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September 24, 2019

83862/523

VIA ELECTRONIC FILING

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

Attention: Patrick Wruck
Commission Secretary

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

Dear Mr. Wruck:

We act on behalf of Suncor Energy ("**Suncor**") in respect of British Columbia Utilities Commission ("**BCUC**") Project No. 1599007: An Inquiry into Gasoline and Diesel Prices in British Columbia ("**Inquiry**").

We are writing in response to BCUC Order G-216-19 amending the regulatory timetable for the Inquiry. The amended regulatory timetable includes filing of any additional intervener evidence by September 23, 2019.

On September 23, 2019, Suncor filed a request for a one-day extension to file its additional intervener evidence. We are in receipt of the BCUC extension approval letter filed September 24, 2019. In accordance with the extension, please find enclosed Suncor's additional intervener evidence.

Should you have any questions or require any additional information, please do not hesitate to contact the undersigned.

Sincerely,

Terri-Lee Oleniuk

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cc. Chris Hustwick, Director, Downstream Legal Affairs Canada, Suncor Energy

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Suncor Energy – Additional Intervener Evidence

Suncor Energy ("Suncor") provides this additional intervener evidence in response to certain matters in the British Columbia Utilities Commission (the "Commission") Final Report regarding An Inquiry into Gasoline and Diesel Prices in British Columbia ("Final Report"). Through this additional intervener evidence, Suncor seeks to provide important clarifications to the Commission with respect to certain matters in the Final Report where Suncor believes the Commission has inaccurately represented Suncor's evidence or submissions, and to also provide additional information that Suncor believes may be of assistance to the Commission.

Due to the limited time available, Suncor's additional intervener evidence is concise, and the Commission should not consider Suncor's silence on other matters in the Final Report to equate to Suncor's acceptance or agreement with the Commission's position on that point.

1. Compliance with B.C.'s Low Carbon Fuel Standards ("LCFS")

Changes in Compliance Costs Post-2014

The Final Report states: "[w]ith regard to LCFS compliance costs, there is no evidence there are any changes since 2014."[1] Suncor notes that this issue was not explored during the Inquiry and there was no evidence presented to the Commission to indicate one way or the other (*i.e.*, whether LCFS compliance costs changed or did not change since 2014).

In Suncor's experience, LCFS compliance costs have increased significantly between 2015 and 2019 for the following reasons:

- Part 2 of the *Renewable and Low Carbon Fuel Requirements Regulation (*"Regulation") establishes renewable fuel content requirements for gasoline and diesel sold in B.C.
- Part 3 of the Regulation establishes low carbon fuel requirements for fuels sold in B.C. and fuel suppliers must progressively decrease the average carbon intensity ("CI") of their fuels to achieve a 10% reduction in 2020 relative to 2010.
- Up until 2015, the cost of compliance with Part 3 was low, as CI reduction requirements could be largely met by the blending of lower cost renewable fuel content (such as ethanol) required under Part 2.
- After 2015, the increasing requirement for CI reduction relative to 2010 resulted in significant increases in Part 3 compliance costs.

Compliance Costs

The Final Report states: "[t]he Panel finds that the estimates provided by Deetken with respect to the cost of meeting BC fuel regulatory requirements is reasonable and will use the upper value of 4 cents/litre."[2] Suncor submits that the estimates provided by Deetken and used by the

[1] British Columbia Utilities Commission Final Report regarding An Inquiry into Gasoline and Diesel Prices in British Columbia, August 30, 2019, page 79.

[2] British Columbia Utilities Commission Final Report regarding An Inquiry into Gasoline and Diesel Prices in British Columbia, August 30, 2019, page 78.

