

CEMA

CANADIAN ENERGY MARKETERS ASSOCIATION

ANNUAL REPORT

2022



PROTECTING THE INTERESTS OF
CANADA'S ENERGY MARKETERS IN A CHANGING LANDSCAPE

ANNUAL REPORT 2022

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MESSAGE FROM THE PRESIDENT

Dear CEMA Members and Associate Members,

It is with great pleasure that I share the 2022 CEMA Annual Report.

Over the past year, affordability and the strength of the Canadian economy dominated conversations among business leaders, politicians and households across the country. While this focus brought challenges to our industry, the resulting benefit is a heightened awareness of the importance of energy to the Canadian economy. The Russian invasion of Ukraine and measured international response changed the landscape, making it clear that global energy markets are more fragile than some presumed. This realization underscored the importance of having a secure domestic supply of the lower-carbon fuels that Canadians rely on to get to work, pick up groceries, and take their kids to sports and music lessons.

CEMA was quick to react to this changing landscape in 2022. Our association launched a campaign to enhance the reputation of our sector and the vital role it plays in the everyday life of Canadians and our economy. We worked to assist several Members with public policy issues that were impacting company finances and threatening to halt low-carbon transformation projects. Our team has been actively engaged in advocating against policies that make it harder to do business in Canada, like high interchange fees. We are also engaged with the federal government to ensure that renewable fuel infrastructure and other environmental subsidies are available to downstream retailers in the energy sector.

We have also seen a shift in tone from the government and public opinion, recognizing the importance of the energy industry and the role it will continue to play toward sustainable and ethical resource development. CEMA is committed to helping our Members own this narrative through hard work, strategic advocacy and timely sharing of intelligence.

On behalf of the Board of Directors and the team at CEMA, I want to thank you for your continued membership and participation in the association.

Sincerely,



Jennifer Stewart
President & CEO, CEMA

AT A GLANCE: THE CANADIAN ENERGY RETAIL MARKET

11,934

Retail Sites Across Canada¹

5,500

Price-Controlled by Individual Operators²

80%

Price-Controlled by Independent Proprietors (Non-Refiners)³

+188,500

Employed in the Sector in November 2022 (Up 1.3% Year-Over-Year)⁴

~2%

Unemployment Rate in the Sector⁵

+\$25B

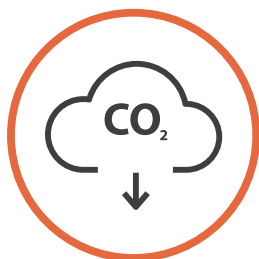
Publicly Committed Lower-Carbon Green Investments by 2030 by the sector⁶

REGULATORY TRENDS: CAPTURING THE MOMENT

Federal Government Landscape

Since forming government in 2015, the Liberals have been steadfast in their commitment to investing in the green economy. Initially, this would have included sweeping investments toward renewable energies. More recently, however, the tone is softening on how Canada will achieve its net-zero commitments. This is particularly noticeable regarding oil and gas, where the government is promising to achieve net-zero life cycle emissions by lowering the carbon intensity of fuels and has stopped using language about 'phasing out' the sector. With this small change, the federal government has acknowledged the important role biofuels will play in achieving its 2050 net-zero objectives and has also been bullish in pursuing solutions such as tax incentives and subsidies to encourage the uptake of carbon capture, abatement and mitigation technologies within the sector.

STATUS REPORT ON CURRENT FEDERAL INITIATIVES



Carbon Pricing Initiatives

Pan-Canadian Framework on Clean Growth and Climate Change
Effective: October 2016

Details: Gives provinces and territories the choice of implementing a price on carbon either through a price-based system or cap-and-trade system.

Status: The [fourth annual report](#) of the PCF-CGCC summarized progress achieved as of 2020, noting in particular advancements made to reduce emissions in the industrial sector through methane regulations. It also notes the expanded production and consumption of low-carbon fuels.

Federal Carbon Pricing
Effective: January 2019

Details: The federal pricing system has two parts: a regulatory charge on fossil fuels like gasoline and natural gas, known as the fuel charge, and a performance-based system for industries, known as the Output-Based Pricing System (OBPS).

Status: The fuel charge currently applies in Ontario, Manitoba, Yukon, Alberta, Saskatchewan and Nunavut. The OBPS currently applies in Manitoba, Prince Edward Island, Yukon, Nunavut, and partially in Saskatchewan.



