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Minister of the Environment, Conservation and Parks
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Via email: **Stephanie.McGill@ontario.ca**

RE: ERO# 025-0669 Cleaner Transportation Fuels: Proposed Domestic Renewable Content Requirement for Diesel Fuel

On behalf of the Canadian Fuels Association (CFA) and our member companies[1], we thank you for the opportunity to provide feedback on the Proposed Domestic Renewable Content Requirement for Diesel Fuel under the Cleaner Transportation Fuels regulation.

CFA represents the producers, distributors, and marketers of transportation fuels across Canada, including gasoline, diesel, ethanol, bio-based diesel, jet fuel, as well as specialty fuels and lubricants. Our sector employs over 111,000 Canadians and includes fifteen refineries, ten clean fuel production facilities, 75 distribution terminals, and over 12,000 retail sites. In Ontario alone, our members operate five refineries and four biofuel facilities, anchoring the province's critical petrochemical cluster in Southwestern Ontario. Together, we supply 95% of the transportation fuel the people of Ontario use daily and are at the forefront of Canada's energy transition.

CFA does not support the proposed domestic renewable content requirement. CFA supports efforts to promote domestic biofuels production. However, we are concerned that imposing renewable fuel volume mandates specific to Canadian production—within Ontario or any province—could lead to increased fuel costs for consumers and risk supply disruptions. Domestic content mandates contradict the principles outlined in the Ontario government's recently released Integrated Energy Plan, which emphasizes *market based competitive, technology-neutral solutions that ensure a competitive and level playing field*. To address

[1] Canadian Fuels members: Braya Renewable Fuels, Cenovus Energy, Federated Co-operatives Limited, Greenergy, Greenfield Global, Imperial Oil Limited, Irving Oil, North Atlantic, 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.

challenges arising from evolving U.S. biofuel policies, trade uncertainty, and other external factors, we encourage the government to explore alternative policy mechanisms that maintain market flexibility and competitiveness.

Limited Domestic Production Capacity

Ontario's diesel market was approximately 7.3 BL (billion litres) in 2023. The proposed requirement would set 219 ML (million litres) of the blended renewable content to be produced in Canada. The two biodiesel (Fatty Acid Methyl Ester, FAME) plants located in Ontario have a capacity of only 230 ML. This production amount would be close to projected annual demand under the proposed requirements. Potential operational disruptions with current biomass-based diesel production in Canada could significantly impact Ontario's ability to meet the proposed domestic mandate, particularly given the small number of production facilities in Ontario and Canada.

Production capacity in other provinces is also limited and significantly committed for blending requirements in those regions. The total national capacity is approximately 1.8 BL per year, which includes hydrogenation-derived renewable diesel (HDRD) and biodiesel. The only HDRD plant presently in operation (Tidewater, approx. 170 ML per year) is located in British Columbia (BC), with Braya located in Newfoundland having been temporarily idled for the last 6 months. Another facility expected to begin operations soon (Imperial, approximately 1,000 ML per year) is located in Alberta and both Tidewater and Imperial focus on supplying the BC market (approximately 1000 ML per year). Any delays or operational setbacks to newly announced renewable diesel projects in the country would only further restrict domestic supply options. The combined national production of both biodiesel and HDRD is insufficient to meet the existing and growing requirements of the federal Clean Fuel Regulations and various provincial requirements, including those in Ontario and Quebec.

Infrastructure Limitations

Transporting HDRD or biodiesel from production facilities in Alberta and BC to Ontario would pose significant logistical and environmental challenges, due to the distance and inability to use ocean freight to move product across Canada. It is less efficient, more costly, and generates higher greenhouse gas (GHG) emissions than marine shipments from the U.S. Gulf Coast.

Additionally, several Ontario fuel suppliers currently blend renewable diesel outside the province and transport the finished fuel into Ontario. A domestic production mandate tied specifically to Ontario-bound diesel would disrupt this supply chain model. This is particularly problematic given that many of the jurisdictions where blending occurs rely on imported renewable diesel themselves, due to Canada's limited production volumes. Imposing domestic content requirements risks introducing unnecessary inefficiencies and further straining already tight supply networks.

