Parkland Corporation

Fourth Quarter 2022 Results Conference Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to Parkland's fourth quarter 2022 results conference call. Currently, all participants are in a listen-only mode.

We will conduct a question-and-answer session later and instructions will follow at that time.

If anyone should require Operator assistance, please press *, then 0 on your touch-tone telephone.

As a reminder, this call may be recorded.

I would like to introduce your host for today's conference, Val Roberts, Director of Investor Relations.

You may begin.

Val Roberts — Director of Investor Relations, Parkland Corporation

Thank you, Operator. With me today on the call are Bob Espey, President and CEO; and Marcel Teunissen, Chief Financial Officer. This call is webcast, and I encourage listeners to follow along with the supporting slides. We will go through our prepared remarks and then open it up for questions from the investment community. Please limit yourself to one question and a follow-up as necessary, and if you have other questions re-enter the queue. We would ask analysts to follow up directly with the Investor Relations team afterwards for any detailed modelling questions.

During our call today, we may make forward-looking statements related to expected future performance. These statements are based on current views and assumptions and are subject to uncertainties which are difficult to predict. These uncertainties include, but are not limited to, expected operating results and industry conditions, among other factors. Risk factors applicable to our business are set in our revised Annual Information Form and Management's Discussion & Analysis.

We will also be discussing non-GAAP and other financial measures, which do not have any standardized meanings prescribed by IFRS. These measures are identified and defined in Parkland's continuous disclosure documents, which are available on our website, or on SEDAR. Please refer to these documents as they identify factors which may cause actual results to differ materially from any forward-looking statements.

Dollar amounts discussed in today's call are expressed in Canadian dollars, unless otherwise noted.

I will now turn the call over to Bob.

Bob Espey — President and Chief Executive Officer, Parkland Corporation

Thank you, Val, and good morning, everyone. We appreciate you joining us today.

On the cover slide, you will see 1 of 162 recently rebranded retail sites in Puerto Rico. Under the previous forecourt banner, we were obliged to purchase fuel from a third party. We now supply ourselves and benefit from our integrated supply margin.

I would like to thank the Parkland team for effectively and efficiently doing this rebrand during the fourth quarter.

Parkland's unique integrated business model provides a competitive advantage. We buy, move, and store refined product and supply our retail and commercial networks, which allow us to capture incremental margin. Puerto Rico is a great example of how we leverage our supply advantage at Parkland.

Across Canada, we calculate that our supply advantage delivers an incremental one to one and a half cents per litre over and above the sales margin. In addition, our Burnaby Refinery benefits from being fully integrated with our BC retail and commercial network.

You will have read in our news release that after careful consideration and analysis, we have decided not to proceed with the plans to build a stand-alone renewable diesel complex at our Burnaby Refinery.

Following the announcement of the renewable diesel project last year, several factors have impacted its competitiveness. This includes rising project costs, lack of market certainty around emerging fuels, and the US Inflation Reduction Act.

As we continue to exercise strict capital discipline and focus on returns, there's currently too much risk and uncertainty with this project to proceed.

Burnaby Refinery remains a key strategic and integrated asset for Parkland. We remain committed to extending our low carbon fuel leadership by more than doubling our co-processing volumes to 5,500 barrels per day.

With that, let's move to Slide 3.

2022 was an excellent year. We had several records that demonstrate the strength of our diversified business model and the Parkland team's commitment to operational excellence.

These include our best safety performance to date, record fourth quarter and record full year adjusted EBITDA, and record distributable cash flow per share and cash generated from operating activities.

Throughout the year, we continued to execute our strategy and grow organically. This includes expanding our ON the RUN convenience stores to more than 650 locations across Canada, the United States, and our international business; increasing co-processing volumes at the Burnaby Refinery; and utilizing new terminals and tanks to further strengthen our supply advantage.

We completed all previously announced acquisitions. These included M&M Food Market, Crevier, Husky, Vopak storage terminals in Canada, and a retail and commercial business in Jamaica. We also consolidated our ownership of Sol and have benefitted from its 100 percent contribution in the fourth quarter.