2030 Emissions Reduction Plan

Effective: March 2022

Details: This is a sector-by-sector path to reduce emissions 40% below 2005 levels by 2030 and arrive at net-zero emissions by 2050. The sectoral requirements of oil and gas are outlined in the Oil and Gas Emissions Cap, and the federal government has announced targeted financial support for ZEV charging stations and carbon capture technology initiatives.

Status: The cap on oil and gas emissions is expected to come into force by the end of 2023. The 2023 federal budget will provide further details about funding commitments for carbon capture and ZEV charging.



Oil and Gas Emissions Cap

Effective: End of 2023
(expected)

Details: As part of the 2030 Emissions Reduction Plan, the federal government has committed to reducing oil and gas emissions by 40 to 45% by 2030. The federal government recently concluded consultations with industry members on two proposed systems to achieve the reduction: a cap-and-trade system and a modified industrial carbon pricing system.

Status: The results of that consultation are anticipated to be released early in 2023.

HERE'S WHERE **THINGS STAND:**

British Columbia

Carbon Tax – 8.89c/litre (effective since 2019)
ZEV – Up to \$4,000 for battery electric vehicles

Alberta

Federal Carbon Backstop (effective since 2020)
ZEV – No current rebate incentive

Saskatchewan

Federal Carbon Backstop (effective since 2020)
ZEV – No current rebate incentive

Manitoba

Federal Carbon Backstop (effective since 2020)
ZEV – No current rebate incentive



Newfoundland

Federal Carbon Backstop – Increasing the price of heating oil by 17.4c/litre and propane by 10c/litre (to begin in July 2023)
ZEV – \$2,500 for 100% all-electric, \$1,500 for plug-in hybrid

PEI

Federal Carbon Backstop – Increasing the price of heating oil by 17.4c/litre and propane by 10c/litre (to begin in July 2023)
ZEV – Up to \$5,000 under the PEI Universal EV Incentive

Nova Scotia

Federal Carbon Backstop – Increasing the price of gas by 13c/litre and home heating fuel by 15c/litre (to begin in July 2023)
ZEV – Up to \$3,000 for qualifying ZEVs

New Brunswick

Federal Carbon Backstop (effective since 2020)
ZEV – Up to \$5,000 for battery electric vehicles or long-range plug-in hybrid electric vehicles

Ontario

Federal Carbon Backstop (effective since 2020)
ZEV – No current rebate incentive

Quebec

Cap and Trade Program (effective since 2013)
Roulez-vert – Up to \$7,000 for all-electric vehicles

CEMA'S ADVOCACY PRIORITIES FOR 2023

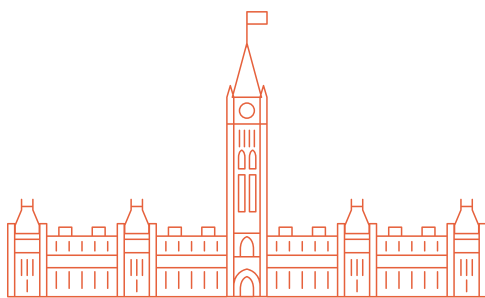
CEMA's role is one of industry leadership. We continue to focus on delivering value to our Members by offering timely updates on current and impending legislation, monitoring market and regulatory trends, and representing Member interests by establishing productive working relationships with key government contacts across all jurisdictional levels.

Our annual advocacy priorities are determined by CEMA's Board of Directors based on input from Members and their own industry knowledge. In addition to our federal advocacy on carbon pricing, the 2030 Emissions Reduction Plan and the oil and gas emissions cap, this past year we also engaged in the following priorities:

- Fuel tax exemptions and credits
- Reducing reputational harm
- High credit card fees
- Payment Card Industry Data Security Standards
- Regional fuel price reviews and renewable mandates
- Federal Clean Fuel Regulations
- Pre-pay at the pump
- Renewable infrastructure funding

ADVOCACY SNAPSHOT

Here's what CEMA's been up to in some regions across the country:



GOVERNMENT OF CANADA

Funding Availability for Infrastructure Upgrades to Accommodate Higher Renewable Fuel Blends

CEMA's Role: We are actively engaged with federal government stakeholders in pursuit of funding opportunities to mitigate costs for Members to invest in renewable fuel infrastructure. We are seeking \$500M in government funding to create stronger additional pathways for Canadians to reduce their emissions while bringing more domestic renewable fuel to the marketplace.

