



Presentation to the Standing Committee on
Agriculture and Agri-food – Bill C-33

By

The Canadian Petroleum Products Institute

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Mr. Chair, Members of Parliament and to Canadians who have access to this hearing, on behalf of the members of the CPPI, thank you for inviting us to offer our perspective on Bill C-33, the statutory framework that will permit the enabling of a national renewable fuel regulatory framework in Canada.

We will keep our comments brief so as to answer as many of your particular questions as possible.

The CPPI is the national association of major Canadian companies involved in the refining, distribution and/or marketing of petroleum products for transportation, home energy and industrial uses. Collectively, CPPI member companies operate 16 refineries (representing over 80 per cent of Canadian refining capacity) and supply over 7,000 branded retail outlets with transportation fuels across Canada.

Our members are: Chevron Canada Limited, Husky Energy Inc., Imperial Oil Limited (Products and Chemicals Division), North Atlantic Refining Limited, Petro-Canada, Shell Canada Products, Suncor Energy Products Inc., Ultramar Ltd, Nova Chemicals (Canada) and Bitumar Inc. Our members operate refineries in British Columbia, Alberta, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador. ARCO Products Canada Ltd. and Parkland Income Fund are marketers in western Canada.

There are three key points that we wish to highlight with you as you consider Bill C-33:

- 1. CPPI believes that the only sensible approach to renewable fuel mandates is one that is national in scope. There are risks and costs associated with a patchwork of regulations across provincial jurisdictions.**
- 2. CPPI has worked hard with the Canadian Renewable Fuels Association to develop a national approach identifying all of the essential features of a national policy on Renewable Fuels.**
- 3. Moreover, CPPI is dedicated to leading edge research on fuel quality specific to the realities unique to Canada – wide variations in temperature, weather and geography.**

