



Response to Environmental Registry of Ontario: Cleaner Transportation Fuels: Proposed Domestic Renewable Content Requirement for Diesel Fuel

ERO number: 025-0669

July 17, 2025

Executive Summary:

Ontario's ethanol industry faces a serious threat from heavily subsidized U.S. imports, due to the 45Z as part of the recently passed "OBBA" (One Big Beautiful Bill). This has become further amplified by recent changes to the U.S. Clean Fuel Production Tax Credit. This crisis requires immediate policy action to protect a vital part of our rural economy. In the absence of corrective measures, the devastating impact of U.S. subsidies could lead to the demise of Ontario's ethanol industry and by extension the loss of a value-added market for Ontario's grain. This is due in part to major policy shifts in the U.S., where the 45Z tax credit has been extended to 2029 and ethanol's eligibility for the subsidy has been increased through the removal of the indirect land use change (ILUC) penalty. Combined, these regulatory changes significantly improve the economics of U.S. ethanol relative to Ontario, creating an unlevel playing field for Ontario ethanol producers. In addition, there are ongoing discussions in the U.S. government to extend 45Z beyond 2029.

To prevent further erosion of domestic production, Biofuels Consulting's strong recommendation is that the current ERO posting should be immediately expanded to incorporate a made-in-Canada ethanol requirement for 7% of the mandated 11% ethanol blend. This aligns with Ontario's production capacity, safeguarding local industry. This would mirror B.C.'s approach, but leverage Ontario's superior ethanol production and grain supply. Most importantly, this immediate action would stabilize the market for Ontario ethanol, protect rural jobs, and support the province's agricultural sector.

Key points:

1. **Market Share Erosion:** U.S. ethanol has already gained market share in Canada, dropping Canadian producers' market share from over 60% to just approximately 40%. This will erode further in the absence of change to ERO policy. This mirrors recent announcements in the UK, whereby American imports are pushing domestic bioethanol plants to the brink of closure.
2. **Policy Imbalance:** The U.S. 45Z tax credit and other subsidies create a structural cost advantage for American ethanol. U.S. policies increasingly favor domestic production by granting U.S. biofuels production double the compliance credits relative to 'foreign biofuels' from countries like Canada.
3. **Economic Impact:** The ethanol industry supports thousands of jobs and represents a critical market for Ontario corn farmers. Without action, we risk \$1.5 – 2.0 billion in frozen Canadian

ethanol investments and the loss of a crucial, value-added market for one-third of Ontario's annual corn crop.

4. **Urgent Policy Solution:** Ontario's current regulatory consultation presents a critical opportunity to include a "made-in-Canada" ethanol requirement. This would align with British Columbia's approach and protect both renewable diesel and ethanol production.
5. **Capacity Exists:** Canadian producers can already supply 7% of Ontario's 11% ethanol blend mandate. The barrier is not technical or economic, but rather is policy-based.
6. **Time Sensitivity:** Delaying action or pushing ethanol to a second consultation would send devastating market signals and risk closure of some Ontario ethanol plants.

Policy Gap: Ontario Ethanol vs. U.S. Subsidies

Ontario's proposed domestic content regulation for renewable fuels includes biodiesel but omits ethanol. The lack of inclusion of ethanol jeopardizes Ontario's ethanol producers and corn farmers, as U.S. policies escalate subsidies for American ethanol. Delaying action or deferring ethanol to a second, separate consultation would further displace Ontario production, risk Ontario ethanol plant closures and inhibit future expansion of Ontario ethanol.

Economic Disadvantage for Ontario Ethanol Producers:

- Ontario currently lacks a policy response to this growing threat. Without immediate action, remaining domestic capacity and local grain demand risk displacement by subsidized U.S. supply.
- U.S. producers benefit from new, long-term tax credits, while Canadian producers face rising input costs, market instability and regulatory uncertainty.
- The average profit margin on Canadian ethanol is from 7-10 cents per litre, based on industry data.
- **U.S. subsidies are valued at 5 to 36 cents per litre (CAD), based on 45Z calculations (Table 1). This is well beyond profit margins for Ontario ethanol producers.**
- **Ontario producers are losing market share due to policy disparities, not quality, cost, or environmental performance.**
- **In the U.S., a proposed change means that Canadian ethanol only counts for half as much compliance as American ethanol.** Given all the efforts made by the U.S. to protect their domestic ethanol production, it makes sense for Ontario to take measures in the same direction for our industry.

Urgency for Action:

- MECP's current proposal protects biodiesel but excludes ethanol, despite:
 - Ontario ethanol production supports 33% of Ontario's grain corn market
 - Ontario historically has supplied 50–60% of Canada's total ethanol output

- A second consultation would and risk further U.S. displacement and risk Ontario plant closures.