During the year, we delivered on the commitments that we made to our shareholders, including growing adjusted EBITDA by almost 30 percent and meeting our increased guidance, enhancing shareholder returns with $40 million of shares repurchased, increasing co-processing volumes at our Burnaby Refinery by approximately 30 percent, and delivering over $60 million of renewable EBITDA.

I'm very proud of the Parkland team, and I'd like to congratulate and thank them for delivering these excellent results while safely supplying our customers with their energy, food, and convenience needs.

Turning to Slide 4. This slide shows Parkland's results by business line, which is a simple way to view and value the Company.

It highlights our diverse business, which, when coupled with our geographic footprint, adds to our overall resilience. The pie chart on the left shows the 2022 adjusted EBITDA contribution of our three business lines—retail, commercial, and refining—each of which includes the benefits of our supply advantage.

As you can see, retail makes up almost half our adjusted EBITDA, with the remaining half split almost equally between our commercial and refining businesses.

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The refinery delivered a record year and built on its track record of safe and reliable operating performance. We expect growth in our retail and commercial lines of business will outpace growth from the refinery, meaning the refinery's relative contribution to Parkland will continue to decline.

Our retail business provides fuel, food, and convenience. Looking to the middle chart, we've grown the retail adjusted fuel gross margin by 30 percent year over year. This was driven by strategic acquisitions and organic growth initiatives, including expansion of ON the RUN throughout Canada and into the US.

Reflecting our strategy to grow food and convenience, this part of the business has increased by 53 percent year over year and now encompasses 25 percent of total adjusted gross margin. This is comparable to peers in the retail industry.

Our commercial business grew nearly 30 percent year over year by successfully integrating strategic acquisitions, including leveraging our supply advantage into Jamaica and winning national accounts.

Our commercial customers span a variety of industries, including aviation, agriculture, construction, utilities, trucking, and natural resources. We supply them with gasoline, diesel, jet fuel, and propane. We continue to grow our renewables business by providing our customers with low-carbon fuels and carbon offsets to help them meet their environmental goals.

With that, I will hand it over to Marcel to discuss our segmented results in more detail on Slide 5.

Marcel Teunissen — Chief Financial Officer, Parkland Corporation

Thanks, Bob, and good morning, everyone.

As Bob already mentioned, we delivered record results in quarter four and for the full year. This demonstrates the success of our strategy, strength of our growth platform, and consistent operational execution.

Our Canada segment delivered $197 million of adjusted EBITDA in the fourth quarter and $702 million for the year. Both are up approximately 30 percent from last year. We delivered higher fuel unit margins during the quarter driven by our supply advantage.

In food and convenience, we achieved same store sales growth of 6 percent in the quarter, excluding cigarettes. Our merchandising capabilities continue to grow our centre of store offer. During the quarter, sales of salty snacks increased 14 percent, while candy and packaged beverages grew by 12 percent.

M&M also had a great year and contributed to driving our food and convenience gross margin to more than 36 percent in the quarter.

Our loyalty program is also driving growth as JOURNIE members buy more fuel and more convenience items. For context, in the fourth quarter they spent 16 percent more on fuel and 20 percent more in the c-store purchases compared to non-members.

International delivered $110 million of adjusted EBITDA in the fourth quarter and $383 million for the year. This represents an increase of 40 percent and 30 percent, respectively. Performance was driven by the consolidation of Sol, volume growth from increased tourism and economic activity, and our Jamaica acquisition.

During the fourth quarter, weather-related challenges caused supplier delays in the US Gulf Coast and offloading delays in the Caribbean, and these resulted in higher operating costs.

Going forward, we expect the International segment will benefit from strength in the natural resources and tourism sectors and continued growth in the larger economies of Puerto Rico, Dominican Republic, and Jamaica.

USA delivered $46 million of adjusted EBITDA in the fourth quarter and $126 million for the year. Our decision in Q3 to limit spot wholesale activities lowered our Q4 volumes.

Acquisitions and growth in our base business contributed to a 15 percent increase in adjusted EBITDA in Q4. We completed 27 ON the RUN integrations during the year and remain focused on fully capturing synergies from the businesses we have acquired.

Refining delivered $128 million of adjusted EBITDA in the fourth quarter and $516 million for the year. This is an annual record. Our refinery benefitted from strong margins and reliable operations, with composite utilization of 98 percent.

