PROVINCIAL CARBON PRICING
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CIPMA’s mission is to ensure the sustainability and growth of a healthy and viable independent fuel marketing and distribution sector at both the wholesale and retail levels in Canada. Our specific goals include:

Ensuring that independent fuel marketers thrive and have the opportunity to earn a fair and reasonable return that is proportionate to their business risk and capital investment, and ensuring that Canadian consumers and independent fuel marketers have access to a competitively priced and readily available supply of fuel products in all regions of the country.
Guest Column

Provincial Carbon Pricing: A Practical Way Forward

By Glen Hodgson, Chief Economist, Conference Board of Canada and Member of Canada’s Ecofiscal Commission

Recently I had the opportunity to speak to CIPMA Members on the economic outlook of the industry, including where oil prices are headed, and on the advantages of carbon pricing vs. regulations for the economy.

The collapse in oil prices has reduced the Conference Board of Canada’s 2015 growth forecast to 1.9 percent, with the impact felt most acutely in Alberta and Newfoundland. Other provinces should see slightly stronger growth and more purchasing power for consumers. We expect oil prices to rise slowly over the coming period as global drilling activity is pulled back.

I am also a member of Canada’s Ecofiscal Commission, which recently released a report demonstrating that independent provincial carbon pricing is the practical way forward on reducing Canada’s greenhouse gas emissions. Our research shows that carbon pricing would allow Canada to meet greenhouse gas emission goals while minimizing the impact on the economy.

The world is moving inevitably toward a lower-carbon future. Targets have already been set and international agreements signed. In this real world, delaying action on climate policy is a risky proposition. Studies in both Canada and the United States suggest that the longer it takes to implement climate policies, the more expensive effective action will be.

The flip side is that acting now may help to put Canadians ahead. With the right carbon pricing policies and practices in place, Canadian businesses could create a market advantage in areas from sustainable resource development, to marine power, to energy-efficient buildings and vehicles.

Our research confirms that carbon pricing is the most economically effective way to reduce emissions – far superior to the imposition of regulations to achieve a target level of GHG emissions. Carbon pricing allows firms and individuals to make decisions in their own best interests on energy consumption, production and innovation. If firms or individuals want to reduce the price they pay for carbon, they have the opportunity to innovate – to change how they produce and consume. In so doing, they will discover lower carbon products, processes and services that both meet their needs, and which can be sold into the wider commercial marketplace.

Many Canadian firms, particularly those making very long-term capital investments, are already ahead of governments on carbon pricing. Firms are building carbon pricing into their decision-making scenarios in anticipation of future carbon pricing policy action. What they now need is a confirmed carbon pricing plan moving forward.

Why is the Ecofiscal Commission proposing action at the provincial level? Part of the response is practical. British Columbia, Quebec, and most recently, Ontario, already have carbon pricing regimes in place. Alberta has a targeted carbon intensity tax on major emitters.
in the energy sector, and Ontario has announced that it will be moving forward with a cap and trade regime.

Beyond practicalities, there are significant barriers to a “one-size-fits-all” Canadian carbon pricing system. Given the diverse economic and energy profiles of Canada’s provinces, and the resulting revenue differences from carbon pricing by province, a single top-down policy would be hard to implement and to sell across the country. Harnessing the momentum of provincial action, adapted and customized to provincial circumstances, makes common sense and offers a way forward.

The Ontario government recently announced its introduction of carbon pricing via a cap and trade system. Many economists (including myself) would have advised them to consider a carbon tax, but a well-designed cap and trade system can also work in pricing carbon. In our view, seven factors will need to be examined carefully when designing the Ontario system.

1. **STRINGENCY:** Clear guidance will be needed on both the initial level of GHG permits in aggregate and by sector, the floor price for permits, and adjustments over time.

2. **COVERAGE:** Clarity will be required on the share of GHGs captured in the cap and trade system, and the application to both producers and consumers.

3. **EXCEPTIONS AND EXCLUSIONS:** Who is not being covered? Is there a clear public policy reason? Why?

4. **COMPETITIVENESS AND A LEVEL PLAYING FIELD:** How will the Ontario system address imports not covered by carbon pricing, especially for major emitting sectors? Export competitiveness should also be considered. What about adjustment assistance for specific exposed sectors, regions, firms?

