

IMPACT OF THE DECLINE IN THE GLOBAL PRICE OF OIL ON THE CANADIAN ECONOMY

**PRESENTATION TO THE HOUSE OF COMMONS
STANDING COMMITTEE ON FINANCE**

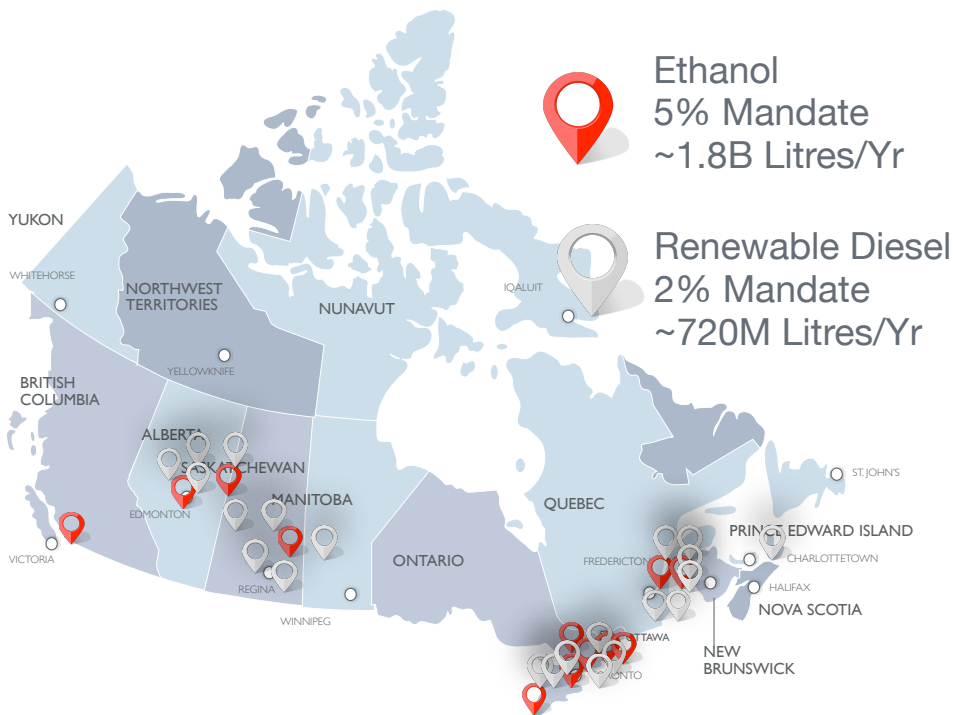
MARCH 10, 2015



Canadian Renewable Fuels Association

Association Canadienne Des Carburants Renouvelables

CANADA'S RENEWABLE FUELS INDUSTRY



Today 26 renewable fuel plants are operating across the country, developing clean technologies, making new products, and expanding our renewable fuels supply.

Canada's domestic biofuels industry generates \$3.5 billion in yearly economic activity, has created over 14,000 quality Canadian jobs to date, and returns over \$3.7 billion in investments back to governments every year.

Biofuels reduce greenhouse gas emissions by up to 99% compared to fossil fuels and removes 4.2MTs or carbon from our environment annually.