By comparison, the fourth quarter last year was primarily impacted by flooding in BC, which resulted in a temporary closure of the Trans Mountain Pipeline and our refinery.

The capture rate of the indicative 5-3-1-1 crack in the fourth quarter was consistent with quarter three. The refinery continues to capture a high net refining margin and generate substantial cash flow.

Higher costs associated with bio-feedstocks and BC's low-carbon fuel standard continue to drive cracks higher, but results in a mathematically lower capture rate. Assuming these market conditions persist, we expect a capture rate of approximately 55 percent to 65 percent going forward.

The Burnaby Refinery is currently undergoing its planned turnaround, which is on track. We expect to return to normal operations in April.

Moving now to Slide 6. Our balanced capital allocation framework prioritizes deleveraging, followed by increasing shareholder distributions and growing the business organically.

Parkland is in a strong financial position. This underpins our 11th consecutive annual dividend increase.

In addition, we purchased $40 million of Parkland shares during the fourth quarter, and this resulted in the cancellation of approximately 1.5 million common shares. We'll continue to repurchase shares if this represents a good allocation of capital but will not compromise our leverage commitments or liquidity position.

We had liquidity of $1.5 billion at December 31st. Approximately 75 percent of our debt is fixed at an average interest rate of 4.8 percent. Our next bond maturity is in 2026, with most of our bonds maturing near the end of the decade.

We finished the year with leverage of 3.4 turns and see a clear path to less than 3 turns by the end of 2023.

We are now halfway through the four-year strategy outlined at our 2021 Investor Day. Having purposefully accelerated acquisitions, we are focused on integration, synergy capture, and organic growth. We continually review our portfolio to ensure assets fit strategically and can generate attractive returns.

You will have noticed on our balance sheet that we have assets held for sale. This primarily represents high-value real estate, retail sites, and non-core infrastructure assets that we are currently marketing. We expect proceeds will fund a portion of our growth capital.

Now turning to Slide 7. Following our record 2022 results, we have the momentum and capability to grow adjusted EBITDA to $1.7 billion to $1.8 billion this year and then to $2 billion by 2025, without a need for further acquisitions.

At the same time, we expect to reduce our leverage to the low end of our target range of 2 to 3 times by 2025 as we continue to exert capital discipline.

We expect the growth in our adjusted EBITDA to come from incremental contributions from acquisitions completed last year, organic initiatives in each of our lines of business, as well as through integration, synergy capture, and supply optimization.

I will now pass it back to Bob to talk about these initiatives in more detail.

Bob Espey

Thanks, Marcel. Turning to Slide 8. Develop, diversify, and decarbonize are the pillars of our long-term growth strategy outlined in our 2021 Investor Day.

Let me highlight some of the initiatives in each pillar that provide the runway to our $2 billion adjusted EBITDA ambition.

Under our develop pillar, we remain focused on integration activities and capturing synergies. This includes continuous operational enhancements, progressing process and system efficiencies, and realizing the full value of our supply advantage.

Under our diversified pillar, we will continue to expand our ON the RUN convenience store network and are well on our way to our target of 1,000 stores. We look forward to growing our quality food offering with exciting new M&M Food Market concepts. The JOURNIE Rewards program continues to accelerate our digital connection to customers and has now surpassed 4 million members.

Under our decarbonized pillar, we have a track record of innovation and leadership. To support continued growth in co-processing volumes, we are debottlenecking at the Burnaby Refinery and we expect that our renewables marketing and carbon-offset business will continue to grow quickly.

I have confidence in the Parkland team's ability to execute our strategy to deliver on our $2 billion ambition.

With that, we will turn it over to the Operator for questions.

Q&A

Operator

Thank you. We'll now begin the question-and-answer session. Should you have a question, please press the *, followed by the 1 on your touch-tone phone. You will hear a three-tone prompt acknowledging your request.

Should you wish to decline from the polling process, please press the *, followed by the 2.

If you're using a speakerphone, please lift the handset before pressing any keys.

One moment, please, for your first question.

Your first question comes from Neil Mehta of Goldman Sachs. Please go ahead.