Seasonal Blending Limitations

FAME products—such as those produced at the two Ontario-based facilities—are typically limited to blending during warmer months. This is due to fuel specification constraints in cold weather, preventing fuel gelling, which can clog filters and disable vehicles. Most fuel suppliers can only incorporate FAME into diesel for approximately six months of the year while maintaining compliance with seasonal fuel quality standards, and are typically blended up to 5% due to compatibility issues with certain diesel engine models.[2] As a result, renewable diesel from other Canadian sources will likely be required to supplement supply and the proposed requirements, which as mentioned above will likely not be feasible.

Supply Agreements
Compliance with the Clean Fuel Regulations (CFR) and other provincial programs relies heavily on long-term contracts between fuel suppliers and renewable fuel producers. Sudden policy changes can disrupt these agreements, leading to uncertainty, potential financial penalties, and increased compliance costs—costs that are ultimately borne by consumers. Fuel supply contracts are often negotiated years in advance and account for not only volume commitments, but also carbon intensity thresholds and are designed to meet compliance obligations under both federal and provincial regulations. Given Canada's limited domestic renewable fuel supply, any new mandate—such as a domestic content requirement—must also carefully consider other existing regulations like the CFR. Market stability and regulatory consistency are critical to effective compliance planning, which requires long lead times for implementation.

Recommendations

1. **Pursue Targeted Incentives Over Prescriptive Mandates**
   CFA urges the government to explore less disruptive policy tools to support domestic renewable fuel production. In particular, Ontario-based production incentives—such as production tax credits or compliance multipliers—could be modeled after the U.S. Environmental Protection Agency's approach to encouraging biodiesel and HDRD production through Renewable Identification Number (RIN) multipliers.[3]

2. **Maintain a Technology-Neutral and Feedstock-Inclusive Approach**
   Ontario should adopt a technology-neutral framework that includes all viable renewable distillate production pathways, including co-processing.

3. **Incorporate Flexibility Mechanisms into the Regulation**
   If the proposed requirement is advanced, CFA recommends the inclusion of compliance flexibility mechanisms, similar to those in Quebec's renewable fuel program. These should include:
   • Interchangeability between gasoline and diesel compliance units
   • Banking of excess compliance units for future use
   • Inter-company transfers beyond same-year notional exchanges
   These tools are essential for efficient compliance and program stability.

[2] OEM-Support-Summary_Jun-2025.pdf
[3] Crédit d'impôt – Production de biocarburant | Revenu Québec

4. **Establish Supply Disruption Contingency Provisions**
   Given Canada’s limited production base and potential logistical constraints, the regulation should include clear provisions to manage unforeseen supply disruptions, such as those caused by natural disasters, labor disputes, trade interruptions, unplanned outages and maintenance turnarounds. Granting the Director discretionary authority to respond to such events would help maintain market stability and supply, and prevent regulatory non-compliance during periods of disruption.

5. **Delay Implementation Until at Least Two Years After Adoption**
   If the government proceeds with a domestic renewable content in diesel mandate, CFA strongly recommends postponing implementation until no earlier than two years after adoption. Introducing the requirement before then would disrupt long-term supply and compliance planning and investment cycles, create fuel supply risks due to infrastructure and production limitations, and increase diesel prices by restricting supply options and reducing market competition. A phased or gradual introduction would help mitigate cost impacts, allow time for infrastructure development, and enable necessary adjustments to supply agreements.

Conclusion

CFA appreciates the opportunity to contribute to the development of a regulatory proposal that advances Ontario’s renewable fuel objectives. We strongly encourage the government to adopt a balanced and pragmatic approach—one that supports domestic production without undermining market flexibility, affordability, or long-term investment certainty. We remain committed to working collaboratively with the province to achieve shared goals around energy security, emissions reduction, and economic competitiveness. We look forward to continued dialogue on this important file.

Sincerely,

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