

Proposed amendments to the Oil, Gas and Salt Resources Act, to remove the prohibition on carbon sequestration

About IGPC Ethanol

Established in 2007, IGPC Ethanol Inc. contributes significantly to the Renewable Fuels Industry and Ontario's agricultural sector. By producing 380 million litres of denatured fuel grade ethanol and 340,000 tonnes of distillers' grains, IGPC Ethanol Inc., has become a leader in Southwestern Ontario's business community by creating environmentally sustainable economic growth. IGPC Ethanol Inc. is a wholly owned subsidiary of Integrated Grain Processors Co-operative Inc., established in 2002 by a group of agribusiness individuals. IGPC is a full-service provider to local farmers offering a distribution solution for their corn crops while producing high-protein feed supplement for their livestock.

About Vault 44.01

Vault 44.01 (Vault) is a Canadian company specializing in the permanent geologic sequestration of carbon dioxide. Vault provides carbon sequestration expertise spanning the project lifecycle from concept through development to operations with the objective of enabling safe and robust development of commercial carbon capture and sequestration (CCS) projects. Vault's core skill set around carbon sequestration includes site selection and characterization, regulatory permitting, pore space acquisition, site development and operations and is underpinned by a technical and execution team with decades of CCS experience across North America. Vault's team members have engaged in CCS permitting in regulatory environments including Alberta and the USA and have permitted injection wells across western Canada and the USA. Vault is currently developing 10+ carbon sequestration projects in western Canada, the US Midwest, and the US Southeast.

Introduction

IGPC and Vault welcome the opportunity to engage with NDMNRF to support the development of additional legislative and regulatory changes to support carbon storage demonstration projects in Ontario. IGPC is well positioned to become the first CCS demonstration project in Ontario due to the high purity CO₂ stream associated with the fermentation process at its plant and proximity of suitable onshore geology under private lands.

Over the past 12 months, our team has completed a detailed technical analysis and are prepared to author a permit proposal once guidelines are provided. We recommend Ontario look to Alberta as a robust regulatory system to enable near-term progression of certain qualified projects, while allowing time for development of a more comprehensive regulatory framework for carbon sequestration in Ontario that will support commercial deployment of CCS within private and public lands.

IGPC and Vault congratulate the Ontario government on the introduction of the amendment to legislation that will allow for industries within the province to manage their CO₂ emissions through the utilization of carbon capture and sequestration. Lifting the prohibition on carbon sequestration is the first step in developing a framework to enable CCS development in Ontario. IGPC and Vault are committed to supporting the emergence of CCS as a material pathway for decarbonization in Canada. We fully support NDMNRF's amendment and stand ready to support your efforts as you proceed.

Recommendations:

1) Ensure that Ontario companies implementing CCS can qualify for the proposed federal Investment Tax Credit

Currently, the proposed federal Investment Tax Credit (ITC) is only applicable for CCS projects in Alberta and Saskatchewan as those are the only two provinces deemed to have sufficient regulations for ensuring permanent CO₂ storage. Ontario's proposed change to the regulation to allow for CCS projects in the province is a good start and the provincial government needs to ensure that it moves quickly and with the view that any framework and regulation created will allow Ontario CCS projects to meet the requirements of the federal government's proposed ITC.

As Canada's ethanol powerhouse, Ontario is uniquely positioned to benefit greatly from the proper implementation of CCS regulations. The threat facing Ontario's ethanol industry from the U.S. Inflation Reduction Act (IRA) is a serious one that needs attention from all levels of government, and together, the provincial and federal governments can help Ontario's ethanol industry remain competitive. The IRA provides a generous \$85 per tonne tax credit for American ethanol companies that own and operate CCS equipment. CCS is being rapidly deployed in the U.S. with large scale multi-facility pipeline projects in development. This means that within the next three to four years, the Canadian market will be flooded with low-carbon intensity ethanol from American producers, particularly with the federal Clean Fuel Regulations increasing demand.

By quickly introducing a framework that allows for Ontario companies to qualify for the federal ITC, the Ontario government will be doing its part to keep Ontario's ethanol industry competitive, creating jobs and economic prosperity along with reduced emissions. IGPC is a key economic driver in southwestern Ontario. IGPC's production capacity is 380 million litres per year and its plant processes 950,000 metric tonnes of corn each year. The plant has 84 full-time employees, and accounts for \$325M to \$350M in direct economic impact annually. In 2022, IGPC spent \$300M for corn procurement. Without support for CCS, IGPC and the rest of Ontario's ethanol industry will be placed at a competitive disadvantage.

2) Consider IGPC's project as a pilot upon review of a developmental plan to help advance CCS

IGPC has recommendations ready for a CCS project at its southwestern Ontario location. We encourage the Ministry of Natural Resources and Forestry to work expeditiously across different government departments to ensure that all necessary regulatory matters are resolved so that the IGPC CCS project can be approved, and CCS activities can begin as soon as possible. This would also allow the Ontario government to consider the IGPC project as a demonstration project that could help with the development of the framework to govern CCS activities in the province. A pathway is needed in the province similar to what we see in other jurisdictions; Alberta has the Carbon Sequestration Tenure Regulation under the Mines and Minerals Act and the U.S. has the Class VI permit process, governed by the Environment Protection Agency. The building of a framework cannot be delayed any further as Ontario is already lagging behind other jurisdictions when it comes to CCS regulation and deployment. By ensuring that some projects are allowed to begin soon, the Ontario government will be able to gather more data and experience necessary to fully develop a proper and working regulatory framework to govern all CCS activities in the future. IGPC and Vault are ready to work with NDMNRF to support development of a framework for IGPC's demonstration project that can serve as a starting point for provincial regulations, leveraging Vault's experience with both the Alberta and U.S. EPA CCS regulatory processes.

3) Ensure pilot projects qualify for the federal ITC

Pilot projects in Ontario are planned to start quickly, and possibly before there is a full regulatory framework in place. But approval of this regulatory framework by the federal government is a requirement of receiving support under the federal CCS ITC. Therefore, IGPC recommends that Ontario engage in discussions with the federal government to ensure that any CCS pilot project in Ontario can still qualify for the federal ITC, given that robust and stringent best practices will be followed.

IGPC's investment in CCS will not be able to compete with similar projects in the US without qualifying for the Canadian government's ITC. This third recommendation is therefore crucial to ensure that investments in Ontario can move forward as quickly as possible, and be as competitive as possible. IGPC has already started to engaged the federal government on this point, and would welcome the opportunity to collaborate with the Government of Ontario in this work.

Conclusion

IGPC applauds the government's action to create a regulatory space for CCS activities in the province. IGPC and Vault are ready to work with the government to ensure that the full potential of CCS is recognized to the benefit of our environment and economy,

creating jobs, economic prosperity, and reducing GHG emissions at the same time. Federal movement on CCS means that Ontario companies are at risk of being left out of important tax incentives so it is crucial that the Ontario government move swiftly to build the province's CCS potential.

For further information:

Kevin Norton
CEO-COO
IGPC Ethanol
knorton@igpc.ca