

ENEV Senate Committee
Appearance by Renewable Industries Canada

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Good morning, Madame Chair, and members of the Committee.

I am Jim Grey, Chair of the Board of Directors of Renewable Industries Canada, and CEO of IGPC Ethanol Inc. and I am here with fellow board member Andrea Kent, a vice president with Greenfield Global.

On behalf of the 30-plus companies that are members of RICanada, thank you for inviting us here today as a part of your study on carbon pricing.

About Renewable Industries Canada

Our association has a proud 34-year history of promoting the use of renewable fuels. Our industry currently generates over \$3.5B in economic activity annually.

Biofuels at a glance

Biofuels are the cleanest and most sustainable source of liquid fuel available to the transportation sector. Ethanol reduces emissions by as much as 62% compared to gasoline; cellulosic ethanol reduces emissions by 87%, and biodiesel reduces emissions by as much as 119% compared to petroleum diesel.

Under CEPA regulations in place since 2010, a minimum of 5% ethanol in gasoline, and 2% biodiesel in diesel fuel must be blended into these fuel pools. These required volumes are an unqualified success, building domestic capacity for biofuel production, stimulating economic growth and contributing to greenhouse gas (GHG) emission reductions to the tune of approximately 4.5 megatonnes per year. That's the equivalent of removing 1,000,000 cars from Canada's roads.

IGPC Ethanol Inc. recently invested \$120 million to double our production capacity to 400 million litres per year. Our Aylmer, Ontario plant will soon be one of the largest facilities in the country.

Biodiesel is also a success story. Hamilton-based BIOX Corp. is investing \$5 million in upgrades to a recently acquired facility in Sombra, Ontario which had been shut down by its previous owners.

There are two key points that we will address regarding your study of carbon pricing.

Trade exposed industry

First, biofuels are a trade-exposed industry. Prices for ethanol and biodiesel are set based on Chicago's index, meaning that Canadian producers are "price takers". Under the proposed output-based system (OBS), carbon pricing applies to the biofuel *producer*. OBS would increase expenses for Canadian biofuels producers, while foreign producers would not be subject to the tax.

The way to solve this is by changing the point of taxation from *producer* to *distributor*.

This change would mean that all biofuels, whether imported or produced here, would be subject to carbon pricing when consumers purchase them.

I will now turn to my colleague Andrea Kent.

Good morning, Madame Chair, and members of the Committee. As Jim noted, in addition to being the VP of Government and Public Affairs at Greenfield Global, I am on RICanada's board of directors. Thank you for having us here today.

Greenfield Global is a diversified alcohols and biofuels producer. We are Canada's largest producer of ethanol. We are also the only producer of industrial and specialty alcohols in Canada.

Greenfield Global is one of Canada's leading innovators in the area of advanced biofuels and 'next-generation' bio-refining technologies. Our company has a state-of-the-art advanced fermentation research facility at our Québec plant; a leading-edge technology demonstration facility adjacent to our Chatham, Ontario plant, as well as a stand-alone R&D campus in Chatham.

70% target too ambitious given the CFS

RICanada's second point is regarding the target of carbon pricing for industry.

Under the current framework, a national benchmark would be calculated for the production of biofuels, which would establish the industry's average emissions. In order to avoid paying the carbon tax, a facility would need to be 30% below the national average of emissions for its sector. This target might be reasonable for sectors that do not already have separate policies compelling them to reduce GHG emissions, but biofuel producers will be subject to the Clean Fuel Standard, aimed at obtaining 30 megatonnes of GHG reductions by 2030. So, producers are already motivated to find every efficiency possible to reduce the lifecycle emissions of biofuels.

The Canadian biofuels industry is already at the cutting edge of emissions reductions in production processes. To ask that these leaders in emission reductions be held to the same standard for reducing future emissions as others who've achieved far less strikes us as unreasonable.

Conclusion

I think we can all agree that climate change is a phenomenon that needs to be addressed, and that carbon pricing is one policy among several that should be implemented.

Environment and Climate Change Canada estimates 90 megatonnes of GHG reductions will come from carbon pricing by 2022. This is still not enough to meet our Paris Accord objectives. We must therefore ensure that overlap between carbon pricing and other policies like the Clean Fuel Standard does not cause negative consequences for Canadian biofuel producers.

In our view, policies that encourage the increased use of biofuels remain the most effective tool for reducing GHGs. In fact, third party modelling has shown that biofuels could provide between 15 and 25 megatonnes of GHG reductions by 2030.

Biofuels provide an opportunity for a quick and painless gain in the battle against GHG emissions. Canada is home to some of the world's most innovative biofuel producers. It is therefore imperative that carbon pricing be implemented in a manner that does not hurt an industry that will play such a key role.

Thank you.