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Ms. Jennifer Keyes
Director, Resources Planning and Development Policy Branch
MNDMNRF - RPDPB - Resources Development Section
300 Water Street, 2nd Floor, South Tower
Peterborough, ON

E-mail: resources.development@ontario.ca

RE: ERO#019-4770 Comments on Geologic Carbon Storage in Ontario Discussion Paper

Dear Ms. Keyes;

On behalf of the Canadian Fuels Association (Canadian Fuels) and our member companies¹, I thank you for the opportunity to provide comments in response to the Ministry of Northern Development, Mines, Natural Resources and Forestry's (NDMNRF) discussion paper on Geologic Carbon Storage in Ontario.

Ontario is home to five of Canada's 16 refineries. Our members refine, distribute and market the fuels that power Ontario's trucks, trains, ships, planes and automobiles. We also manufacture specialty lubricants and produce asphalt and feedstocks for manufacturing facilities. We have a long history of working collaboratively with the Ontario government on regulatory initiatives related to the environment and climate change and we support policies that deliver good environmental outcomes while protecting the competitiveness of Ontario refiners.

Canadian Fuels commends this government's efforts to establish Geological Carbon Storage in Ontario and to do so through a clear and predictable process that supports innovation while ensuring the protection of people and the environment. Our members welcome Ontario taking steps to recognize this important GHG reduction pathway that is needed to achieve net-zero emissions by 2050.

To further support the development of Geologic Carbon Storage in Ontario, we have prepared the following comments to highlight key opportunities and considerations surrounding the discussion paper.

¹ Canadian Fuels members: Federated Co-operatives Limited, Imperial Oil Limited, Irving Oil, NARL Logistics LP, North West Redwater Partnership, Parkland Corporation, Petro-Canada Lubricants Inc., Shell Canada Limited, Suncor Energy Products Partnership, Tidewater Midstream and Infrastructure Ltd. and Valero Energy Inc.

Bolster Investment in Ontario

We support the Ontario government's approach to remove the regulatory restrictions on CCUS projects and evaluate its geological carbon storage potential. CCUS is part of the suite of solutions that will need to be implemented to achieve net-zero emissions by 2050.

We also encourage the government to ensure that CCUS projects can generate Emission Performance Credits (EPC) associated with industrial sites under the Emission Performance Standard regulation (EPS). These emissions reductions should be recognized within the EPS to incent its development in Ontario as we've seen in other provinces such as Alberta² and Saskatchewan³ where enabling frameworks and regulations are supported by carbon pricing and eligibility in the offset credit markets. As we've seen demonstrated under the TIER program in Alberta where the Alberta Emission Offset System includes a Quantification Protocol for CCUS, it will be important to use the EPS to create economic incentives to facilitate the transition to a low-carbon economy and recognize important investments in emissions reductions in Ontario. We would also like to highlight that GHG emissions from liquid fossil fuel facilities will be regulated both under the provincial EPS, but also under the federal Clean Fuel Regulations. Hence, ensuring that these double regulated emissions can be recognized under both regulations, if removed from the atmosphere, will be critical for the development of GHG reduction projects.

CCUS will play a critical role in Ontario reducing industrial emissions; however, CCUS is an energy intensive and expensive process which can limit or delay deployment. The economic feasibility of sequestration projects will rely on enabling legislation and offset credit markets.

Accelerate CCUS Strategy

Canadian Fuels urges the Ontario government to accelerate its energy transition potential by fast-tracking the adoption of a broader, more robust regulatory system aimed at scaling CCUS. Ontario already has significant advantages as many large industrial emitters are located in proximity to each other and to geological storage locations as identified in the Hydrogen Strategy for Canada⁴. As an industry, we need clear and stable regulatory signals that the government is committed to CCS as a GHG reduction method in an integral component of climate change policy today, and into the future.