Summary Recommendations

1. Include a requirement for made in Canada ethanol to be blended in gasoline at a rate of 7% out of the 11% currently mandated.
2. Pass the made in Canada requirements for ethanol and biodiesel as soon as possible, following the same regulatory measures implemented by BC.
3. Following the regulatory measures implemented by BC, have these measures remain in place as long as the U.S. measures that have created the supply disruption are in place.

Supporting information

Biofuels Consulting supports Ontario's proposal to create domestic renewable content requirements for the diesel pool. **However, we believe ethanol must be included as well. A made in Canada requirement for both diesel and gasoline pools in will see Ontario's expertise and investments in biofuel production protected against the U.S. threat.** The process for both biofuels is closely linked and benefits Ontario families, Ontario jobs, and Ontario agriculture. Moreover, the economic and agriculture benefits from Ontario ethanol plants to the Ontario economy are far greater than that from Ontario biodiesel production. A Fair Fuel Policy for Ontario must recognize the impacts of heavily subsidized U.S. ethanol imports and ensure that local production is prioritized. Ontario's biofuel industry has invested in decarbonization, innovation and rural development. Without policy intervention, those gains risk being erased by foreign subsidies.

Biofuels Consulting recommends the following changes for the gasoline pool:

Current: from 11% with 45% GHG reduction

Proposed: Maintain the 45% GHG reduction and add that 7% of the 11% mandate to be "made-in-Canada"

Given the longevity of U.S. biofuels subsidies to at least 2029 and likely beyond, Biofuels Consulting strongly recommends MECP follow BC in maintaining this "made in Canada" approach for as long as the U.S. policies that have created this trade imbalance are in place.

Conclusion:

As emphasized by the Premier and key economic ministers, Ontario's economic strength depends on supporting strategic industries and rural jobs. Ethanol deserves the same treatment as nuclear, critical minerals, and biodiesel sectors.

For Ontario to truly remain "A Place to Grow," immediate action is essential. The solution is straightforward: extend Ontario's proposed Domestic Renewable Content Requirement to include ethanol. This would secure local production capacity without raising consumer costs, preserving a crucial economic driver for rural communities.

We strongly urge MECP to recognize this pivotal moment for Ontario's ethanol sector and the communities it supports. Taking swift, practical, and equitable action through the ERO will preserve

thousands of jobs, stabilize the market, and ensure Ontario's policy keeps pace with economic realities. **Ontario's ethanol producers—and the farmers, workers, and communities behind them—are counting on your leadership.**

Rationale for including ethanol in the regulatory amendment based on U.S. subsidies for ethanol

Based on [One Big Beautiful Bill](#) (OBBB) the calculated the subsidy for U.S. produced ethanol includes a range of incentive options (see Table 1 below). It is noteworthy that there is already an incentive to send the lowest carbon intensity ethanol to Canada, due to federal policy (the Clean Fuel Regulations), and Ontario's CTF regulation. We therefore anticipate that the ethanol coming to Ontario will be subsidized by at least 9 cents per litre (CAD). However, we also expect this to increase over time as carbon intensity decreases for U.S. ethanol. Moreover, there are existing U.S. ethanol plants that already have CCS that could take advantage of the higher subsidy of as much as 36 cents per litre (CAD).

Without these extensive U.S. subsidies, Ontario ethanol plants would be expanding their production capacity, driving economic growth, jobs, and environmental benefits. Instead, due to these subsidies their continued operation is put at risk.

The "OB BB" is a game changer for ethanol subsidies in the U.S. since it modifies how carbon intensity is calculated. **By removing indirect land use change from the calculation formula, U.S. ethanol has automatically garnered a higher subsidy.** Table 1 below takes into account this new calculation method and includes a list of measures that can be implemented by U.S. ethanol producers to increase the subsidy they collect before exporting to Ontario. Table 1 below shows calculated subsidy benefit for U.S. ethanol production. The assumptions and calculations that support these calculations are as follows:

- *U.S. subsidies are equal to 2 cents (USD) per gallon, for every kilogram CO₂e/MM BTU reduction below 50 kilogram/MM BTU. This calculation is derived from the following formula used in the U.S.: **Emissions Factor = (50 - Emissions Rate) / 50***
- *The base case in the GREET model uses average energy consumptions from several years ago, current plants are better than the GREET average*

Table 1: Calculated Subsidy Benefits to U.S. Ethanol Producers

Subsidy per litre for US ethanol (CAD)	Approximate carbon intensity (g)	Specific practice	Impact of the specific practice on CI (g)
4.3 ¢	44	Standard U.S. plant, w/out optimizations	N/A
7.25 ¢	40	Wet distiller's grain	4
9 ¢	37.6	Electricity certificates	2.4
31 ¢	~7.5	Carbon capture and storage (CCS)	25-30
33 ¢	2	Low CI natural gas*	5.5
36 ¢	-10**	Climate smart agriculture	13

*Plants would need a direct connection to renewable natural gas to avail themselves of this specific reduction worth 4.2g.

