

# **Ontario's Proposed Domestic Renewable Content Requirement for Diesel Fuel: Unifor's Recommendations**

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## Summary

Unifor is Canada's energy union, with 15,000 members working in oil and gas extraction, natural gas distribution, HVAC, electric utilities, petroleum refineries, and nuclear energy.

As Ontario's domestic biodiesel industry is on the verge of crisis, a domestic bio-based content requirement for diesel fuel is welcome.

Issues facing the sector include foreign subsidies from the United States and gaps in Ontario's regulatory framework that fail to support local producers.

The recent production halt and layoffs at the Biox Corporation refinery in Hamilton typifies the current situation.

The province of British Columbia has recently faced identical pressures and responded with a policy framework that could serve as a blueprint for Ontario.

By strengthening its fuel standards and mandating the use of Canadian-produced biofuels, B.C. has stabilized its domestic biodiesel and bioethanol market and protected local jobs.

## Summary recommendations

- Close loopholes by mandating a growing portion of provincial diesel be supported with physical, made-in-Ontario biodiesel, and prioritize physical blending over the purchase of credits;
- Set provincial production targets and introduce a made-in-Ontario production incentive to counter unfair U.S. subsidies to support new capital investments; and
- Create a fund to support building a circular economy for biofuels, with the goal of building the infrastructure needed to collect and refine Ontario's organic waste into high-quality biodiesel.

## Biox Corporation refinery

Ontario's domestic biodiesel industry faced the recent shutdown of the Biox Corporation (Biox) refinery in Hamilton.

Established in 2007 with the support of federal grants, public research money, university commercialization infrastructure, and private investment.

During operations, the refinery employed 15 highly skilled workers and had a 94% production rate, with a nameplate capacity of approximately 66 million litres per year.

## 3 Ontario's Proposed Domestic Renewable Content Requirement for Diesel Fuel

The refinery was designed for high-efficiency, 24/7 continuous production instead of more common batch-style production.

While many biodiesel producers rely on virgin seed oils like soy or canola, Biox's proprietary and patented process was engineered for feedstock flexibility.

The process used rendered animal fats such as pork fat and bleachable fancy tallow (BFT) as well as used cooking oils, known as yellow grease. This gives Biox's biodiesel a much shallower carbon footprint compared to fuels produced from dedicated agricultural crops.

Biox ceased production and, as of April 11, 2025, announced an indefinite shutdown with no plans to restart leading to layoffs.

Several changes in U.S. policy shifted the market significantly. The majority of Biox's product was exported to the United States where there was a higher market draw, as it was eligible for the previous Blenders' Tax Credit.

The U.S. *Inflation Reduction Act* (IRA) replaced this with a "Producers' Tax Credit," providing subsidies only for biodiesel produced in the U.S. The change removed the financial incentive for U.S. blenders to purchase Canadian biodiesel.

With the removal of much of the IRA under the current U.S. administration, there is now an over-production of biofuels in some local markets. The result is the suspected dumping of biofuels into the Canadian market.

Biox operated on a semi-cooperative program with Shell, which had storage tanks and direct piping on Biox property. However, Shell now sources its biodiesel from an Argentine provider, shipping soy-based fuel by rail to the Biox site for storage and blending.

Ontario producers cannot compete against foreign suppliers benefiting from direct government support and unfair subsidies.

Seasonal volatility in access to feedstock provided from Quebec also led to seasonal shutdowns. There is need for a stable, secure, and cost-effective local feedstock source.

While Ontario's *Cleaner Transportation Fuels* regulation mandates a 4% renewable content in diesel fuel, the system allows for compliance through cheaper, imported product.

The current compliance credit market does not differentiate based on the origin of the credit. A fuel supplier in Ontario can satisfy its provincial mandate by purchasing a compliance credit from a subsidized U.S. producer.

#### 4 Ontario's Proposed Domestic Renewable Content Requirement for Diesel Fuel

The Biox facility has a Unifor unionized workforce of 15 skilled workers, including 12 Process Operators and 3 Terminal Operators. These jobs are difficult and costly to replace. Accepting the closure of these types of facilities as a result of foreign policy instability exposes the risks of U.S. policy changes to Canadian energy infrastructure and supply chains.

In addition, the province has invested significant public funds over the years to support the research and commercialization of biofuels.

## British Columbia biofuels policy response

Earlier this year, the Government of British Columbia took action to protect its domestic biofuel producers from the "injurious" effects of U.S. subsidies and market dumping. B.C. amended the *Low Carbon Fuels Act* in a way that Ontario can follow.

The BC Low Carbon Fuel Standard (LCFS) is a regulation with two mandates:

1. It requires fuel suppliers to meet minimum renewable fuel blending volumes.
2. It requires fuel supplies to progressively reduce the overall lifecycle carbon intensity (CI) of the fuel they sell.

LCFS also operates with a credit market where those suppliers with a CI above target generate deficits must offset by purchasing credits from others operating in the BC market.

The changes came about because of BC producers like Unifor unionized Tidewater Renewables warned they were facing insolvency due to a flood of cheaper, subsidized renewable diesel from the United States.

The changes were:

1. Doubling the renewable fuel requirement for diesel from 4% to 8%.
2. Implementing a domestic content requirement.
3. A domestic content requirement for the 5% renewable fuel for gasoline.

This support provides the revenue certainty needed to sustain operations, protect local jobs at facilities, and justify the significant capital investments required for expansion and innovation.

The regulation does not prohibit the importation of U.S. biofuels, as U.S. products can still be sold in B.C. and can be used to generate credits for reductions, but only beyond the 8% mandate.

## 5 Ontario's Proposed Domestic Renewable Content Requirement for Diesel Fuel

## Made-in-Ontario biofuel

The Government's current proposal validates the core premise of Unifor's concerns. However, we urge the government to be more ambitious.

A temporary measure is likely insufficient to provide the long-term investment certainty the industry needs.

Unifor recommends following the B.C. model by increasing the biofuel mandate and applying the domestic content requirement to the full mandated volume. This would create a market of sufficient scale to not only save existing producers, but would likely attract new investment in the sector, as well.

In addition, Unifor recommends establishing a framework to secure cost-effective and sustainable supply of feedstock from within Ontario.

The composition of Ontario's waste stream may be suited for creating biodiesel feedstock and a circular economy.

## Complete list of recommendations

1. Enact a higher "Made-in-Ontario" content requirement.
2. Increase the diesel mandate to create market scale.
3. Prioritize physical blending over credit trading.
4. Establish provincial production targets.
5. Consider introducing a domestic production incentive to support investment.
6. Fund a provincial program or feasibility study to build out a circular economy for biofuel feedstock.
7. Establish a research program to support mapping of provincial supply and demand along the supply chain.

The government should work with industry and unions to support a comprehensive mapping of Ontario's energy and waste-stream production.

This initiative would identify and connect feedstock sources (municipal green bins, food processors, farms, restaurants) with end-users (biofuel refineries), allowing for logistics planning and the creation of highly efficient, intra-provincial supply chains that reduce transportation costs and emissions.

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