5. **REVENUE RECYCLING:** A key fiscal issue is how permit sale revenues will be used. Will they be revenue neutral (as in B.C.) and create room to cut other taxes, earmarked, to invest in green technologies or public transit, or absorbed as new revenue to pay for government programs?

6. **ADMINISTRATIVE COMPETENCY AND EFFICIENCY:** The Ontario government should seek the most efficient way to manage the overall system, and transparency and sharing information with the public will be critical.

7. **CARBON PRICING COORDINATION:** Lastly, how will the new Ontario system link up with other cap and trade systems in Quebec, California and internationally, and coordinate with other carbon pricing regimes in B.C. and elsewhere?

The bottom line? Movement on climate policy is already taking place. Our Ecofiscal research confirms that carbon pricing is superior to regulation, and Canadian provinces are the right place to implement carbon pricing. Ontario’s policy challenge is to design and implement a smart and efficient cap and trade system to balance its environmental and economic interests.
CIPMA works hard on behalf of its Membership to bring a voice to issues and challenges faced by our sector. Through our efforts, we help educate decision makers at all levels of government, and generate more awareness of our sector in an effort to drive change.

Below is an overview of issues we have been working on recently:

**Government Relations Committee**

CIPMA is introducing a Government Relations Committee to further enhance advocacy initiatives. The Committee will be comprised of the CIPMA team, and three members of the CIPMA Board of Directors (Chair, Vic Holdsworth; Past Chair, Allan MacEwen; and Vice Chair, Peter Kilty). Should you have an initiative or a concern related to CIPMA’s advocacy efforts, please bring it forward to Tricia Anderson or Jennifer Stewart directly for review by the committee.

**Cap and trade**

CIPMA has been vocal to governments and stakeholders on its position related to cap and trade. Specifically, we submitted a proposal to the Ontario Government outlining our recommendation for a carbon reduction strategy in the form of a carbon tax. Our proposal can be viewed on the Members Only section of the website.

Ontario chose to pursue a more complex cap and trade program. We will be looking for the opportunity to engage in the design of this program with a specific focus on how fuel distributors and marketers will be impacted.

CIPMA President and CEO, Tricia Anderson, and CIPMA Board of Directors Past Chair and President of MacEwen Petroleum, Allan MacEwen, were recently quoted in the *Globe and Mail* on the topic, in an article titled, ‘Ontario’s petroleum marketers prefer carbon tax to cap and trade.’ To read the article, [click here](#).

**Provincial Renewable Fuel Mandates**

CIPMA is in contact with provincial governments regarding their current or potential renewable fuel mandates. We continue to advocate for streamlined regulations between the provinces to promote cross-provincial border transport of fuel, in addition to small importer flexibilities.

**Provincial and Territorial Monitoring**

CIPMA carefully monitors relevant regulatory bodies of every province and territory to identify issues of potential concern or interest to CIPMA Members.

While we stay abreast of industry initiatives and regulatory changes, we do appreciate Members bringing forth issues to our attention.
Ontario Greener Diesel Regulations

As many of you may be aware, Ontario is requiring greater use of biodiesel with specific greenhouse gas emission reduction targets as of 2014.

Fuel suppliers must ensure a minimum volume of bio-based diesel in the diesel fuel they distribute and/or sell, averaged over each compliance period (typically one year). Suppliers must ensure that average bio-based content of diesel fuel sold or used in Ontario meets or exceeds the required amounts for each compliance period. The requirement for 2014/15 is a 2 percent bio-based volume, with a 30 percent greenhouse gas reduction requirement. Fuels must also meet or exceed specific fuel quality standards, which are set out in the regulations.

Fuel suppliers are defined as those who import diesel fuel into the province and use it or sell it in Ontario, who manufacture or blend diesel fuel and use it in Ontario, as well as refiners who acquire diesel through inter-refiner agreements.

Obligated parties under the regulations must complete a compliance report confirming the amount of diesel and bio-based diesel in the diesel fuel that they have placed in the Ontario market, and the environmental performance specifications of the bio-based diesel, by March 31 of the following year.

