

Cleaner Transportation Fuels: Proposed Domestic Renewable Content Requirement for Diesel Fuel (ERO number - 025-0669)

Submission on behalf of World Energy Net-Zero Services

July 10, 2025

Thank you for the opportunity to provide comment on the Proposed Domestic Renewable Content Requirement for Diesel Fuel. **World Energy applauds MECP's decision to take action to ensure that Ontario biodiesel producers can compete against subsidized imports. Ontario has embedded clean energy production capacity that we should be protecting for the sake of energy security.** This proposed requirement that 3% of the renewable content required in diesel fuel be produced in Canada is a pragmatic and reasonable adjustment to the Cleaner Transportation Fuels (CTF) regulation (O. Reg. 663/20) that will maximize the GHG emissions reduction benefits of the CTF policy, as well as the contribution of the clean fuels sector to our province's economy. **Passing this measure will make the difference between this plant being viable for years to come, versus a permanent closure.**

Today the Ontario biofuels sector supports approximately 700 direct jobs, contributing an estimated \$1.75 billion per year to the province's GDP. However, with Ontario biodiesel production having been brought to a standstill by anti-competitive U.S. policies including the 45Z tax credit – which was just extended in the One Big Beautiful Bill – these jobs and economic contribution are in jeopardy.

This proposed domestic content requirement would significantly level the playing field for the Ontario industry, and would provide the market certainty necessary to unlock further private-sector investment and job creation. Most importantly in the context of the overarching objectives of the CTF regulation, the use of domestically produced biodiesel in lieu of imported supply from the U.S. (that is subsidized by the US taxpayer) would directly reduce GHG emissions by tens of thousands of tonnes through the avoidance both of importing refined biodiesel into the province, and of exporting Canadian feedstock to U.S. refineries.

World Energy is one of the largest and longest-serving advanced biofuel suppliers in North America. Founded in 1998, our company operates a renewable diesel refinery in Paramount, CA, distribution hubs throughout the U.S. and Canada, and biodiesel manufacturing plants in Houston, TX, Natchez, MS, Rome, GA, and Harrisburg, PA, in addition to the BIOX facility in Hamilton, Ontario.

First reaching commercial operation in 2007, the BIOX Hamilton facility Has capacity to produce 67 million litres of biodiesel per year using proprietary, made-in-Canada technology. to This high quality, renewable, clean burning and biodegradable biodiesel is made from a variety of feedstocks, including agro-industry residues such as waste animal fats, used cooking oil (UCO), or non-food-grade seed oils.

It is important to note that biodiesel is distinct from renewable diesel, both in terms of production process and engine use. Biodiesel is significantly more cost-competitive than renewable diesel due to its simpler and less energy-intensive production process, especially when using abundant, locally available feedstocks like UCO.

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Local biodiesel production would be particularly beneficial in the context of the diverse economy of Southern Ontario as its generally more flexible production process allows for more diverse and localized feedstock use, especially from waste streams, creating investment opportunity and jobs across collection, processing, and distribution sectors.

This versatility of feedstocks enables the BIOX Hamilton facility to provide a market opportunity for a diverse range of surplus and waste products across Ontario's agri-food sector, each representing an important opportunity for additional contributions to Ontario's GDP:

- UCO is a waste product from restaurants and other food service establishments. The use of UCO as a biodiesel feedstock supports local collection networks and recycling businesses, reduces waste disposal costs for food service businesses, and provides them with an additional revenue stream – an important benefit for a sector that employs an estimated 430,000 Ontarians¹ and is particularly vulnerable to economic uncertainty.
- Animal tallow (rendered animal fat) is a byproduct of the meat processing industry. Similarly to UCO, the diversion of tallow for biodiesel production helps mitigate disposal costs for meat processors and provides an additional revenue stream. There are approximately 720 abattoirs and free-standing meat plants in Ontario, employing approximately 21,000 workers, and contributing over \$2.3B to provincial GDP.²
- Grains like Ontario-grown canola and soybean oils are also used extensively in biodiesel production in Ontario. Biodiesel production helps to drive strong and consistent local demand for these crops, providing greater price certainty for Ontario farmers and a hedge against geopolitical disruption to export markets, thus helping to ensure vibrant and resilient rural economies.

The proposed regulatory change will deliver a significant environmental benefit in terms of ensuring an ongoing use case for used cooking oils and rendered animal fats to be consumed in Ontario, many hundreds of kilometers closer to their point of production.

