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VIA EMAIL (glynn.robinson@ontario.ca)
Glynn Robinson
Low Carbon Fuels Unit
Ministry of the Environment, Conservation and Parks
40 St. Clair Ave. West
Toronto, ON, M4V 1M2

Re. Feedback on Proposed Changes to Renewable Fuel Requirements in Ontario

Imperial values the opportunity to provide comments and feedback on the Ministry of Environment, Conservation and Parks' proposed changes to the Renewable Fuel Requirements in Ontario.

Imperial is an integrated energy company that explores for, produces, refines, and markets products essential to society across the full value chain. In our upstream business we have major oil sands assets in Alberta and a legacy conventional asset in NWT. Imperial is also Canada's largest refiner of petroleum products with refineries located in Strathcona County outside Edmonton, and Sarnia and Nanticoke in Southern Ontario. We refine raw hydrocarbons into petroleum products essential to consumers and businesses, including gasoline, diesel, jet fuel and chemicals used to make plastics. Our retail brands Esso and Mobil are familiar to Canadians from coast to coast to coast.

While Imperial appreciates the consideration to promote domestic Canadian biofuels production, we believe that the proposed approach of setting volume mandates on Canadian renewable fuel production within any province, including Ontario, could increase consumer fuel cost, risk disruption of supply, and increase GHG emissions. For these reasons, Imperial urges the Government of Ontario to consider other mechanisms to address evolving U.S. biofuels policy, ongoing trade uncertainties, and other drivers behind the proposed changes.

Fuel supply chains, whether traditional or renewable, are complex and have been established to maximize reliability of supply and minimize consumer cost. The proposed changes will require establishing new, less efficient and higher emitting supply chains, relying on volume sourced thousands of kilometers from Ontario. The dis-optimization of existing supply chains and the implementation of new supply chains will increase the cost of compliance to obligated parties in the province, and a portion of this cost can land on consumers. The magnitude of the cost increase would require additional study as supply chains to incorporate fuels from western Canadian locations will need to be developed and the associated increased cost understood. Unplanned outages or constraints associated with domestic suppliers could lead to intermittent fuel scarcity in Ontario, as there is limited contingency and reduced optionality if the proposed changes are implemented.

Imperial recognizes that there are two biodiesel production facilities operating in Ontario. Our understanding is that their combined daily production capacity is approximately four KBD (thousand barrels per day). Ontario's diesel demand is approximately 100 KBD; however, due to Canadian General Standards Board quality standards, Imperial can only blend up to five per cent biodiesel for six months of the year (April - September). Temperature constraints prevent biodiesel from being blended the other six months of the year. Therefore, even if these two facilities produce up to their nameplate capacity without planned or unplanned outages from April to September, industry could only meet two per cent of Ontario-produced renewable diesel annually (four per cent of the market supply for six months of the year). The balance would need to be imported from renewable diesel or biodiesel facilities in Western Canada that are selling into markets with competing domestic renewable content requirements and low carbon fuel standards.

Imperial's belief is that the proposed changes will not result in additional domestic renewable fuel production, rather, it will result in more expensive and inefficient supply from Western Canada that competes with existing Canadian regional demand. This could drive the unintended consequence of increasing Canadian transportation fuels' GHG emissions and carbon intensity. For example, renewable diesel currently produced in the US Gulf Coast and shipped to Ontario in bulk via marine—the most efficient mode of transportation—would be replaced by renewable diesel produced in Alberta and transported via rail. This is counter to the goals and principles of Ontario's Cleaner Transportation Fuels policy which aims to reduce GHG emissions in the transportation sector. Rather, for meaningful additional domestic renewable fuel production to be incentivized, Canada's federal and provincial governments should consider sustained fiscal support, like that which has been proven to drive growth in the biofuels manufacturing sector in the United States via the *Inflation Reduction Act,* 45Z.

Should Ontario move ahead with the proposed mandates, Imperial strongly recommends that the province adopts a technology neutral approach that recognizes all pathways of renewable distillate production, including co-processing. Additionally, clarification regarding the origin of feedstock is required. Imperial supports the inclusion of all renewable feedstock, regardless of country-of-origin, to be eligible assuming the fuel is manufactured in Canada. Finally, should the mandate be adopted, Imperial urges that the earliest it be enforced is January 2026. Provincial compliance plans are developed years in advance, and Imperial's 2025 Ontario compliance plan is in place and being actively executed and 2026 Ontario compliance plans are being developed—these plans include existing renewable diesel supply agreements. Pivoting away from these existing plans will result in significant dis-optimization leading to higher costs and uncertain supply logistics.

To summarize, Imperial believes that the proposed approach of setting volume mandates on Canadian renewable fuel production within the province of Ontario will increase cost to the consumer, risk supply disruption, and ultimately increase transportation fuel GHG emissions. The policy is unlikely to promote additional domestic renewable fuel production. For these reasons, Imperial recommends that the Government of Ontario consider other mechanisms to address evolving U.S. biofuel policy uncertainties, such as sustained fiscal support incentivizing domestic biofuel production.

Imperial is committed to working with the Government of Ontario to support the province's GHG reduction objectives. Given the complexity of this policy proposal, we'd like to extend an offer to meet in person at your Toronto offices or virtually to further discuss our responses. Should you wish to meet, or have any other questions, please do not hesitate to contact me by email at jason.macdonald@esso.ca.

Sincerely,

Jason K. MacDonald