2030 Emissions Reduction Plan (including the Clean Fuels Standard, an emissions cap on the oil and gas sector and ZEV initiatives)

CEMA's Role: We are actively engaged with federal government stakeholders on each of these regulatory and policy proposals. We continue to represent the interests of the energy retail market at the consultation table to help inform the development of liquid fuel stream regulations and ensure no emissions cap is placed on downstream fuel retailers. We also act as a member of technical committee working groups to ensure our sector is proactively engaged and updated on the status of the government process.

YOUR HARDWORKING NEIGHBOURS ARE FUELING CANADA



The future of Canada's energy retail sector is a choice between a realistic, ongoing plan to make Canadian retail fuels mutually economically beneficial, secure, and more environmentally friendly, and an unrealistic plan to limit and prevent the development of Canada's natural resources sector.

Canadian fuels are an essential, reliable, and ethical service for all Canadians. The Energy Marketers who fuel Canada are your hardworking neighbours who have a plan to promote innovation that ensures the benefits of Canada's natural resources are realized for all Canadians.

What we do

Promote innovation that ensures Canadian fuels are mutually economically beneficial, secure, and more environmentally friendly.



Essential

Canadian energy creates and maintains hundreds of thousands of high-quality, well-paying jobs.

Canada's oil and gas sector is responsible for billions in capital investment that helps grow the Canadian economy. Personal, private, and public sector pension portfolios are growing through investments in Canadian energy, and economic reconciliation is being advanced in partnership with Indigenous Canadians who live in rural and remote communities that have an abundance of natural resources.



Reliable

We provide Canadians with a necessary product that is used to get to work, drive your children to hockey and soccer, and travel for vacation.

Canadian energy is secure. There is no threat that could seriously alter Canada's energy security in the coming decades. Our domestically produced energy supply is less emissions-intensive than other global sources, and the profits do not aid non-democratic regimes.



Ethical

Canadian fuel is increasingly cleaner, with low-carbon options becoming more affordable.

The energy sector is achieving greater product efficiencies, lower emissions, and stronger environmental outcomes resulting from Canadian-led R&D. Through corporate social responsibility, Energy Marketers are limiting negative environmental impacts of operations and focusing on creating positive outcomes for natural environments.

Interchange Fees

CEMA's Role: We support industry associations that are negotiating with the federal government on behalf of the entire retail sector, and we are communicating support to the federal government for legislative changes that allow the government to set fees if a deal isn't reached.

Payment Card Industry Data Security Standards

CEMA's Role: We are raising awareness with the federal government and other stakeholders about the impacts new PCI standards will have on gasoline retailers due to the digital security requirements for distribution units and supply chain restrictions.



EASTERN REGION

Nova Scotia Retail Margin Review

CEMA's Role: CEMA was actively engaged with the Nova Scotia Utility and Review Board (NSUARB) with regard to credit card fees and gasoline spreads. In a potentially precedent-setting decision, the NSUARB implemented a weekly adjustment mechanism for credit card fees, effective September 16, 2022.

Ontario Renewable Fuel Mandate

CEMA's Role: We continue to strengthen our relationships with key government departments and Ministries within the Government of Ontario to ensure that fuel blenders will have meaningful opportunities to generate credits through their fuel-blending activities.

Ontario Tax Exemptions and Credits

CEMA's Role: CEMA continues to advocate that the province enforce eligibility rules for tax exemptions on the sale of gasoline to consumers and is supporting efforts to extend credits for the development of low-carbon renewable fuels.

Ontario Pre-Pay at the Pumps Legislation

CEMA's Role: CEMA continues to monitor and gather intelligence about the possibility of a private Member's bill introducing pre-pay at the pumps legislation, similar to former Bill 231.



WESTERN REGION

British Columbia Tax Exemptions and Credits

CEMA's Role: CEMA continues to advocate for the province of British Columbia to improve rebate timelines for dyed fuel taxes and appeal to the Minister of Finance to clarify how businesses can ensure more timely remittance of the dyed fuel tax.

CEMA'S PREMIER NETWORKING AND INSIGHT EVENTS

Each year, we offer the energy marketing industry – including Members, non-members and industry stakeholders – several opportunities to find out what's new, what's coming, what CEMA is doing about it, and how best to prepare for regulatory changes.

Canadian Fuel Marketing Conference, Montreal | April 11 to 13, 2022



The 2022 conference saw a turnout of more than 225 delegates, expanding networking and learning opportunities. Panelists covered a host of timely topics from the future of biofuel blending and zero-emission vehicles to navigating low-carbon policies. We were also pleased to welcome The Right Honourable Stephen Harper as the keynote speaker.