Nicolette Slusser — Goldman Sachs

Hi. Good morning. This is Nicolette Slusser on for Neil Mehta. Thanks for taking our question. So first, just wanted to ask about the $1.7 billion to $1.8 billion EBITDA target for this year. Can you just talk a little bit about the upper and lower end of the range? And then what we may need to see to materialize this year to approach closer to that $1.8 billion? Thank you.

Bob Espey

Yeah. We're confident about our range this year. And in terms of upper/lower end, really driven by the margin in the refinery at this point.

Nicolette Slusser

Great. Thank you. And then I understand Parkland will not be going forward with the renewable diesel at the Burnaby Refinery. Can you just provide a bit more colour on the project decision to not go forward. And then if any capital had been allocated towards the future RD planning where that may be shifted over time.

Bob Espey

Yeah. So why don't I lead off on that on why we've decided not to proceed with that.

I would say the biggest change in our business in the renewable space has been the IRA. And what we've seen is there'll be a lot of investment in new capacity and we're just not sure where the market's going to shake out here in the medium term.

The other thing is we've seen cost increase, and at this point decided not to proceed with it because of those unknowns in the marketplace.

Nicolette Slusser

Great. Thanks for the colour.

Bob Espey

Yeah. Sure.

Marcel Teunissen

Let me just maybe comment just on the capital question that was in there as well. And so as you may recall, a significant portion of that project would've been funded by the government, by the BC government, who have been very supportive for this project throughout.

And so in the aggregate, the capital call on the Parkland balance sheet was perhaps limited and a bit further out. And so in that sense and since we hadn't committed to the project and there's no real shift of capital anywhere else, it's just no longer part of our forward plans.

Nicolette Slusser

Thank you.

Operator

Thank you. The next question comes from Ben Isaacson of Scotiabank. Please go ahead.

Ben Isaacson — Scotiabank

Thank you very much, and good morning, everyone. Two questions. First question, just to follow up on the decision not to pursue the renewable diesel complex, does that alter the $2 billion ambition? And if not, how do you refill that gap of lost margin by not pursuing the complex?

Bob Espey

Yeah. It does not impact the $2 billion ambition because that plant would've come onstream towards '26, '27, so it's not factored into that.

In terms of our forward plans, we see many opportunities to continue to grow our business across its many different product lines. And we don't see that that's going to impact the long-term cash projections of the business.

Ben Isaacson

Great. Thank you. And my second question is I just noticed the operating costs and the MG&A '22 over '21 some pretty big increases. In Canada, MG&A was up 50 percent year over year; similar in the US.

Can you parse out how much of that is due to inflation? How much of that is due to acquisitions? And is there a plan to kind of get those numbers down a little bit? Or how do you think about your OpEx and the MG&A? Thank you.

Bob Espey

Yeah. Look, I think you've highlighted the two primary reasons for an increase in those: inflation and M&A. Inflation, we would see a typical 5 percent to 10 percent depending on the region. And on the M&A, the balance would be due to M&A.

We do have plans to continue to integrate. It's part of our path to $2 billion. And that'll impact both of those numbers and typically follow what we've committed to in the past is between our supply, our operating improvements, our back-office improvements, and some growth capital, we get 30 percent to 50 percent lift in the assets that we purchase.

Ben Isaacson

Right. Thank you very much. Appreciate it.

Operator

Thank you. The next question comes from Derek Dley of Canaccord Genuity. Please go ahead.

Derek Dley — Canaccord Genuity

Yeah. Hi. Just a quick one on both guidance for this year and for 2025. Does that include the impact from the refinery turnaround? And I just want to be clear. Is there another turnaround plan for 2025?

Bob Espey

So the guidance that we have out there would include turnarounds. And one of the beauties of our growth is that it is muting the impact of turnarounds. And certainly, if you look at last year versus this year and see that we do have a turnaround plan—we're currently in it—we've been able to grow the business based on growing our marketing businesses.

So again, while we will continue to see periodically the impact of turnarounds, it'll be muted because of the relative size with respect to the marketing business.

Derek Dley

Okay.

Bob Espey

Yeah. No turnaround next year.

Derek Dley

Not next year. But in 2025 is there one?

Bob Espey

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There is. Yeah.

Derek Dley

Yeah. And then the turnaround for this year, I think you just mentioned, should be completed by April. Beginning of April, like late April should we expect there to be some turnaround still in the Q2 numbers?