IMPACT OF DECLINING OIL PRICES

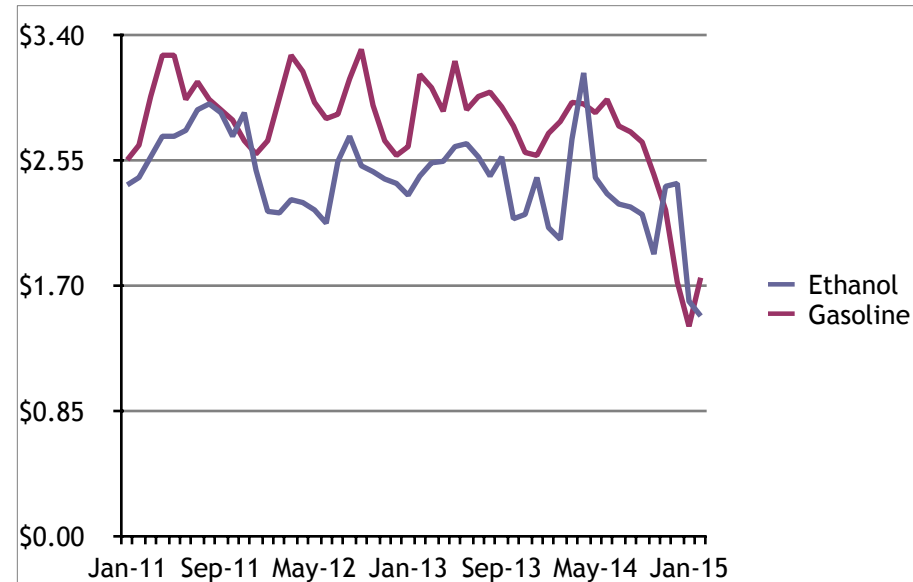
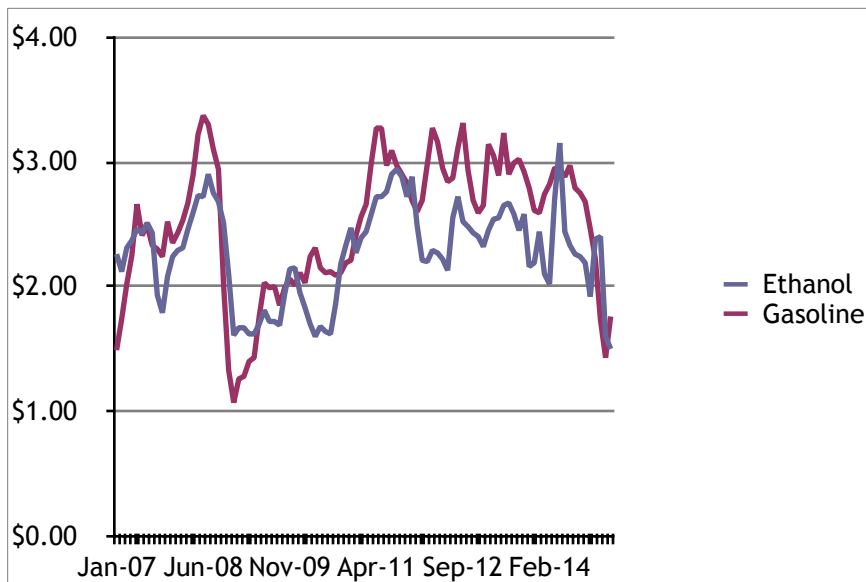
ETHANOL AND PETROLEUM MARKETS ARE CLOSELY LINKED

- The greatest impact to date is focused on ethanol demand and the downward pressure on profit margins in the United States.
- There has been a definite depreciation in the US export markets of biofuels.
- This can shrink the market for Canadian biofuels, reduce demand, and put downward pressure on profit margins.
- Canadian ethanol is priced per the US market, and profit margins are shrinking. This is exacerbated as producers come off a banner year - with ethanol companies across North America reporting record-breaking profits in 2014.
- Falling gasoline prices weaken the financial incentives for higher level blends and over blending. By comparison, the wholesale price of ethanol was roughly 20 cents cheaper than gasoline in 2013.



