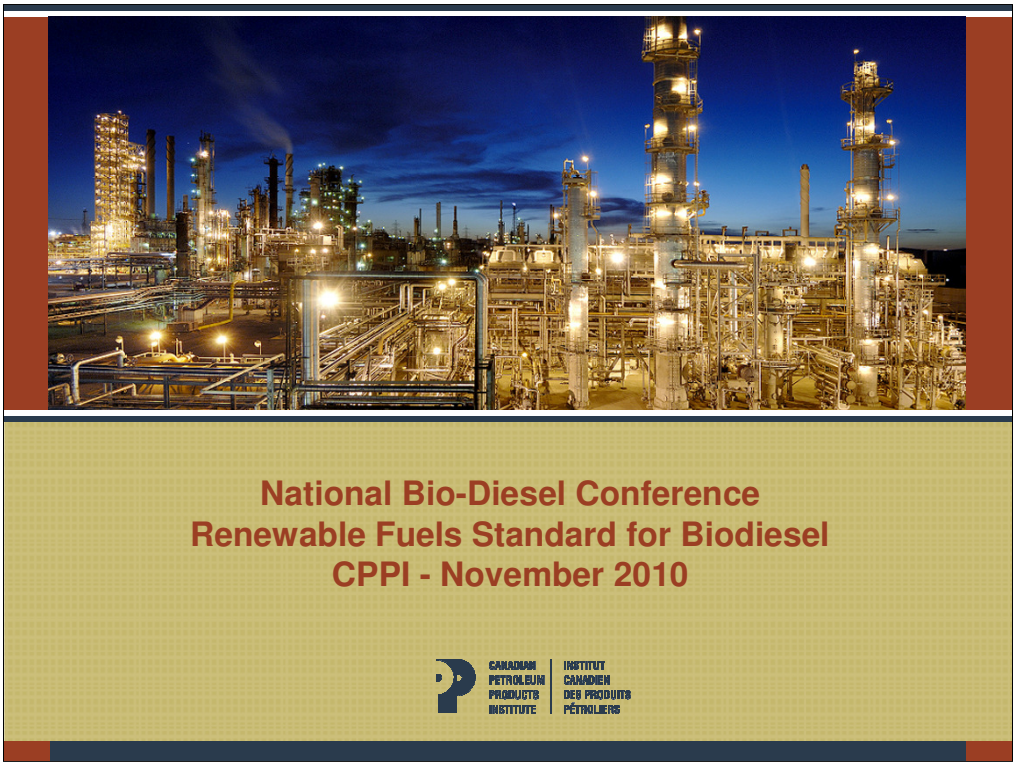


Thanks to the conference organizers for inviting me, on behalf of the Canadian Petroleum Products Institute to share some of our views leading to a successful introduction of biodiesel in the market place

CPPI and Renewable Fuels – What we learned to-date

- **CPPI, as major responsible party, is playing a key role in implementation of Renewable fuels in Canada.**
  - CPPI members are among the largest producers of biofuels in Canada
  - Over 90% of the blended fuels are brought to the market by CPPI
  - We have gained significant expertise during the initial introduction stages of the various provincial mandates, and are in the process of implementing the gasoline requirements of the Renewable Fuels Standard
- **When well coordinated, a seamless transition for the end-use customer is possible**
  - Experience showed that ethanol introduction could be accomplished in 18 to 24 months from regulatory certainty
  - Well documented cases, when insufficient time was afforded (Sask., BC) requiring numerous last minute amendments to regulations, causing:
    - unacceptable situations for regulated parties,
    - un-levelled playing field
    - introduction of costly Alternate Compliance provisions and
    - confusion in the market place

But first, let me share some facts about CPPI and its involvement in Renewable Fuels developments in Canada

CPPI members will soon produce > 700Ml of ethanol in Canada

We have managed all aspects, from Well to tank, or from production, to blending, distribution and retail station preparation, in a manner transparent to the customer

Point 2: In some instances, especially when insufficient time was provided, we experienced a few bumps along the way, causing

unacceptable situations when supply was not available at a prescribed date

un-level playing field due differential trade and taxation regimes

Introduction of costly Alt. compliance provisions in the form of costly per-liter penalties

which created sonfusion in the market place, as dates and % mandates kept being adjusted by the legislator (one province changed its start date and mandate level 6 times

Key concerns arising from the Biodiesel amendment (start date)