To request a copy of the draft guidance on compliance or the regulations, or to share your thoughts on this matter with CIPMA, please contact Tricia Anderson directly.
New Member

Sarjeant Fuels

We are pleased to welcome Sarjeant Fuels, which recently joined CIPMA as a Full Member, as of May 1. Sarjeant currently operates four bulk plants, four cardlock fuel depots, and propane operations in northern Ontario – Barrie, Timmins, etc., and is now the largest independent petroleum distributor in Simcoe County. CIPMA membership now stands at 24 Full Members and 26 Associate Members.

Credit Card Fee Survey

As a member of the Small Business Matters (SBM) Coalition, a multi-association coalition, representing just over 98,000 businesses, CIPMA has been advocating for regulatory reductions and controls of credit card fees.

As a result of combined efforts, Visa and MasterCard committed to reduce credit card fees to an average effective rate of 1.50 percent for the next five years. We believe that these reductions are long overdue, but still not enough to provide meaningful relief for retailers, particularly within the petroleum sector, which is seen by Visa and MasterCard as having very ‘preferential rates’ already.

As such, in this election year, CIPMA and the SBM Coalition will push this issue forward with all three political parties. To do this, we are embarking on a process to monitor and report actual credit card fee reductions (or non-reductions) and any other related information related to agreements with processors, Visa, MasterCard, or other intermediaries.

If credit card payments are an important factor in your business, please have the appropriate person in your organization complete our brief survey at the end of each month regarding credit card fees, “Tracking Promised Credit Card Fee Reductions.” To fill out the survey, click here.

Note: We are looking for how much your fees are as a percentage of sales.
Member Benefits

We want to provide a reminder that CIPMA has negotiated discounts with various suppliers in response to Member input. As a Member, you qualify to benefit from reduced pricing on selected resources from Bloomberg, Platt’s, and Argus Media. CIPMA Members also get free access to Kent Marketing Service’s monthly newsletter, the Weekly Pump Price Survey and Industry Insights. Samples are available through their online registration page. You can subscribe directly, or consult Tricia Anderson directly for any guidance necessary.

In addition to information resources, CIPMA Members can receive significant discounts on industry-specific training provided by Energy Management Institute including Fundamentals of the Petroleum Industry and Oil Industry Economics. Please contact Tricia Anderson or register directly through www.EMI.org (promo code CIPMAEMI) to receive a $250 discount. Canadian locations are available.

CIPMA’s website has also been expanded. Please take the time to review the information and resources available in the Members’ Section of www.cipma.org, where you will find updates on CIPMA’s government relations activities and positions.

Check out the ‘Helpful Resources’ section, where you can find useful information including:

- Fuel taxes across Canada
- How to contact regulatory bodies impacting your business in each province
- Summaries of renewable fuel standards by province
- Links to Shell and Petrocan Racks
News Updates

Please note that all orange text in the following sections is hyperlinked. If viewing electronically, you may click to read full articles.

GLOBAL

Crude oil futures edge lower toward $65 per barrel

- As of May 25, 2015, front-month Brent crude shed 17 cents to $65.20 per barrel, while U.S. crude fell 35 cents at $59.37 per barrel. The market drew support from figures showing strong demand across Asia and the U.S.

Oil glut worsens as OPEC market share battle continues

- IEA reports that a global oil glut is building as Saudi Arabia is continuing to produce near record levels in an attempt to win a market share battle against stubbornly resistant U.S. shale production. For more information, click here.

UNITED STATES

Crude by rail now accounts for 52 percent of East Coast refinery supply

- The growth since 2010 in inland domestic and Canadian crude oil production created an opportunity for U.S. and Canadian railroads to move crude oil to U.S. refining centers on the Gulf, East, and West coasts as well as to refineries in Canada, reducing the demand for foreign crude oil at East Coast refineries.

U.S. House Bill 4540 would make oil and gas pipelines exempt from information disclosure


NATIONAL

Canadian retail gasoline prices hit a seven-month high

- At May month-end, the Canadian retail regular gasoline price had increased to 117.4 cents, a seven-month high. The Canadian retail diesel price increased to 113.7 cents, a two-month high.

