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March 26, 2021

Special Committee on the Economic Relationship between Canada and the United States
131 Queen Street, 6th Floor
House of Commons
Ottawa ON K1A 0A6
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Dear Committee Members;

Subject: Submission in support of the Committee's Interim Report on Enbridge Line 5 Pipeline

I would like to thank you for the hard work of the Committee in regards to the ongoing situation surrounding the State of Michigan's Shutdown Order directed against the Enbridge Line 5 pipeline. Our Association has greatly appreciated the unqualified support for the continued operation of Line 5 expressed by the Governments of Canada, Alberta, Saskatchewan, Ontario and Quebec, both in private and in public. As Minister O'Regan so clearly stated to this Committee, "the operation of Line 5 is non-negotiable".

The Canadian Fuels Association represents the refiners[1], distributors and marketers of petroleum products including gasoline, diesel, home heating oil, jet fuel as well as specialty fuels and lubricants. Our member refineries also produce asphalt and feedstock for chemical and lube manufacturing facilities and meet 95 percent of Canadians' transportation fuel needs as well as products for export.

The Government of Michigan recently issued a Shutdown Order directed against Line 5 which would, if successful, effectively close Line 5 in its entirety. Line 5 has a record of operating safely for over 65 years, and the impacts of such an unprecedented action would be significant and unpredictable. Line 5 is a key piece of infrastructure supporting the delivery of critical transportation fuels that families and businesses across Ontario, Quebec and the Great Lakes region rely on.

Through the pandemic period, refiners have taken extraordinary measures to maintain operations, supply fuels and meet the transportation needs of essential front-line workers and manufacturing supply chains on both sides of the border and now stand ready to support the post-COVID economic recovery. Any disruption in the operation of Line 5 can negatively impact the fuel supply, including but

[1] Canadian Fuels members: Federated Co-operatives Limited, Imperial Oil Limited, Irving Oil, North West Redwater Partnership, Parkland Corporation, Petro-Canada Lubricants Inc., Shell Canada Limited, Suncor Energy Products Partnership, Tidewater Midstream and Infrastructure Ltd. and Valero Energy Inc.

not limited to potential transportation fuel product shortages throughout Central Canada, reduced production levels at Ontario refineries and knock-on effects on the upstream production of crude oil and supply of products to customers in Western Canada.

Based on Enbridge's assessment, taking Line 5 out of service—temporarily or permanently—would have dire consequences with a reduction in crude supply of approximately 40 percent or more for the ten refineries supplied by Line 5. The affected refineries include the Marathon Detroit refinery, refineries in Ohio, all four refineries in Ontario, the United Warren refinery in western Pennsylvania, the Suncor Montreal refinery and the Valero refinery in Lévis. Some refineries could be forced to close, others would run at lower capacity, and could become less competitive and suffer job losses. As a result, a closure of Line 5 would significantly decrease the local production of refined products to the region which could in turn adversely impact the reliable supply of fuel to Canadian and American consumers.

There are limited practical alternatives to replace the crude currently supplied by Line 5. Shifting to rail and truck could only make up a small portion of Line 5's current volume. While marine shipping may be a viable alternative for some facilities, it is not a year-round solution as the St. Lawrence Seaway is typically closed from January to March of each year.

The alternative supply options also have significant climate change implications. **As the governments of Canada and the United States seek new opportunities for collaboration on fighting climate change, we estimate that replacing the capacity of Line 5 with marine, rail and truck shipping could result in an estimated 1.5-2.5 megatonnes of additional GHG emissions per year.**

Our Association recently undertook a study of the economic impact of Ontario's refineries and what could be lost if they were to shut down. We found that in this worst-case scenario:

- GDP would quickly decline by almost **$4 billion** following refinery closures.
- **50% of GDP would be lost** due to increased imports of refined petroleum products from other jurisdictions into Ontario.
- Even after relocation of workers to other sectors, closures would result in the permanent loss of more than **2,000 jobs**. This would be felt most by service industry businesses which are dependent on refinery employees for their customer base. In short, the negative impact would be structural and would continue in the medium to long term.
- The Ontario and Federal Governments would collect **$400 million less in annual tax revenues**. Forty percent of this reflects lost corporate tax revenues from refiners and suppliers.
- The import of additional refined petroleum products, such as gasoline, diesel and jet fuel, would **increase transportation and production costs for consumers** and businesses which could translate into higher prices for fuels, goods and services and ***increased reliance on fuel imports also undermines Canada's energy security.***

The possibility of the Government of Michigan shutting down operations of Line 5 continues to bring into sharp focus the vulnerability of Canada's energy supply chains.

In closing, we strongly encourage the federal and provincial governments to continue to seek an urgent solution to ensure the uninterrupted operation of Line 5 to protect energy supply chains and Canadians' energy security.

Thank you for your continued efforts and support on this critical issue.

Sincerely,

Bob Larocque
President & CEO,
Canadian Fuels Association