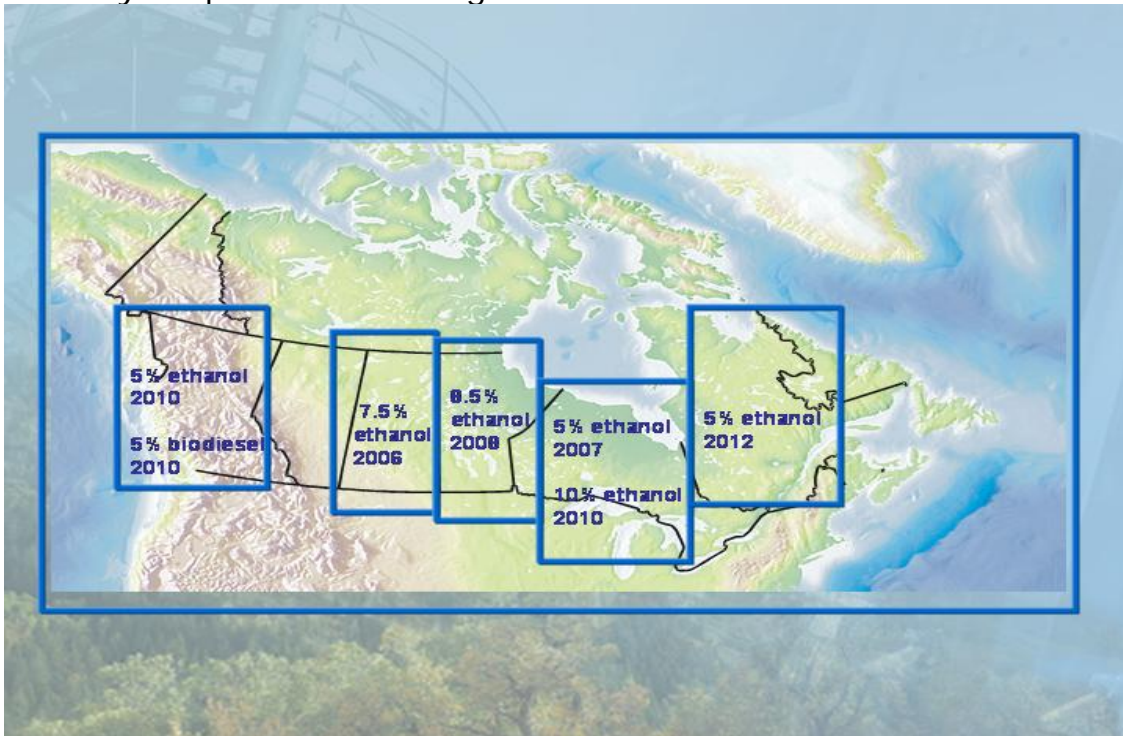
1. A National Framework

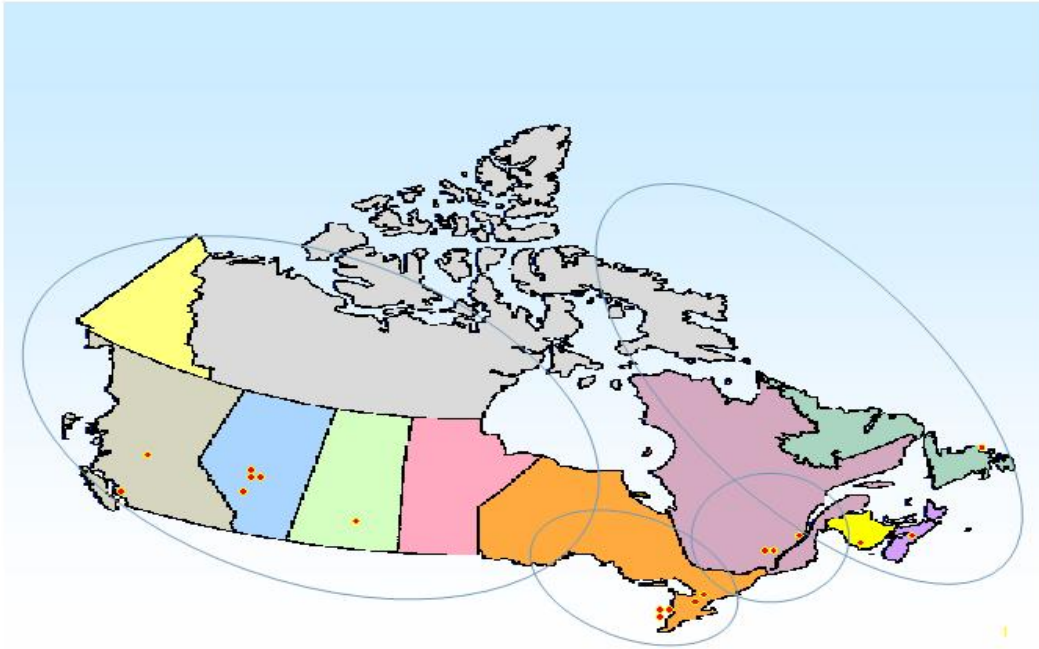
Mr. Chair, Canada is a country with immense geography, a relatively small population and an economy fundamentally linked, and in our case, competitive with the United States – a country with ten times the purchasing power.

Notwithstanding our unique Canadian circumstances, we have made the possible out of the seemingly impossible – Canadians enjoy some of the lowest cost fuel choices available in the western world. This has been made possible by a market based framework where competition is the norm, and the relatively free flow of products across interprovincial and national borders.

Movement of products free of economic barriers has been the cornerstone of Canada's success, and as all levels of government focus on how to remove internal trade barriers, we are very concerned that policies in provincial jurisdictions regarding renewable fuels have had the effect of creating new economic barriers.

It's very simple to see. The goals are unclear.





One of the benefits of Bill C-33 is that a national framework will emerge. We congratulate Parliament on recognizing the importance of federal leadership.

2. The essential features of a national policy on Renewable Fuels

Mr. Chair, CPPI understands the many motivations that underlie public policy attention to renewable fuels.

However, let's remind ourselves what this framework **can not achieve on its own.**

While countries like the United States pursue renewable fuels policies based on energy independence and security – this is not the case in Canada, nor is it likely to be the case in the near term.

Canada has an abundance of natural resources that, with sound stewardship will provide both energy security and value added jobs and economic growth for the benefit of all regions.

A national renewable fuels strategy is not the panacea for the challenges posed by Climate Change – they may one day – but for the moment I think we can agree that scientists, engineers, health practitioners and modeling experts are still working on the real

solutions to climate change – and we are a ready partner in that research.

So why have a renewable fuels mandate?

At the very least, it is instructive that the House of Commons has referred this very important piece of legislation to the Standing Committee of the House of Commons on Agriculture and Agri-Food. As stated in our jointly agreed policy framework with the Canadian Renewable Fuels Association (CRFA), we have

“repeatedly taken the position that it is up to government to make the political decisions to develop a renewable fuels policy that is in the best interests of Canadians.” *(CPPI-CRFA Essential Features of a National Policy on Renewable Fuels, December 8, 2006)*

Mr. Chair, Bill C-33 is but one building block that will bring a sound renewable fuels framework to fruition. The agenda ahead, if we are truly to succeed is laid out in our CPPI-CRFA framework, which is attached for your information. Basically, it requires:

- **Federal leadership**
- **A competitive environment**
- **Technological advancement and neutrality**
- **Policies that induce the ability of renewable fuels to drive down GHG emissions – Life cycle emissions analysis**
- **Open Borders**

I wish to inform Parliamentarians that the federal government, in the last budget sent some very confusing messages about renewable fuels.

