



# REFINING INDUSTRY COMPETITIVENESS

Demand for oil and refined petroleum products (RPPs) is expected to remain high in Canada to 2040 and beyond—primarily to fuel transportation. No wonder Canada’s petroleum refineries are a vital part of the country’s critical energy infrastructure. Canada’s refining network provides a reliable, secure and resilient fuel supply that is essential to economic and national security and the prosperity, health and safety of the country.

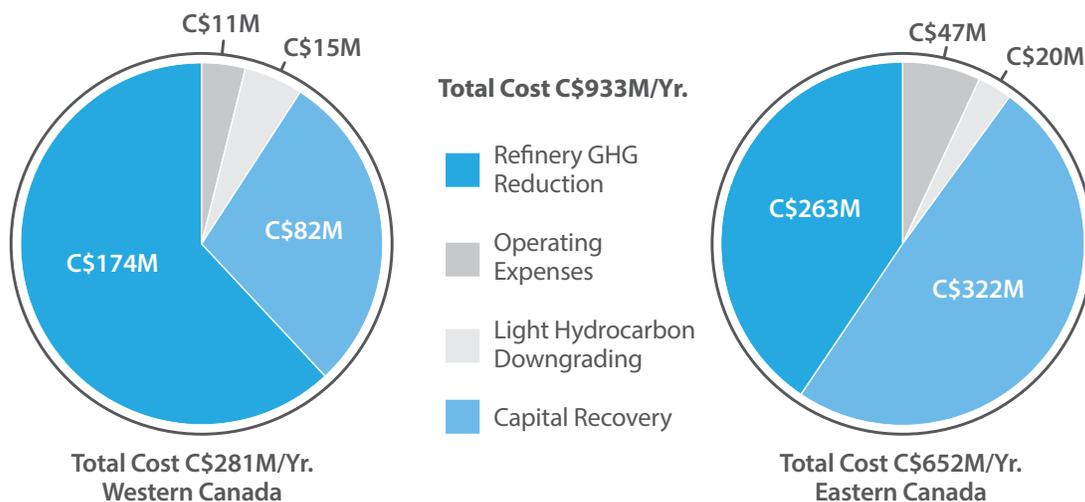
## Canadian refineries operate in a competitive environment

Eastern Canadian refineries in particular compete with refineries in the US and European Atlantic basin. Refining costs can be greater in Ontario due to the higher cost of the main light crude feedstock, as well as added transportation costs given the distance between Sarnia and crude-oil producing areas.

Yet the domestic regulatory agenda over the 2020–2030 period is the most significant foreseeable threat facing Canada’s refining sector. Canada’s refineries face a range of unique regulatory challenges to reduce facility emissions, reformulate fuels and respond to climate change initiatives. These carbon costs will not be borne by US competitors.

## Regulatory compliance costs

A cumulative and overly aggressive regulatory agenda will drive up production costs and could render refineries uncompetitive and vulnerable to closure. In one scenario\*, Ontario refinery compliance costs would exceed **\$900 million per year**. Refineries in eastern Canada would bear 70% of these costs.



## Canada would be increasingly reliant on fuel imports

This greater reliance on imports would:

- Erode the direct economic benefits (GDP, jobs) of Canada's refining sector
- Undermine the security of Canada's fuel supply
- Create uncertainty about fuel costs
- Divert emissions from closed Canadian refineries (some of the cleanest in the world) to refineries elsewhere that do much less to reduce global emissions

## Climate change policies need to be designed carefully

- Federal and provincial policy agendas must protect energy-intensive, trade-exposed sectors such as petroleum refining.
- Governments must ensure that climate change targets are achievable and economically sustainable and that all regulatory policies are properly staged and paced.

This approach will help ensure Canada's petroleum refining industry is not rendered uncompetitive before fuel demand begins to decline.