- **Implementation timeframe remains the overriding concern of industry**
  - Recent public statements by Ministers and policy makers points to a departure from previously stated policy regarding Biodiesel
    - While the amendment to set the initial compliance period start date is still under development, 2011 start dates are being frequently quoted.
    - This contradicts the earlier understanding regarding technical feasibility under a range of Canadian conditions and more recent work commissioned by NRCan under the NRDDI infrastructure readiness
  - Technical feasibility consists of 3 key elements that must be in place prior to the start of the Biodiesel mandate, to ensure consumers and users continue to be supplied with high quality product that is fit for use.
    - Product availability in sufficient quality and quantity
    - Market acceptance by having the proper Standards in place (CAN-CGSB) reflective of Canadian specific climate conditions
    - Infrastructure readiness to ensure continued supply to the Canadian consumers

The RFS has been published in the Canada Gazette part II, on Sept. 1st 2010, and provides the details of the renewable requirements for the Gasoline pool. We now turn our attention to the Biodiesel aspects, soon to be finalized.

The overriding concern of Industry is one of implementation timing.

Recent public statements by Ministers and policy makers points to a departure from previously stated policy regarding Biodiesel

While the amendment to set the initial compliance period start date is still under development, 2011 start dates are being frequently quoted.

This contradicts the earlier understanding regarding technical feasibility under a range of Canadian conditions and more recent work commissioned by NRCan under the NRDDI infrastructure readiness

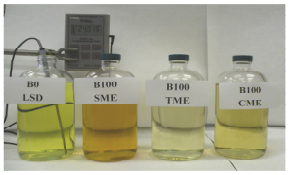
IN order to ensure a seamless introduction, teschnical feasibility must be comprised of 3 key elements, to ensure consumers and end user continue to be supplied with high quality fuels that are fit for purpose, namely:

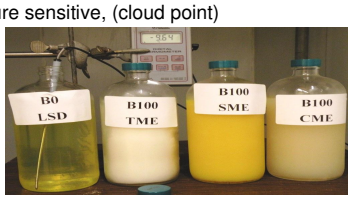
Product availability in the required amount and quality

Market acceptance via the development of proper CGSB standards, under the authority of the Canada Standards Council, and reflective of Canadian specific climate conditions

State of Technical feasibility as of November 2010

- **Product availability**
  - There are a few domestic sources currently in production,
  - Not all types are suitable for use in Canadian conditions
    - Unlike ethanol, biodiesel physical properties vary significantly depending on feedstock, (yellow grease, canola oil)
    - Most significant attributes are temperature sensitive, (cloud point)





    - Significant amount of ULSK required to compensate for properties degradation inherent to biodiesel use
      - Canada already imports 40% of its jet/Kerosene requirements
    - Seasonal and on-going import needed to ensure continuous supply of fuel to the market
  - Hydrogenated Vegetable Oil (HVO) can substitute for part of the needed volume, in colder months, but is in limited supply (imports from EU and Indonesia)

Lets have a more detailed look at those 3 elements

Product availability

On domestic sources: Domestic sources are still evolving in Canada. While the regulations does not require renewable fuels be produced in Canada, we note that the Federal government ecoEnergy for Biofuel program, on December 14, 2009, extended by 18 months (from March 31, 2011 until Sept. 30, 2012) its construction deadline, and many of the proposed facilities have not yet been announced

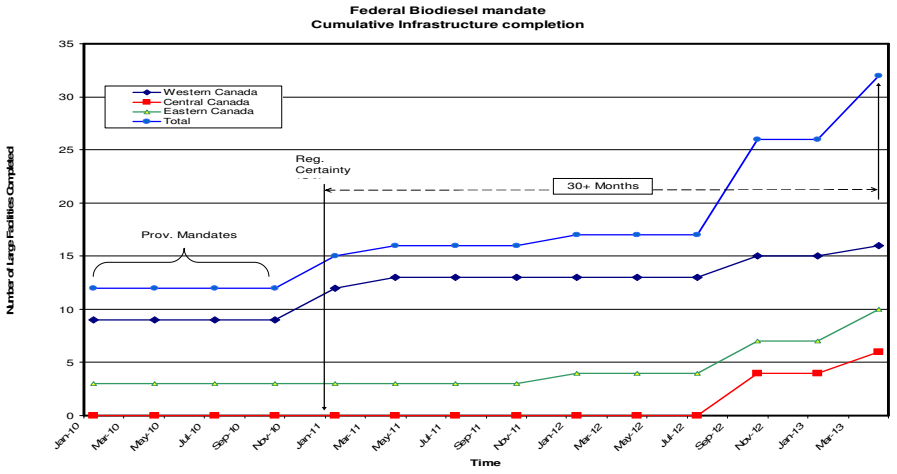
Many production facilities are currently under-utilized in the USA and would represent potential sources to Canada