Special Thanks to Our 2022 Premium Sponsors

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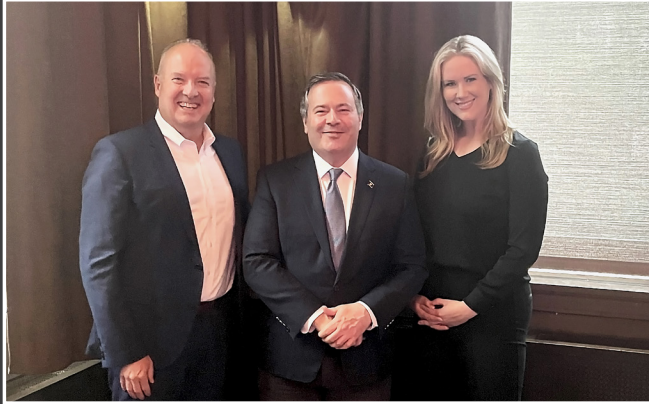


Gold Sponsor



CEMA Western Members Meeting, Calgary | June 15, 2022

The 2022 CEMA Western Members Meeting was held in Calgary. More than 30 members joined for exciting conversations about the future of the energy sector, highlighted by a keynote from Alberta Premier Jason Kenney.



CEMA Golf Challenge | September 26, 2022

Each year, CEMA hosts a Golf Challenge at Glen Abbey Golf Club in Oakville. This past year we were thrilled to host more than 100 attendees. The Golf Challenge is open to Members and non-members alike and offers marketers, suppliers and other stakeholders a chance to network.

Special Thanks to Our 2022 Premium Sponsors

Presenting Partners



Eagle Sponsor



CEMA Eastern Members Meeting, Halifax | October 12, 2022

The 2022 CEMA Eastern Members Meeting was held in Halifax. More than 30 Members joined for exciting conversations about the future of the energy sector, highlighted by a keynote from the incoming president of the Canadian Transportation Alliance, Michelle Coates-Mather.

GOVERNANCE AND KEY COMMITTEE MEETINGS

CEMA is governed by a Board of Directors who reflect the broad interests of the retail energy marketing sector. In addition to offering strategic oversight and stewardship of the Association, Board Members play a key role in determining advocacy priorities based on input from Members and their own industry knowledge.

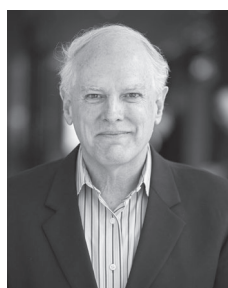
Board of Directors



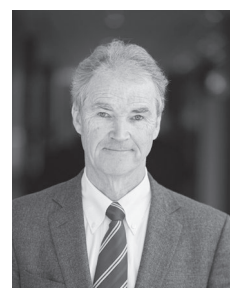
Jennifer Stewart
CEMA President



Peter Kilty
Chair, Parkland
Fuel Corporation



Bruce Allen
Vice Chair
Canadian Tire



Allan MacEwen
MacEwen
Petroleum



Darren McDougall
McDougall Energy



Andrew MacKay
VP of Retail
Greenergy

2022 COMMITTEE SCHEDULE

January Board Meeting | Toronto, ON
| **January 20, 2022**

June Board Meeting & Western Members Meeting
| Calgary, AB | **June 15, 2022**

July Board Meeting | Toronto, ON | **July 28, 2022**

**October Board Meeting, Eastern Members Meeting
& Annual General Meeting** | Halifax, NS
| **October 12, 2022**

THANKS TO OUR MEMBERS

CEMA Members are in all provinces and territories across Canada. They are active contributors in developing meaningful policy measures that help reduce carbon emissions throughout the energy and transportation sectors.

Since its creation in 1996, CEMA (formerly CIPMA) has grown in both scope and size and is proud of its diverse membership: organizations across Canada who are the backbone of the energy distribution and marketing industry. Our Members' success has been built on strong connections to the communities they serve.

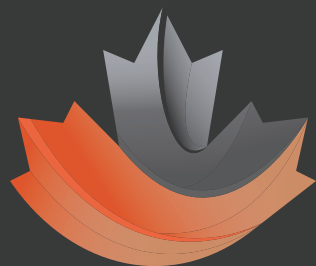
We thank all our Members for their ongoing leadership in advancing Canada's energy marketing industry. CEMA is proud to represent your unified voice and advocate for a strong and sustainable sector.

FULL MEMBERS



ASSOCIATE MEMBERS





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