Commission with respect to the cost of meeting B.C. fuel regulatory requirements are understated for the following reasons:

- The Deetken Group report assumes "the maximum regulatory impact of BC's Renewable and Low Carbon Fuel requirement regulation is estimated based on the maximum costs which would be incurred if fuel supplied had no lower cost abatement options and only purchased the maximum cost compliance costs."[3] In its Final Report, the Commission discusses Deetken's conclusion and notes "[i]n its analysis Deetken points out that based on the purchase of compliance units at the maximum compliance unit cost, the maximum cost of this regulation is 2 cents/litre in 2016 raising to 4 cents/litre for gasoline and 3 cents/litre for diesel in 2018. A number of the Oil Companies did raise the cost of meeting regulatory standards for fuel imported from Washington. However, none refuted the cost estimates provided by Deetken regarding gasoline."[4]
- Suncor did not provide evidence to the Commission that specifically refuted the Deetken cost estimates; rather, Suncor provided its cost of compliance through detailed, confidential *in camera* evidence and testimony. This evidence shows that Deetken's assertion, that the traded cost of compliance units represents the maximum possible compliance unit cost, is flawed and does not reflect the current reality in B.C. While compliance credits are available for purchase, they are only available in limited quantities and may not be available in the quantities required to ensure compliance.
- Given the challenges with the liquidity of the credit market, fuel suppliers must rely increasingly on even higher cost options as the only viable means of achieving compliance with Part 3 of the Regulation. These options include investment in new technologies to produce lower carbon fuels and blending diesel fuel with high cost, hydrotreated renewable diesel ("HRD").
- By way of example, using HRD blending to meet the increasing Part 3 compliance obligations <u>for both gasoline and diesel</u> could cost as high as 7 cents per litre, which is significantly higher on a cost/tonne or cost/Part 3 credit basis than the estimates made by Deetken and relied upon by the Panel.

2. <u>Access to Primary Terminals</u>

In its Final Report, the Commission found "that a key choke point and barrier to downstream market entry is a lack of access to primary terminals by any entity other than one of the Oil Companies."[5] Suncor notes that, despite the fact that the political climate does not encourage this type of infrastructure, terminal development is occurring and the Panel is incorrect in finding that the barriers to entry prohibit third parties from investing in infrastructure to off-load product in B.C.

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[3] Exhibit A2-1-1: Letter dated July 10, 2019 – BCUC staff filing Independent Consultant Report by the Deetken Group - Phase 2: Analysis of Factors Contributing to BC's Gasoline and Diesel Price Behaviour, page 3.

[4] British Columbia Utilities Commission Final Report regarding An Inquiry into Gasoline and Diesel Prices in British Columbia, August 30, 2019, page 78.

[5] British Columbia Utilities Commission Final Report regarding An Inquiry into Gasoline and Diesel Prices in British Columbia, August 30, 2019, page 88.

Third parties, other than the Oil Companies, have invested in terminals in B.C. For example, the Vancouver Wharves Terminal was developed in 2009 and is owned by Kinder Morgan Canada and leased by Idemitsu. This terminal is located in North Vancouver and brings diesel and biodiesel into Western Canada. A second example is the Ashcroft Terminal located near Kamloops which has supplemented interior B.C. demand for many customers, including parties other than the Oil Companies. This facility moves numerous products, including gasoline.

In addition, in the last 10 years, with the addition of biofuels, the barriers of entry have also seemingly decreased with the presence of new transloading facilities across Canada. These transloading facilities have become a mainstay in the finished product industry and, although primarily used to support the biofuels industry, they are not restricted in doing so, as they often have the ability to move gasoline and diesel as well.

3. Property Tax

In its Final Report, the Commission notes that, in addition to LCFS requirements and transportation costs, Suncor identified others factors that should be considered, such as terminalling costs.[6] However, the Commission appears to have not considered these factors in its Final Report since Suncor didn't attribute specific costs to each of these factors. Accordingly, Suncor will take this opportunity to elaborate on the evidence it provided to the Commission and provide a specific example as to how the cost of doing business in B.C. has gone up in recent years.

Similar to some of the data presented in the Deetken Group report, Suncor confirms that taxes, leases, real estate, and the opportunity cost of land have all increased. An example of this is the costs associated with Suncor's Burrard Terminal. In particular, property tax for Suncor's infrastructure at 1155 Glenayre Drive, Port Moody have gone up 49% from 2014 to 2019. Suncor's costs associated with its Port of Vancouver lease during this same period have gone up 152%.

While the expedited and aggressive timelines of the Inquiry did not permit Suncor to file evidence at a granular level, these factors have resulted in increased costs over the last few years and should have been taken into consideration by the Commission in its Final Report.

[6] British Columbia Utilities Commission Final Report regarding An Inquiry into Gasoline and Diesel Prices in British Columbia, August 30, 2019, page 78.