On the one hand, very generous programs will be in place as of April 2008 to provide production subsidies.

The federal government announced the **ecoENERGY for Biofuels Initiative**, which will invest **up to \$1.5 billion over 9 years** (FY2007/8 – 20016/17) to boost Canada's production of biofuels.

Unfortunately, in the 2007 budget and subsequently confirmed by the House of Commons, Excise Tax Act was amended to repeal the tax exemptions for renewable fuels, including biodiesel and alcohol-based fuels, and to ensure that renewable fuels are included within the excise tax structure that applies to gasoline and diesel fuel.

Over the same time as the ecoEnergy program, at least **\$1.5 billion over the same 9 years has been cut that would otherwise had the effect of keeping the cost of bioblended fuels in line with regular gasoline and diesel.**

This translates into no net new investment in bio fuel production.

By contrast, in the United States, the subsidy regime provides **\$30.6 billion over the same 9 year period** to boost production (\$.9b/y directly to farmers and \$2.5b/yr to ethanol producers) .

Following the one in ten rule, at least 3.1 billion dollars in Canadian subsidies are required to sustain a level playing field

As has been demonstrated in the US, a federal blender's credit is the preferred method of supporting ethanol production. The equivalent of a **Canada's federal blender's credit terminates on April 1 of this year.**

We will never win a subsidy war with the United States and as a matter of policy, CPPI does not support subsidies as they distort the marketplace.

But in the absence of comparable arrangements with our largest trading partner, we will fall short of expectations that renewable fuels in Canada will easily compete with the same products south of the border.

3. Fuelling improvements for the benefit of all Canadians

Mr. Chair, the last component of our presentation deals with real time work on bio fuels.

We are conducting leading edge research, **preparing and presenting** information workshops for Canadians that wish to make bio fuels work for them.

On March 30th 2005 "*Questions a Fleet Manager Should Ask Before Opting for a Biodiesel Blend*" was held in Vancouver BC. Our goal, to ensure seamless performance of what you put in a gas tank.

On January 22, 2008, Canada's largest cold-weather, on-road demonstration of renewable diesel was officially launched in

partnership with CPPI the federal and Alberta governments, and a diverse multi-stakeholder group including Climate Change Central, the Canola Council of Canada, and the Canadian Renewable Fuels Association.

The Alberta Renewable Diesel Demonstration, managed by Climate Change Central, comes after months of laboratory testing of various fuel feedstocks and production processes. Shell Canada is the demonstration's ultra low sulphur diesel supplier and the renewable diesel blender and distributor through the project's temporary facility being operated by Shell Canada at its Sherwood Terminal.

Over 60 trucks of various sizes have hit the road throughout Alberta, as its climate poses some of the most extreme challenges to renewable diesel use. The demonstration will provide hands-on, cold-weather experience for fuel blenders, distributors, long-haul trucking fleets and drivers.

We are proud to be a part of a diverse group of stakeholders working to broaden understanding of how best to maximize the benefits of renewable diesel in Canada.

Currently we are working with NRCan and Environment Canada on a proposed bio fuel research program, designed to understand and address issues with bio fuel mixtures under specific Canadian climate conditions. Those include low temperature operability in heavy duty engines, fuel storage for multiple applications, and thermal and oxidation stability of heating fuels under seasonal variations.



Mr. Chair, we at CPPI have some bottom lines that are not negotiable. We are the face of the energy providers at the consumer level.

We make the necessary investments to meet public policy objectives on a grand scale.

At our core, it is our collective mission to ensure:

- That what we provide to the Canadian fuel choice menu does what it says it will do, safely, and sustainably.
- That we will cooperate actively with government and civil society to pursue science based solutions to health and environmental priorities.

Our track record is quantifiable.

Total capital to meet the desulphurization regulations is estimated to be around \$5.3 billion (in 2003 dollars). (ECONOMIC AND ENVIRONMENTAL IMPACTS OF REMOVING SULPHUR FROM CANADIAN GASOLINE AND DISTILLATE PRODUCTION 2004)

That is more than three times the amount invested this year by the federal government in Budget 2007 renewable fuel production over the next seven years which is intended to be ... "fresh energy

supply, new jobs in our growing Canadian renewable fuels sector, including biofuels, and cleaner air.” (2007 federal budget)

Moreover Mr. Chair, CPPI seeks to ensure:

- That our collective workforce will convey respect to and strive to earn the confidence of the many constituencies member serve.

And

- That Canadians will continue to enjoy the widest variety of fuel choices in as rigorous competitive market. Our price stickers are the only one’s you can see clearly from your driver’s seat. We not only abide by the Competition Act, we defend it.

We are happy to take your questions.