Renewable Industries Canada
Industries Renouvelables Canada

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

ERO number: 025-0669

Submitted by: Renewable Industries Canada

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About RICanada:

Renewable Industries Canada (RICanada) is the national business coalition representing Canada's leading clean fuel producers and developers. Founded in 1984, our members are global leaders in biofuel innovation and low-carbon energy, with a proven track record in commercial renewable fuel production, policy development, and international carbon markets.

In Ontario, **RICanada members are the anchor of the province's ethanol industry, operating Canada's first and largest dedicated ethanol facilities and serving as cornerstone employers in rural communities across the province**. Together, these facilities support thousands of direct and indirect jobs, drive demand for Ontario corn, and deliver dependable low-carbon fuel into the provincial and national supply chains.

Each year, Canada's biofuels sector contributes over $6.4 billion in economic activity, supports $1.9 billion in wages, and sustains more than 9,400 jobs—much of it in Ontario's rural heartland.

RICanada's Ontario members include:

- **Greenfield Global Inc.** – Canada's leading low-carbon ethanol producer, with Ontario facilities in Brampton, Chatham, Tiverton, and Johnstown. Greenfield is also advancing new projects in renewable hydrogen, anaerobic digestion, and sustainable aviation fuel.
- **Alco Energy Canada** – (Formerly IGPC Ethanol Inc). Operator of one of Canada's largest biofuel production sites, located in Aylmer, and a key contributor to regional grain demand and local economic activity.
- **World Energy** – Developer of Ontario's biomass-based diesel facility in Hamilton and lead proponent of large-scale clean fuel projects, including green hydrogen in Atlantic Canada.

Together, RICanada members are trusted partners to farmers, rural communities, and fuel blenders. We stand ready to work with the Ontario government to deliver practical, proven solutions that support energy security, economic resilience, and environmental action.

Executive Summary:

Ontario's ethanol industry faces an urgent and intensifying threat from heavily subsidized U.S. imports, an imbalance now further amplified by recent changes to the U.S. Clean Fuel Production Tax Credit. MECP has indicated the ethanol change may be addressed in a separate posting, which risks delaying support and jeopardizing Ontario's ethanol plants. This crisis requires immediate policy action to protect a vital part of our rural economy. As Canada's ethanol manufacturing center, Ontario produces 50–60% of the nation's ethanol supply, with one-third of the province's grain corn dedicated to ethanol production. Facilities are located across the province in Aylmer (Alco), Chatham, Tiverton, Johnstown (Greenfield), Kawartha Lakes, and Corunna. 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 2030 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.

To prevent further erosion of domestic production, 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. It mirrors B.C.'s approach but leverages Ontario's superior ethanol production and grain supply. 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 rapidly gained market share in Canada, dropping Canadian producers' market share from over 60% to just approximately 40%. This mirrors recent developments in the UK, where 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. Canada's Clean Fuel Regulations allow compliance credits to be generated through the importation of U.S. ethanol, while 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. Ontario must not miss out on this opportunity to garner these $1.5-2 billion in new investments for ethanol.
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 policy-based.
6. **Time Sensitivity:** Delaying action or pushing ethanol to a second consultation would send devastating market signals and create unnecessary friction in the renewable fuels sector.

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

Ontario's proposed domestic content regulation for renewable fuels includes biodiesel but omits ethanol. This oversight jeopardizes Ontario's ethanol producers and corn farmers, especially as U.S. policies escalate subsidies for American ethanol. Delaying action or deferring ethanol to a second, separate consultation would send negative market signals, further displacing Ontario production and unnecessarily straining trade relations.

Context & Urgency:

- Canada's Clean Fuel Regulations (CFR) allow compliance credits to be generated through imports, while the U.S. has adopted targeted protectionist measures through Section 45Z of the U.S. Inflation Reduction Act (IRA) that subsidize the production of ethanol for use in both America and around the world.
- **Section 45Z provides American ethanol producers up to $1 USD per gallon in tax credits based on carbon intensity scores. Most large U.S. plants already qualify for $10M–$20M USD annually.**
- These subsidies have been extended to 2030 under the recently passed "Big Beautiful Bill" (BBB).
- From 2026, only ethanol produced using North American feedstocks will be eligible, ensuring U.S. market dominance.
- This dominance is being felt across the globe, with a July 14th article in the *London Daily* indicating that the United Kingdom's largest bioethanol plant is near closure due to subsidized US imports.
- **In Ontario, Canadian ethanol's market share has plummeted from over 60% to approximately 40% in two years.**

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 member surveys
- **US subsidies are valued at 5 to 36 cents per litre (CAD), per RICanada calculations (see technical appendix). This is well beyond profit margins.**
- **Ontario producers are losing market share due to policy disparities, not quality, cost, or environmental performance.**
- In the US, a proposed change means that Canadian ethanol only counts for half as much compliance as American ethanol. Given all the efforts made by the US 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 supporting 33% of Ontario's grain corn market
    - Facilities in Aylmer, Chatham, Johnstown, Kawartha Lakes, Corunna, and Tiverton
    - Ontario supplying 50–60% of Canada's total ethanol output
- **A second consultation would delay relief, weaken market confidence, and risk further incentivize U.S. displacement.**

Summary of 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.**

3. **Ensure that these measures are permanent, not temporary.**

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.**