**No additional subsidy is anticipated for negative carbon intensities beyond 0.

While some may assert that a U.S. ethanol plant cannot stack carbon capture subsidies with the 45Z incentive, this is arguably a conservative estimate of total U.S. subsidies. For example, if a U.S. ethanol plant elects to receive the carbon capture subsidy instead of taking credit for the carbon intensity advantage caused by carbon capture in 45Z, the carbon capture subsidy is even more generous than the biofuel subsidy.

Sensitivity analysis: why low carbon intensity U.S. ethanol is attracted to Canada

Biofuels Consulting asserts that Ontario attracts the lowest carbon intensity ethanol to the province from the U.S. This is mainly because in the U.S., low carbon intensity ethanol, versus average ethanol, will all generate the same number, and same class of compliance credits under their federal renewable fuels program (these are known as D6 RINS).

However, in Ontario there are two policies that compound to provide an advantage to low carbon intensity ethanol.

- 1) The CTF allows for blending less ethanol when the carbon intensity is lower. This provides obligated parties with easier compliance and greater flexibility.
- 2) The federal CFR provides greater credit generation for low carbon intensity ethanol. The following scenario helps demonstrate the CFR credit advantage for the lowest carbon intensity U.S. ethanol:

Ethanol at a CI of 20gCO₂e/MJ versus 70gCO₂e/MJ gasoline under the CFR

The most recent credit prices under the CFR show a value of approximately \$295 (CAD). When comparing one litre of 20g CI ethanol against a 70g CI gasoline, there is a difference of 30 cents (CAD)/litre in credit values. Hence, there is an extremely strong signal for the lowest CI ethanol produced in the U.S. to be exported to Canada. Due to the volume of gasoline consumption in Ontario, this would correspond to an increase in U.S. imports into Ontario.

Lower CI ethanol also garners a greater subsidy in the U.S. Ontario ethanol is therefore in a position where it will need to compete against the most heavily subsidized U.S. product.

Environmental rationale: Lower transportation emissions

First, using fuel ethanol closer to its production facility, rather than transporting it large distances from the U.S., results in fewer transportation-related emissions. Ontario's ethanol plants are relatively close to the fuel markets where they are used, and so the proposed measure to require the use of made in Canada ethanol will ensure that we continue to simplify logistics and keep transportation emissions to a minimum. Ontario ethanol plants also are significant producers of DDG, without the plants operating, protein supplements will have to be imported from the United States with the associated transportation emissions.

Additional Suggested Regulatory Changes

LCA modelling

Biofuels Consulting Canada recognizes that the current regulation cites GHGenius version 4.03a. There are several new pathways in GHGenius version 5.0 and also some more up to date data as compared to GHGenius version 4.03a. That is why the BC Government already uses GHGenius version 5.0. It is Biofuels Consulting Canada's strong recommendation that the MECP include GHGenius version 5.0 as an alternate GHG model and LCA tool and actively work towards updating the regulations to include GHGenius version 5.0 as the preferred tool. This ensures accuracies, and that all plants are treated consistently. GHGenius 5.0 has more pathways and will minimize the need to rely on other tools to fill in any gaps, thereby reducing the workload of the Ministry and ensuring consistency for the program.

CGSB Specifications

The ERO regulation currently allows ASTM or CGSB specifications. This was originally implemented as a means to be flexible for imported product. U.S. suppliers have demonstrated that they can meet CGSB biodiesel and CGSB ethanol specifications. Hence, there is no need to include both ASTM and CGSB specifications in the regulation. The CGSB specifications are equally stringent to the ASTM specifications but in addition, CGSB specifications include some Canadian Federal regulatory limits and specification limits that are specific to Canadian geographic conditions. It is anticipated that the interprovincial flow of products including fuels will increase in Canada as a result of bill C5. Hence, it is anticipated that CGSB specifications will play a greater role. Moreover, under the current U.S. government administration, there is no guarantee that some U.S. specification limits that pertain to environmental controls will not be eroded.

Sincerely,

Stu Porter



President

Biofuels Consulting Canada Inc.