While the pass-through of U.S. subsidization of biodiesel production would generate some benefit in the form of marginally lower prices for Ontario consumers in the short term, in the longer term, the loss of Ontario's biodiesel manufacturing capacity would leave the province entirely reliant on

¹ Accommodation and Food Services (NAICS 72): Ontario, 2024-2026

<https://www.jobbank.gc.ca/trend-analysis/job-market-reports/ontario/sectoral-profile-accommodation>

² Meat product: NAICS 3116

<https://www.ontario.ca/document/2021-food-and-beverage-sector-profiles/meat-product-naics-3116>

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U.S. suppliers and thus vulnerable to supply chain disruptions and price shocks, while at the same time reducing economic benefit to other sectors of the economy. The existing biodiesel production capacity, representing hundreds of millions of dollars in infrastructure, equipment, and intellectual property, would be effectively stranded, eliminating any prospect of further private-sector investment in current or future production capacity in the province.

It is also important to highlight that the transportation emissions that result from shipping biofuels from refineries in the midwestern U.S into Ontario would also severely undermine the GHG emissions reduction objectives of the overarching CTF policy framework going forward.

Recommendations:

- 1. Implement the domestic content requirement with immediate effect, while offering regulated entities flexibility to carry forward unused surplus credits (or debits not covered) into the next year's compliance period**

This regulatory amendment is urgently needed to provide investor confidence to rebuild Ontario's biodiesel production capacity, including both processors and feedstock suppliers. This amendment must move forward as swiftly as possible to send a market signal for future biodiesel supply agreements, which are sometimes negotiated quarters in advance. We would strongly recommend that Ontario implement this proposed domestic content requirement with immediate effect for the balance of the current calendar year, rather than waiting for the 2026 compliance period, in order to front-load investment in biodiesel supply at this critical juncture for the industry. To minimize disruption to regulated entities, we would further urge Ontario to allow for compliance credits from the 2025 year such to be transferred to the 2026 compliance period.

There is precedent for this type of intervention. In November 2020, Ontario extended the 2020 compliance year into a two-year compliance period (2020-2021) to provide fuel suppliers with more time to manage compliance and financial concerns arising from COVID-19, including the decrease in demand for transportation fuel and other supply chain impacts ([See: ERO # 013-4598](#)). Introducing similar flexibility at this juncture would help to ensure buy-in from obligated parties, while enabling MECP to send an immediate demand signal that will save Ontario's biodiesel plants from closure.

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2. Include ethanol - Expand the regulatory proposal to address the same problem that exists in the gasoline pool.

Currently, Ontario's CTF requires ethanol blending at roughly 11% in gasoline. Based on currently available production capacity, approximately 63% of this ethanol supply (or, 7 of 11 percentage points) could be sourced from Made-in-Ontario ethanol. Canadian ethanol now faces the same problems as Canadian biodiesel, in that only U.S.-made ethanol will qualify for subsidies under the One Big Beautiful Bill tax credit reforms. As a result of these recent changes, some ethanol plants in Western Canada have already idled production, and the same is bound to happen in Ontario as well without regulatory changes to protect Ontario ethanol production.

World Energy is supportive of comments from our industry association, Renewable Industries Canada, to include a similar requirement for made in Canada ethanol to be blended in the gasoline pool.

3. Make this measure permanent, recognizing almost 20 years of American subsidies.

Ontario biodiesel production has been at a disadvantage due to American subsidies for almost 20 years, since the Blenders' Tax Credit first passed in 2006. The biofuels trade imbalance will not end any time soon, even if the current U.S. administration were to scrap all tariffs on Canadian goods immediately. These U.S. biofuels subsidies have much deeper roots and have been renewed on several occasions by previous administrations, both Democratic and Republican. In fact, the 45Z tax credit was initially designed to expire at the end of 2027, but the One Big Beautiful Bill has already extended the subsidy out to the start of 2030. Furthermore, the American equivalent of the CTF, the Renewable Fuels Standard (RFS) was just amended to discount the value of imported biofuels by 50%.

Competing against aggressive U.S. subsidies is not a temporary issue for Canadian biofuel producers, and Ontario's policy response should recognize this reality.

Conclusion

Biodiesel production contributes significantly to the provincial economy by creating jobs and driving private-sector investment in the province's clean technology sector, helping to reduce costs and generate additional revenue for the province's food service and meat processing sectors, and providing greater price certainty for Ontario grain farmers, thus supporting rural communities. The proposed requirement that 3% of the renewable content required in diesel fuel be produced in Canada will ensure that Ontario's biodiesel production capacity, as well as private sector investment and know-how, remain in the province for many years to come.