in oil refineries today." A lot of changes must be made in order to reach our climate goals, and the road to 2050 can be made smoother by leveraging our expertise and existing infrastructure to ensure a low-cost transition for Canadians with reliable fuel supply throughout.

The recent government announcement on the creation of Regional Energy and Resource Tables provides an excellent opportunity to shape the natural resource policy direction of Canada. Federal-Provincial co-operation will be key in supporting pathways toward energy diversification, and we are glad that key stakeholders such as industry and labour will be included on these panels.

We would also like to take this opportunity to provide the Committee a specific recommendation which we believe to be helpful for the success of Creating a Fair and Equitable Energy Transition for Canadians:

Biofuels incentives: levelling the playing field with the United States

There is a significant gap between jurisdictions on incentives for biofuels production. This results in some loss of Canadian biogenic feedstocks to US biofuels production. Canada is a net importer of biofuels and with the new Clean Fuel Regulations, demand for biofuels will continue to grow. Adding incentives to biofuels production in Canada would allow us to produce more low carbon fuels at home and **create more green jobs while protecting energy security. The simplest way to reduce the gap would be to implement a policy similar to the United States' *Blender Tax Credit*** to ensure that investments in biofuels production and infrastructure are made in Canada in support of a robust Canadian biofuels industry.

We would recommend introducing a low carbon fuel producer tax credit starting in 2023 until 2033. This credit would be applied against a company's fuel excise tax liability or as an income tax credit on eligible carbon fuels **produced in Canada.**

Similar to the incentive introduced by Quebec in its most recent budget, the proposed credit rate would be based on the carbon intensity reductions of the eligible fuels compared to fossil fuel equivalents:

- Reduction of 20% - 50% receives \$0.11/L
- Reduction of 50% to 75% receives \$0.23/L
- Reduction of 75% or more receives \$0.34/L

In closing, **we wish to reinforce that reliability and energy security will be critical to policy success as we diversify to include alternative energy options.** Therefore, it is important to maintain our existing fuels supply chains to meet the needs of Canadian consumers and businesses as we build out alternatives. In this context, it is important to consider providing incentives for fuel infrastructure as well.

Thank you again for undertaking this important study and we look forward to the Committee's final report. In the meantime, please contact me if you have any questions.

Sincerely,



Lisa Stilborn
Vice-President, Public Affairs
Canadian Fuels Association