Bob Espey

Yeah. We're anticipating that the turnaround will be complete here by the end of the quarter. We'll update the market once the plant's back in operation.

And so far everything's on track, so.

Derek Dley

Good. Good. Okay. And then, sorry, just switching gears. I think you've got 25, 26 locations today with the EV chargers in and I get it is early days. But can you just comment on what you're seeing at those sites? Are you seeing a greater flow through of customers into your c-stores? Are their purchasing behaviours different? Or are they what you had anticipated?

Bob Espey

The quick answer is yes. We are seeing our investment thesis prove out in terms of people spending longer at sites, spending more time in the stores.

Our utilization currently is tracking above plan. And as you've said, we're early days in; I think we're about 10 weeks into this. And we'll update investors here once we get better data and can provide the stats that we're seeing within the network.

But again, utilization remains strong and we're seeing good uptake.

Derek Dley

Okay. Great. Thank you very much.

Operator

Thank you. The next question comes from John Royall, JP Morgan. Please go ahead.

John Royall — JP Morgan

Hey, guys. Good morning. Thanks for taking my question. So just thinking about stepping back from the RD project, and not to kind of beat this RD decision to death, but interesting commentary on the IRA and how that advantages US players.

So I guess a natural question that comes out of that is, are there any opportunities to get involved in RD in the US? And would that be interesting to you? And I realize you don't want a refinery in the US, but perhaps partnering on a project that's already being built or something along those lines, are there any types of opportunities like that?

Bob Espey

Yeah. First of all, we need to see how that market develops. Our view is that there'll be a lot of capacity coming on and the markets will likely go long. And the best position to be in is being a buyer in that market.

But again, we'll need to see how that evolves. At this point, we don't have plans to invest in further renewable diesel capacity. And we'll leverage our ability to move product, especially by rail. We have a very good rail capability and can move product around North America quite easily.

John Royall

Great. Thanks, Bob. And then you continue to have this big difference in c-store comps including and not including tobacco, which is, of course, it's not Parkland specific. But I assume the higher prices are a big driver there, which shouldn't be changing anytime soon.

So I guess my question is, is there anything that can be done there? And not in terms of enforcement, which is kind of political and not in your control, but anything with pricing or promotions? Just wondering how you tackle that issue in general?

Bob Espey

Yes. We have seen that trend get better over last year and we continue to see that. Again, and a couple things, if you recall during the pandemic the illicit channel was shut down. That then reopened and we saw part of the volume migrate back into that. We expect that that'll start to balance out.

And then to your point, we have been looking at pricing and promotional pricing—you can't promote cigarettes—in various markets and trying to offset that. I would say, though, it is our lowest-margin category. It's far more important to us that we're growing our middle of store and our food, which is some of the areas of growth that you'll see in '23 and we're quite confident about being able to grow based on the new programs that we're rolling out into the market.

John Royall

Thank you.

Operator

Thank you. The next question comes from Michael Van Aelst of TD Securities. Please go ahead.

Michael Van Aelst — TD Securities

Yeah. Thanks. I wanted to follow up on the Canadian same store sales because you did see some meaningful improvement sequentially throughout 2022, as you mentioned.

I'm just wondering, other than the centre store, couple of centre-store items you pointed out, was there any improvements in the fresh food or specific ON the RUN programs that might have helped out?

Bob Espey

Yeah. So a number of things. Right? So we did—and we'll continue to see this translate through into '23—we did a lot of OTR conversions last year, over 100, which were really in the back half of the year. And so we tend to get immediate lift when we do that.

The second thing, as you point out, is programs. And one that we invested in a lot last year was our food. We call it On the RUN Bistro and you'll see that in our sites, which is primarily focused around the new coffee offer. So we'll see positive uptake on that throughout the year.

And then the third thing is the rebranding of the Husky sites. So we started that late Q4, early Q1 here. We'll continue to see that through the first couple of quarters. And again, in early days we're seeing some significant lift in those sites, both on the fuel and the convenience side. And so '23 should bode well for same store at Parkland.

And then the final relates to cigarettes. We're seeing that kind of level out here and we won't see that pressure going forward.