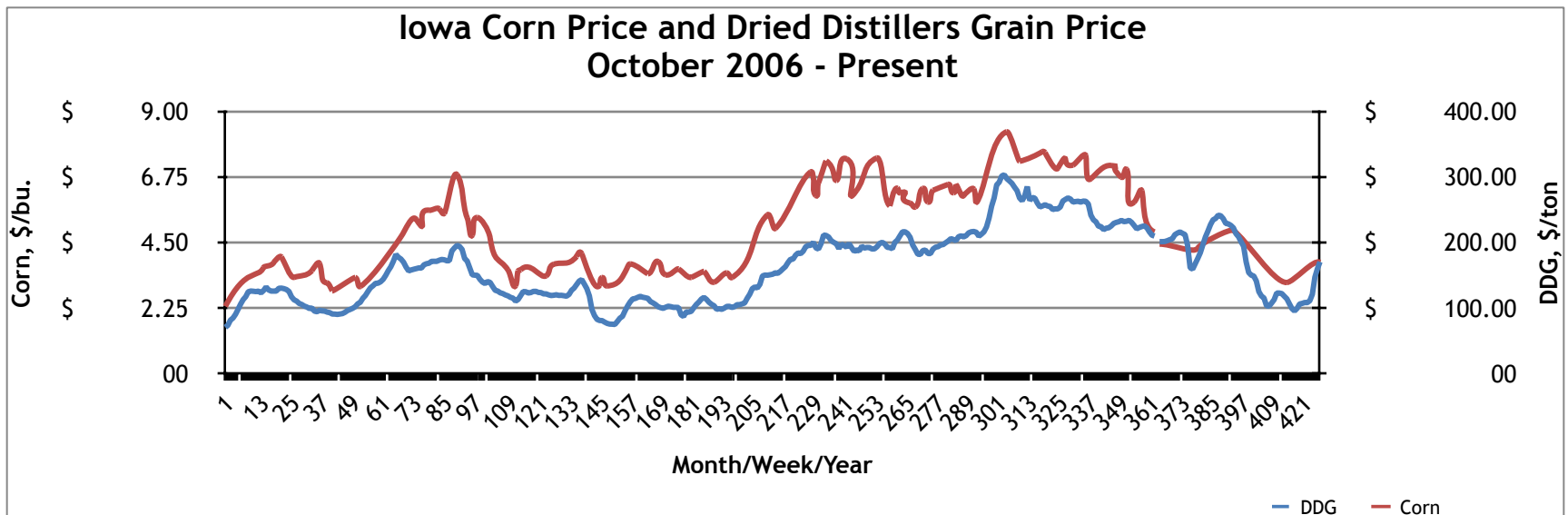
ETHANOL PRICES

- CRFA members have risen to many challenges over the years and declines like this are not uncharted territory.
- Ethanol prices tend to track gasoline in the longer term. However, we have seen large price drops before and prices recover.



OTHER MARKET CONSIDERATIONS

- In addition to fuel, ethanol facilities produce other materials including dried distillers grains (DDGs) for the animal feed market.
- In the past couple of months, DDG prices as a percentage of corn costs have increased. This demonstrates the value and need for diversity.
- Biorefineries capable of producing a variety of products will have multiple revenue streams, making the industry and the economy less susceptible to oil prices.



POLICY OPPORTUNITIES

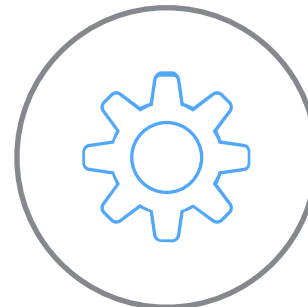
- Policy instability can be more of a threat to economic growth than price fluctuations.
- Despite the recent declines in oil prices the long-term need for Canada to diversify its fuel mix remains strong.
- Now is the time to build on this success by expanding the federal renewable diesel mandate, supporting innovation, and developing broader market access for renewable fuels and products.



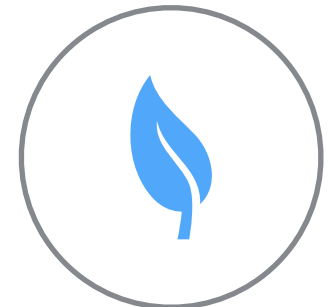
**5% FEDERAL RENEWABLE
DIESEL MANDATE BY 2020**



**MORE ADVANCED
BIOFUELS IN CANADA**



INFRASTRUCTURE



BIOECONOMY



RECOMMENDATIONS

Canada can be a more competitive, responsible, and secure energy producer.

5% FEDERAL RENEWABLE DIESEL MANDATE BY 2020

- Expanding the federal mandate to 5% by 2020 is technically feasible and would further reduce greenhouse gas emissions by 2.5M tonnes a year while creating demand for 2M tonnes of soybeans, 0.5M tonnes of canola, and 0.3M tonnes of waste fats and oils.

MORE ADVANCED BIOFUELS

- Cellulosic biofuels are renewable fuels made from residues and other waste products. These advanced biofuels are on the cusp of commercialization in Canada but face steep international competition. Exempting cellulosic biofuels from the current excise tax on fuel would encourage production and consumption of these advanced fuels in Canada.

INFRASTRUCTURE

- In Canada there are 3.5M vehicles that can take up to 85% ethanol (E85) but only 5 pumps offering the fuel. Governments should be encouraging existing pump turnover and new market entrants by providing tax incentives – through either a direct tax credit or capital cost allowance depreciation – to individuals who want to offer consumers higher ethanol fuels.

BIOECONOMY

- All un-deployed capital from the original \$500 million dollar SDTC NextGen Biofuels Fund™ could be re-directed to create a Biorefinery Fund.



CANADIAN RENEWABLE FUELS ASSOCIATION
605-350 RUE SPARKS
OTTAWA, ONTARIO, CANADA K1R 7S8
GREENFUELS.ORG / @CANGREENFUELS

