



ERO Number 013-4598: Increasing Renewable Content in Fuels

Response by: The Canadian Independent Petroleum Marketers Association

Notice type

Regulation

Act

Environmental Protection Act, R.S.O. 1990

Posted by

Ministry of the Environment, Conservation and Parks

The following is a response on behalf of the Canadian Independent Petroleum Marketers Association (CIPMA), the not-for-profit industry association that represents nearly 50 per cent of all Canadian petroleum retailers, wholesalers and distributors.

Overview

In general, CIPMA supports the Ontario Government introducing higher renewable fuel mandates. As an industry, demonstrating collective and tangible action toward reducing greenhouse gas emissions is not only desirable, it is required.

However, before regulation is implemented, we feel that there are several considerations that need to be strongly weighed in an effort to

- 1) Ensure **business viability** as the province moves toward higher renewable fuel mandates
- 2) **Reduce red tape and regulatory burden** by not contributing to a further mish mash of provincial regulations that impede business productivity

Funding

As CIPMA has submitted before, the cost to upgrade to accommodate E15 will vary greatly and will be significantly retail site dependent. However, there will be significant costs for retailers to absorb.

Below is a summary of associated costs and their impact on retailers. This summary has been validated by National Energy Equipment, a leading national supplier of retail gasoline equipment.



Tanks

As noted in our cost projections, underground tanks installed post 1991 can accommodate E15 without a retrofit, with the understanding that the product is blended at the terminal.

Should retailers look to blend on site and offer several product blends (E10 and E15), they will need to upgrade their tank at an approximate cost of \$100,000 plus equivalent installation costs. In total, approximate cost estimates for a new tank that would permit on-site blending is \$200,000, inclusive of installation.

*It is an assumption that many retailers will maintain their current tanks.

Piping Systems

Regardless of what retailers do with their tanks, there will be significant costs for piping systems and piping installation. As piping sealants prior to 2007 are not high ethanol compatible, we estimate that upgrading an average site with the appropriate piping would cost \$100,000 per site.

*This is an approximate cost, based on an average-sized retail site. Not all sites will require this upgrade.

Above ground fuel blenders and dispensers

Standard construction model Gilbarco Encore, Legacy and Atlas fuel dispensers built since 2008 are compatible and were warrantied up to E15 (not E25) but are unable to be UL listed beyond E10.

Standard construction models of Gilbarco Encore fuel dispensers built since 2003 have the potential to be upgraded for up to E25 with retrofit kits (for terminal blending only).

We estimate that, per site, the total cost for above ground fuel dispenser upgrade kits (12 x \$3,300) is approximately \$39,600 per retail site.

Fuel dispenser hanging hardware

CIPMA has been advised that it is highly unlikely that any commons installation base would be compatible with blends higher than E10 and B5

Below is an estimate cost projection to replace each hanging hardware assembly with E15/B20 compatible components



- \$1,300 per Auto Gasoline
- \$1,300 per Auto Diesel
- \$2,000 per Truck Diesel

Based on a site with 12 Auto Gasoline hardware requirements and 6 Auto Diesel hardware requirements (average site) the estimated cost is \$23,400 per site.

Bottom Line

Whether or not a retailer replaces their tank, there are still significant costs associated with a retail site being ready to deliver E15 product. Without a tank exchange, the costs are still very high and may be prohibitive for some businesses.

It is prudent of CIPMA to note that there is not 'one average cost' to accommodate E15. Each site's requirements will vary drastically depending on their needs, what pieces of equipment are compatible with E15 delivery, and also what level of 'product' they elect to install.

Grant Support

As reflected in the 2017 Kent Marketing annual survey, 77% of retail sites in Canada are non-refiner controlled. This means that they are operated by independent business owners and will need both time and likely financial support to upgrade their sites to be able to accommodate E15 product grade.

To support a transition to a lower carbon fuel economy, CIPMA highly recommends that the Ontario Government seek to provide financial support to petroleum retailers in an effort to reduce the burden of compliance.

Harmonization and Provincial Alignment

Right now, there is a federal renewable fuel mandate, and several provincial mandates, creating an unharmonized and uneven playing field for obligated parties and those impacted by the regulation, particularly fuel marketers.

CIPMA stresses the importance of harmonized regulation and is strongly recommending that the Ontario Government look to harmonize its renewable fuel mandate with the Federal Clean Fuel Standard, which is proposing E15 by 2030.

Such harmonization will reduce regulatory burden for business by having one standard, and ensure retailers have more time to prepare for the introduction of E15. It will also reduce the likelihood of misfuelling, given that most vehicles post 2015 are E15 warrantied.



Of all of our recommendations, harmonization is the most important. Our sector continues to be the focus of government regulation and it is critical that regulators look to reduce burden and harmonize mandates where and when possible.

Exemptions

Many rural sites in Ontario are operated by business owners or 'dealers' that have one site and the capital cost to upgrade their site may be prohibitive, particularly by 2025. As such, we recommend an exemption for rural sites for the regulation when it comes into effect.

Ontario Supply

As noted previously, if the government is looking to increase renewable fuel mandates, it is important that we do this with the purview of supporting our local ethanol markets as much as possible and reducing our reliance on US imports.

Education

Many Ontarians remain unaware of what ethanol in gasoline means, or what their vehicle can accommodate. We strongly recommend that a higher renewable fuel mandate be supported by a strong and broad ranging education and communications campaign.

Summary

Thank you for the opportunity to submit our comments on ERO number 013-4598.

We look forward to working with the Ontario Government as it moves forward with its made-in-Ontario Environment Plan.

Sincerely,

Jennifer Stewart
President and CEO

Canadian Independent Petroleum Marketers Association