



Shell Canada Comments on ERO 025-0669 Cleaner Transportation Fuels Proposed Domestic Renewable Content Requirement for Diesel Fuel

July 18, 2025

Response via the Environmental Registry of Ontario

Shell Canada Limited (Shell) appreciates the opportunity to respond to the proposed Domestic Renewable Content Requirement for Diesel Fuel under the Cleaner Transportation Fuels regulation via ERO 025-0669 issued June 20, 2025.

Shell is an obligated party under O. Reg. 663/20, Cleaner Transportation Fuels: Renewable Content Requirements for Gasoline and Diesel Fuels (the CTF Regulation). The CTF Regulation currently requires fuel suppliers to blend 4% renewable content in diesel. The renewable content must emit 70% fewer greenhouse gas emissions than fossil diesel on a life cycle basis. ERO 025-0669 proposes to require 3% of the renewable content required in diesel fuel to be produced in Canada (the proposed requirements). Shell offers the following comments for consideration.

Limited Domestic Supply

Shell has concerns with the proposal to require renewable content in diesel to be Canadian-sourced due to limited domestic supply. Renewable fuel markets are global markets, with finished fuels often sourced from other jurisdictions. As shown in Table 1, a very small percentage of low carbon fuel volumes for diesel compliance with the federal [Clean Fuel Regulations](#) was domestically-produced in 2022 and 2023. Note that only biodiesel has been included, as renewable diesel volumes were not published with the 2022/2023 federal credit market report. No domestic volumes of biodiesel or renewable diesel were published with the recent 2024 Quarterly Credit Market [Report](#) to protect data confidentiality.

Table 1: Biodiesel Compliance with the Federal Clean Fuel Regulations

Diesel Fuel Category - Biodiesel			
Year ^{1, 2}	Domestically Produced (m ³)	Imported (m ³)	Percent Domestically Produced (%)
2022	4,868	298,617	1.6%
2023	13,521	517,350	2.6%
2024	Unable to be published due to confidentiality	448,231	Unknown

¹ 2022 and 2023 volumes are from the Credit Market Data [Report](#), published June 2024.

² 2024 volumes are from the 2024 Quarterly Credit Market [Report](#) - Q1 to Q4, published July 2025.

The maximum domestic production volumes of renewable diesel products from Ontario was [stated](#) to be 230 ML per year in Ontario's Integrated Energy Plan. A total of 5,402 ML of diesel fuel was [sold](#) in Ontario in 2023. While this appears to make a 3% biofuel target feasible, this does not account for a number of important factors, including seasonal limitations and supply chain vulnerabilities.



If a domestic renewable content requirement is pursued, Shell recommends that the following be incorporated:

- Coprocessing projects should be eligible domestic fuels, recognizing that feedstocks may be required from outside Canada. Mass balancing should also be enabled.
- Carbon intensity optimization should continue to be eligible. Schedule 1 of O. Reg. 663/20 enables carbon intensity optimization by providing formulae for calculating bio-based content. This should continue to be enabled with any potential domestic requirements to provide consistency and allow for compliance optimization.

Seasonal Limitations

Domestic content requirements for diesel should consider seasonal limitations due to Ontario's cold climate. Many low carbon diesel fuels have cloud points that make them infeasible for use during winter conditions, as they have higher freezing points than fossil-based diesel. For the same reason, renewable facilities typically only produce biofuels during the warmer months (i.e. April to September). This means that the blending of these fuels is done in warmer months.

Supply Chain Vulnerabilities

Low carbon fuels are primarily transported into Ontario using rail. In recent years, the rail supply chain in Canada has been impacted by numerous disruptions including floods, fires, labour disruptions and blockades, exposing the fragility of the rail supply network in Canada. The addition of origin requirements should fully consider not only how supply chains operate when everything is going well, but also potential impacts on the continuity of fuel supply when disruptions occur. This risk is increased for biodiesel and renewable diesel because of seasonal limitations noted above.

Requiring domestic-origin fuels is also likely to increase the vulnerability of Ontario's fuel supply in the event of production disruptions. Production disruptions can be caused by a number of factors including upset events, maintenance, turnarounds, weather events, feedstock supply challenges and labour disruptions.

Market Impacts

The proposed origin-based requirements are premised on the assumption that domestic low carbon fuel producers will choose to sell their fuels to obligated parties in the Ontario market, rather than placing fuels in other markets to meet obligations in other jurisdictions (federally, other provinces, or international). This premise may not be correct, which would impact the feasibility of the proposed changes.

The proposed origin-based requirements could have a significant impact on market competitiveness for renewable fuels in Ontario and costs. Under the current CTF Regulation, obligated parties have optimized compliance plans for their unique business model and operational footprint. Requiring renewable fuels to be domestically produced risks this compliance planning and disadvantages obligated parties who have arranged multi-year renewable fuel supply offtake agreements in alignment with the current CTF Regulation. These changes also would create additional investor uncertainty for Ontario fuel suppliers, as planning and investments have already been made to comply with the existing CTF Regulation and the federal Clean Fuel Regulations.



Timing to Adapt

Compliance planning (including infrastructure) and renewable fuel offtake agreements are undertaken years in advance, driven by the regulatory requirements in force. Shell recommends that Ontario ensure there is an orderly and adequate transition time for any changes that are made, with a minimum of one year between regulatory finalization and implementation requirements. These timelines are particularly important for renewable diesel given seasonal limitations described above.