Canada’s government plans to cut greenhouse gas emissions by 30 percent by 2030

- Canada announced in May 15, 2015 its plans to reduce its greenhouse gas emissions by 30 per cent below 2005 levels by 2030 amid international efforts to create a new framework for addressing climate change.

Shell to take over marketing most of Alberta’s oil-royalty barrels

- From June 1, Shell will market 90 percent of the nearly 70,000 barrels per day of conventional crude that Alberta takes in lieu of cash royalties. The Alberta Petroleum Marketing Commission (APMC) will continue to sell the remaining 10 percent.

Imperial Oil begins to accept proposals for Esso stations

- Imperial Oil is moving forward with plans to sell some 500 of its remaining company-owned Esso retail sites and has begun to accept proposals from interested bidders.
Alberta energy sector braces for change with NDP win

- Alberta’s energy sector is bracing for change, as the Progressive Conservatives’ more than 40-year reign comes to an end and the NDP take their place.

CAPP to form industry group to work with new Alberta government

- Canadian Association of Petroleum Producers (CAPP) president, Tim McMillan, announced that CAPP plans to form an industry group to work with the new government “on priorities to make the industry stronger.”

New amendments to B.C.’s Fee, Levy and Security Regulation

- For the second time this year, the Fee, Levy and Security Regulation, B.C., has been amended by the British Columbia Oil and Gas Commission. The intention of the amendments is to make the fee structure “better reflect the complexities of consultation, advice and reviews required for major oil and gas projects.”

B.C. First Nations group rejects $1 billion offer for LNG venture

- Lax Kw’alaams’ voting has unanimously rejected a $1-billion cash offer from Pacific NorthWest LNG, declining to give Aboriginal consent sought by the LNG terminal project.

B.C. announces LNG agreement with Petronas

- B.C. Premier Christy Clark has announced an agreement in principle with Pacific NorthWest LNG for a liquefied natural gas development on the province’s northwest coast.

Ontario anti-fracking bill passes second reading

- A private members’ bill from Toronto-area MPP Peter Tabuns to ban fracking in the province passed second reading by a 29-18 vote with support from the governing Liberals.

Ontario first province in Canada to set 2030 GHG reduction target

- In order to help achieve its long-term target of reducing greenhouse gas pollution by 80 percent by 2050, Ontario is committing to a new mid-term target to reduce emissions by 37 percent below 1990 levels by 2030.

Liberals win third straight majority government in P.E.I.

- The Liberal party won a majority government in Prince Edward Island, for a third consecutive term.

Newfoundland and Labrador budget increases HST

- The budget outlined a HST increase of two percentage points, meaning the HST will increase from 13 percent to 15 percent.

Co-op Atlantic selling grocery and gas retail sites

- Co-op Atlantic members voted in favour of selling its corporate food and gas retail sites and wholesale assets in Atlantic Canada following a recommendation from its Board of Directors.

Newfoundland’s Come By Chance refinery buying new, domestic crude

- Newfoundland’s Come By Chance refinery is for the first time buying domestic crude pumped from fields only a few hundred miles offshore, from the Husky Energy-operated White Rose fields just off of Newfoundland’s East Coast.
Upcoming Events

Western Members Meeting

Mark your calendars – the CIPMA Western Members Meeting will take place on **Tuesday, June 23, 2015** in Vancouver, British Columbia at Sutton Place Hotel from 5 to 9 PM. This meeting will also include Keynote Speaker Trevor McLeod, Director of the Centre for Natural Resources Policy, Canada West Foundation.

CIPMA Golf Challenge

The 2015 CIPMA Golf Challenge will be held at a new location this year. Please join us on **Thursday, September 17, 2015** at RattleSnake Point Golf Club in Milton, Ontario.

CIPMA AGM and Eastern Members Meeting

CIPMA’s AGM and Eastern Members Meeting will take place on **Tuesday, October 6, 2015** in Moncton, New Brunswick.

CIPMA 2016 Canadian Fuel Marketing Conference

The 2016 Canadian Fuel Marketing Conference will take place **April 11 to 13, 2016**, in Montreal, Quebec. More details to come.
CIPMA members are located in all provinces and territories across Canada, representing 36% of all gasoline sold coast-to-coast-to-coast.