IGPC Ethanol Inc.

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House of Commons Standing Committee on Finance
Sixth Floor, 131 Queen Street
House of Commons
Ottawa, ON K1A 0A6
Canada

**IGPC Ethanol Inc., Pre-Budget Consultation - Submission 2015**

**Executive Summary**

IGPC Ethanol Inc. is a wholly owned subsidiary of Integrated Grain Processors Cooperative, one of the Canada's largest agricultural cooperatives. Having roughly 800 members, the cooperative operates a state of the art ethanol facility in Aylmer, Ontario. IGPC has created value for its shareholders, local farmers, businesses and employees in a rural community suffering from chronic high unemployment and little economic stimulus.

As members of the Canadian Renewable Fuels Association, IGPC Ethanol Inc. supports the priorities as laid out in the CRFA's (Canadian Renewable Fuels Association) submission. More specifically for IGPC, our policy recommendations would be:

- Ensure consumer choice at the fuel pump by supporting new infrastructure; and
- Support innovation and commercialization of new renewable fuels technologies and biobased products.

With an understanding of current fiscal realities, these recommendations will ensure that Canada's domestic renewable fuels industry continues to evolve and grow. IGPC Ethanol Inc. would welcome the opportunity to discuss these proposals before parliamentary committees.

## Priorities

### 1- Ensuring consumer choice at the fuel pump by supporting new infrastructure

Starting in 2017, North American automakers will be required to improve their fuel economy under the Corporate Average Fuel Economy (CAFÉ) standards. By 2025, vehicles in Canada will have to more than double their efficiency and run, over a fleet average, at 54 miles per gallon.

The overwhelming consensus from domestic vehicle manufacturers is that the pathway to compliance must include both technological change from manufacturers and new fuels to drive that technology. These manufacturers have publicly stated that they need a fuel that has a higher octane rating to drive the smaller, lighter engines that these new fuel economy standards will require.

***There is no cheaper and cleaner source of octane than ethanol.*** Ethanol and ethanol-blended gasoline (like E20 or E30) is the lowest cost source of octane available. These higher renewable content blends deliver the increased level of octane required to drive smaller high-compression engines while reducing tailpipe emissions. Ethanol has a blending octane rating of 113, and as a result, higher-level ethanol blends are uniquely poised to help automakers achieve stricter fuel economy and emissions requirements. In fact, European auto manufacturers have called for ethanol blends in the 20% range, and Brazil has a requirement for 27% ethanol in its gasoline.

Fueling infrastructure turnover requires significant time to build out properly. By way of example, there are over 3.5 million vehicles on Canada's roads that can take up to 85% ethanol (E85). In the United States, there are over 3,000 E85 pumps, and thousands of others that offer mid-level ethanol blends. The United States is seeing the growth of commercial pumps offering 10-20% biodiesel directly to consumers. In Canada there are four pumps that offer E85 to consumers and none that offer higher biodiesel blends at commercial sites. Canadian consumers simply do not have access to any alternatives to petroleum products.

This is not a phenomenon limited to renewable fuels like ethanol and biodiesel – it is the reality of all alternatives to traditional petroleum products for the transportation sector. Other alternative fuels like natural gas, hydrogen, and greater electrification are all failing to build the critical mass required to encourage consumers to consider alternatives other than the status quo: traditional gasoline and diesel.

IGPC Ethanol Inc. recommends that the government encourage existing pump turnover and new market entrants by providing tax incentives – through either a direct tax credit or capital cost allowance depreciation – to those individuals who want to offer consumers these alternative fuels. It bears repeating that similar programs in the United States successfully provide a much needed incentive to encourage the turn-over of thousands of pumps that offer higher renewable content to consumers.

The reality is that if Canada does not make these investments, the fuel economy regulations put in place to improve fuel efficiency will be completely ineffective. Consumers need access to the same fuels used for vehicle testing in order to take advantage of the new advents in technology required by the regulations. If not, consumers will simply be forced to pay additional costs for technology that is predicated on fuels that are not available to them. The ultimate result being higher cost vehicles with no discernable environmental benefits.

We believe that this proposal will help to build-out much needed infrastructure in our communities, and that now is the time to undertake the work necessary to properly build-out Canada's fueling infrastructure so that higher-octane fuel blends are available to consumers and Canada achieves the environmental goals set out in fuel economy regulations.

## 2- Supporting innovation and commercialization of new technologies in the bioeconomy by supporting biorefineries

Canada has a vibrant clean technology sector. Policy platforms are needed to help attract critical investment dollars to Canada, support pre-commercial demonstrations, and close the funding gap so that new renewable fuels and biobased product technologies are developed and successfully commercialized in Canada. To date, programs like the Sustainable Development Technology Canada (SDTC) TechFund™ and the SDTC NextGen Biofuels Fund™ (NGBF) have proven very successful.

Canadian clean-tech companies looking for market diversification and penetration into commercial markets face resource challenges and stiff competition. The SDTC TechFund™ has been an unparalleled success in helping clean-tech companies demonstrate the viability of their technology. There has not been a great deal of post TechFund developments, and SDTC needs a way to demonstrate the successes of TechFund technologies moving into the larger marketplace.

IGPC Ethanol Inc. applauded Budget 2013's recapitalization of the SDTC TechFund™, and wants to see continued government leadership in attracting investment to Canada. There are ample TechFund success stories which have since stalled due to a want of investment capital to commercialize the technology. However, there is no commercialization fund for the broader bioeconomy which would help biotechnology companies break through to commercialization.

As recognized by a report prepared by McKinsey and Company for Natural Resources Canada and SDTC, the bioeconomy is a fertile area for growth in the global marketplace. But, in order to be commercially viable, a transition fund for these new technologies is needed. Around the world, many other jurisdictions are making strategic investments to attract research and development and further the commercialization of these nascent technologies. Those jurisdictions are drawing investment away from Canada where we have a decided natural resources advantage.

IGPC Ethanol Inc. proposes creating a **biorefinery fund** for innovation and commercialization in the bioeconomy. This new fund will ensure that new technologies developed in Canada are effectively commercialized and brought to market in Canada. To be eligible for this proposed fund, IGPC Ethanol Inc. believes the following are key features of eligible projects:

- Feedstock Agnostic – No crop limitations should apply provided that the biomass is sustainable/renewable.
- GHG Reduction – Drive carbon use out of products and/or reduce the overall lifecycle footprint of a substitute when compared to the traditional petroleum product.
- Focus on Commercialization in innovative products and technologies - Short of a First-in-Kind Provision, but focusing on innovation in Canada.
- Seeks to increase efficiencies of current processes to help improve the footprint of current operations. This specifically includes feedstock pre-treatment and/or including the quality of existing biomass.
- Stacking provisions which are consistent with current Treasury Board Guidelines (70%).

IGPC Ethanol Inc. recommends that all un-deployed capital from the original $500 million dollar NextGen Biofuels Fund™ be redirected to this new biorefinery fund. Any capital that is currently committed, but not deployed specifically into a project under the NGBF, should be rededicated to the new biorefinery fund after 2017.

So doing will specifically contribute to research, development, innovation and commercialization in Canada. IGPC Ethanol Inc. would welcome the opportunity to discuss these proposals before parliamentary committees.

Sincerely yours,

Jim Grey, CEO
IGPC Ethanol Inc.

Honourable MP James Rajotte, Edmonton-Leduc
Honourable MP Joe Preston, Elgin-Middlesex-London
Scott Thurlow, President, Canadian Renewable Fuels Association
Andrea Kent, Vice President, Communications, Canadian Renewable Fuels Association