As Ontario develops its CCS framework and regulations, it may wish to consider Alberta's broader regulatory system that is well-recognized and has resulted in attracting CCS projects that will help reduce significant amounts of CO₂ and reduce GHG emissions by 2.76 million tonnes each year⁵. By using the Alberta framework as an example, Ontario can develop its own legislative approach that addresses permitting, how to acquire pore space, MMV requirements (measurement, monitoring, verification), and liability for stored CO₂ (Alberta has mechanism to transfer back to the Crown post-closure⁶). We also

² <https://www.alberta.ca/carbon-capture-utilization-and-storage-overview.aspx>

³ <https://www.saskatchewan.ca/government/news-and-media/2020/september/15/ghg>

⁴ https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/environment/hydrogen/NRCan_Hydrogen-Strategy-Canada-na-en-v3.pdf

⁵ <https://www.alberta.ca/carbon-capture-and-storage.aspx>

⁶ <https://www.alberta.ca/carbon-capture-utilization-and-storage-overview.aspx>

encourage the MNDMNR to gain subsurface understanding for potential storage in Ontario and to promote the establishment of a CCUS hub in the Sarnia-Lambton district.

Expand Future CCUS Strategy

It is of great importance that Ontario accelerate the next phase of its CCUS regulation beyond what is considered in the Geologic Carbon Storage in Ontario Discussion Paper. These projects take years to develop, so feasibility studies need to start today to have an impact by 2030. In advancing supportive CCUS regulation, it is recommended that all potential CCUS projects be considered. This would include Enhanced Oil Recovery (EOR) projects and projects that sequester outside of Ontario and Canada. This is consistent with the approach taken with the Canadian Clean Fuel Regulations.

Canadian Fuels would also like to highlight that the United States has existing sequestration sites (including EOR) that could be used for CCUS projects in Ontario, while Ontario geologic potential still has to be assessed. In order to ensure that Ontario can leverage CCUS as one of the solutions to achieve Net-Zero, options for the sequestration should be considered outside of Ontario and Canada. This is similar to the federal Clean Fuel Regulations approach which would allow credit generation for applicable projects with sequestration occurring inside or outside Canada. It is also worth noting that both CCS and EOR provide sequestration integrity, and oil produced from EOR does not create new oil demand. Rather, it meets existing oil demand and usually at a lower environmental disturbance than a new oilfield development. For reference, of the twelve different operational sequestration projects in the US, only one is not involved in EOR activities.

Impact on Hydrogen Opportunities

CCUS will also play an integral role in the production of low-carbon, low-cost hydrogen. The federal government and several provinces have already developed their hydrogen strategies in step with many global jurisdictions⁷. The strategies concur: hydrogen will play a key role in meeting emission reduction targets. The Alberta Hydrogen Roadmap⁸ states that “for Alberta to deploy clean hydrogen into the economy, CCUS infrastructure must be widely available”. As industry awaits Ontario’s Hydrogen Strategy, we want to encourage the government to ensure that sequestration legislation is well aligned to support hydrogen targets and potential future investments to decarbonize hydrogen. We also would like to encourage the Ontario government to promote the implementation of a CCUS hub where it makes sense to do so, in order to facilitate the infrastructure optimization and projects implementation, as well as encourage the government to promote CO₂ utilization in addition to sequestration. Both sequestration and utilization will be needed to achieve net-zero emissions by 2050 ambitions. For example, if future commercial projects use CO₂ as a feedstock for products, like liquid fuels, they should be recognized with the GHG emissions they displace, in a circular economy context.

Canadian Fuels appreciates the opportunity to provide comments on this discussion paper and is supportive of the proposal to amend the Oil, Gas and Salt Resources Act, R.S.O. 1990, c. P.12 to remove

⁷ https://ec.europa.eu/energy/sites/ener/files/hydrogen_strategy.pdf

⁸ <https://open.alberta.ca/publications/alberta-hydrogen-roadmap>

barriers to CCUS. We remain committed to working with government to develop effective long term regulatory policies that successfully achieve GHG emissions reductions.

Please feel free to contact me to discuss any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'L. Hanke'.

Lisa Hanke
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c.c. Canadian Fuels members