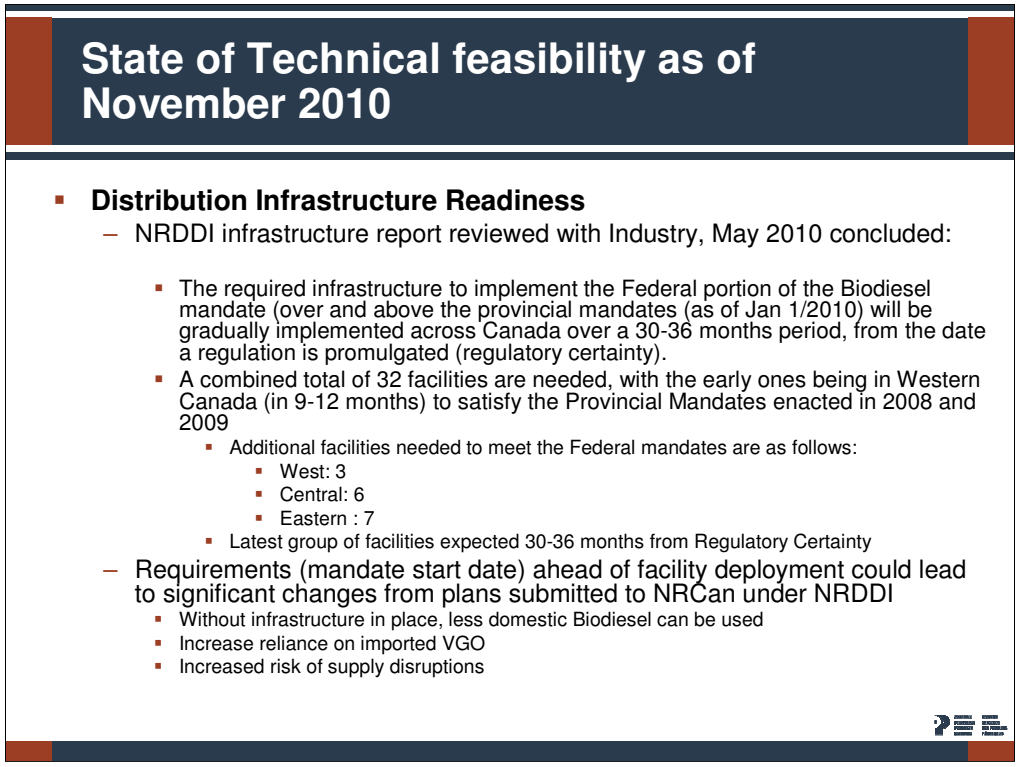
For example, the NRDDI Alberta project showed that as operating temperature goes down, significant amount of Ultra Low Sulphur Kerosene is needed, to maintain minimum cloud point requirement, especially in the Fall and early spring. The EcoResource CBA, of Dec 2009 concluded that the additional NPV cost of ULSK, in 2007$, over 25yrs, and discount rate of 3% would be 3.5 Billion $

State of Technical feasibility as of November 2010

- **Market acceptance**
  - Work under the NRDDI identified critical property aspects needed to be addressed in defining appropriate Canadian Standards
    - NRDDI projects included both on-road and off-road applications such as long-haul trucking, forestry, rail, mining, farm equipment, heating oil, and identified a few key attributes, that must be dealt with (cold flow, filter plugging, storage and oxidation stability)
    - Joint Industry and Government stakeholders working diligently within the Canada Council Standards to develop and publish appropriate standards, under CGSB
      - B-100 (CAN/CGSB 3.524)
      - B1 to B5 Diesel amendment (CAN/CGSB 3.512)
      - B6-B20 High-level biodiesel blend (CAN/CGSB 3.522)
      - Heating oil containing biodiesel (CAN/CGSB 3.2)
  - Publication expected late 2011 or early 2012

NRDDI Infrastructure project indicated that 30+ months required to build infrastructure, from time regulations are complete





In regard to implementation timing, CPPI has submitted that infrastructure changes necessary for distribution and storage of renewable fuels would require an estimated three years from the publication date of a proposed regulation.

What do we need?

- CPPI recommends that the start date, to be specified in section 40 (3) of the regulations takes into consideration the following:
  - provide feasible options for all the primary suppliers, who are ultimately the regulated parties to the regulations
  - be based on the findings and recommendations of the Government`s NRDDI infrastructure study
  - Ensure a level playing field among regulated parties,
  - Set the distillate first Compliance Period to ensure it includes 2 summers for one winter.

A successful implementation, will lead to satisfied customers