

Delivered by Email commission.secretary@bcuc.com

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Patrick Wruck, Commission Secretary

Dear Commissioners:

Re: British Columbia Utilities Commission - An Inquiry into Gasoline and Diesel Prices in British Columbia - Project No. 1599007

Advanced Biofuels Canada (ABFC) is responding here to a request for further information pursuant to *Exhibit A-18, Letter dated July 31, 2019 – Panel Question to Advanced Biofuels*.

Panel Question: “If gasoline is brought into — imported into Canada from the United States and that gasoline has ethanol blended into it, that was blended into it in the United States, does the [provider] of that ethanol have to also be registered here in Canada and have to provide the same life cycle information?”

ABFC Response: Regardless of who holds legal title to the ethanol that is blended into gasoline at point of import, the producer of the ethanol is required to apply to, and gain approval from BC Energy and Mines in order to be registered to sell low carbon fuel in BC. Lifecycle information is one element of the information required in an application. Ethanol that is imported into BC in a blend of gasoline and ethanol would have the same approval/registration as an ethanol that was blended into gasoline in the province.

We also wish to provide supplemental information to a question posed by Commissioner Doehler during the July 30th Oral Workshop to which we provided a partial response by teleconference.

Panel Question: “I’m trying to understand what the goals of your association are. Is there a problem with your members in sales? [...] You represent companies that make biofuels. Are they having a problem selling their product or is there enough demand to meet what they can supply?”

Response: Biofuel industry associations exist primarily to assist members’ access to markets that are currently controlled by fossil fuel suppliers. Biofuels displace gasoline and diesel.

Biofuel companies almost never own retail fuel locations because they would be unable to compete with much larger fossil fuel companies. The experience of ARCO in the BC market in the 1990's shows that refiner will undercut independent's prices to maintain market share.

Biofuel companies could operate wholesale racks to provide their product directly to the retail market, but restrictive clauses in the supply agreements between refiners and branded retail stations functionally prevent the vast majority of retail sites from purchasing biofuel products from a biofuel rack operator absent approval from the retail site's refiner supplier. For aforementioned reasons, this is unlikely to occur. Because of the high concentration of retail sites that are either refiner-branded, or operated by a refiner under another brand, very little of the retail market is able to purchase fuel on an 'independent' basis. We perceive this to be a market failure result of a highly concentrated market.

We also perceive the highly concentrated structure of wholesale racks to be an impediment to biofuel producer access to the market, and specifically that racks in BC are almost wholly owned by refiners. Were there 'midstream' (non-refiner) rack operators in BC, they would be neutral with respect to a decision to offer biofuels or fossil fuels if biofuels could provide comparable marketing margins; unlike refiner rack operators, they have no opportunity cost for offering biofuels. However, this may be a moot point; the retail site concentration described above likely provides little incentive for midstream actors to offer biofuels at wholesale in BC.s

Government policies such as the BC LCFS are required to compel fossil fuel companies to reduce the GHG emission from use of their fuels; biofuels producers are highly reliant on these policies to sell product.

Respectfully submitted,



Ian Thomson

President
Advanced Biofuels Canada