Michael Van Aelst

Okay. That's helpful. Thank you. So in contrast to the strength you've seen in Canada, the US side seems to have been a different story. It seems to have taken a pretty significant turn downwards in the quarter compared to what you had earlier in the year.

Murphy reported good same store sales and some good numbers in the same period. So I'm wondering, is there something that you could point to that's either company or region specific to explain the weakness in the US c-store business, even if it is small?

Bob Espey

Look, that business we're currently integrating a lot of assets. We're also rebranding assets, so there is some volatility in the sales data.

As to specifically what categories are up or down, I don't know that. We can do a follow-up call to provide that. But again, that business remains robust, it remains on track, and we expect to see some good comps here going into next year.

Michael Van Aelst

All right. Thank you. And just one last follow-up on the Canadian part. The MG&A, you called out higher labour, travel, and marketing costs, or like I guess a normalization of that spend. Do you cycle that at the end of Q1? Or is that cycled now?

Bob Espey

Well, so we did close a number of transactions last year, which led to the escalation in MG&A and OpEx. Exact timing of those, I mean, they were really throughout the year, depending on which business unit. So we'll start to see that level out here through the year and come down as we start to push on the synergy side of the businesses.

Michael Van Aelst

All right. Thank you.

Operator

Thank you. The next question comes from Matthew Weekes, iA Capital Markets. Please go ahead.

Matthew Weekes — iA Capital Markets

Good morning. Thanks for taking my question. I think you've touched on a few of these kind of factors. But just thinking about the increase in kind of adjusted gross margins on the retail side of the business, particularly in Canada, and the increase of food and convenience proportionately in that mix, I'm just wondering if you could comment on sort of some of the key factors beyond the initial acquisition of the M&M chain that's been driving at that and factors that you expect to continue to drive that evolution in the next going forward? Thanks.

Marcel Teunissen

Yeah. Thank you, Matt, for your question. So Bob already highlighted a bit earlier that the c-store, as part of our strategy and our overall destination kind of strategy for the retail side, that that is a primary focus area. And the food strategy has been critical; M&M, of course, be one of those.

And in 2023, we'll demonstrate how we can actually integrate and benefit from owning M&M, as well as our ON the RUN network. And we're quite excited about it.

Bob already mentioned the Bistro concept with the coffee, which we have repositioned. And that's driving some of that within the food category as well and we continue to see that.

The conversions of the Husky sites, which we're kind of just starting with those and putting ON the RUNs in the major ones which have that potential, so that will lead to good comps as well. And again, food is a part of that convenience yield.

So that's why kind of having bought all of the stuff over the last two years, and especially some of that over the last quarters, we're now kind of in a mode where we can capture that. We can grow that top line. We can go after the cost elements, et cetera, to drive better returns out of those acquisitions.

Matthew Weekes

Okay. Thank you. I'll turn it back. Thanks.

[audio gap]

Peter Sklar — BMO Capital Markets

Hello?

Marcel Teunissen

Can you hear us?

Bob Espey

Oh, hi. Hi, Peter.

Marcel Teunissen

Hi there, Peter. Go ahead.

Peter Sklar

Yeah. I don't know if it was me or you, but everything just went dead there for a second.

Marcel Teunissen

It must have been you then, Peter.

Peter Sklar

Yeah. Sorry about that. Okay. On the refinery, can you elaborate somewhat on the compliance costs exactly what these regulations are? How it works? And how you satisfy those regulations? I take it you blend in your own biodiesel, or you purchase biodiesel from others, or you buy credits.

And the fact that you've cancelled this renewable complex, like how does that impact your ability to satisfy these compliance costs five years out? And I take it that the regulations are only going to become more and more stringent.

Marcel Teunissen

Yeah. And I'll take it—

Bob Espey

Sure. Why don't you lead off? Yeah.

Marcel Teunissen

—to comment. So you might recall, Peter, that we actually shared some of those specs kind of during the year last year as well. So maybe overall, the BC low-carbon fuel regulation has basically tightened over time on the carbon intensity of what we sell. So the sellers to customers have that obligation to meet that.

And the most economic way—or to start meeting and everybody does to this to blend ethanol—then we blend biodiesel or FAME into diesel. But all those have restrictions. And then the only way to really comply with is to actually sell or blend renewable diesel.

And then for renewable diesel, there are two pathways. You got to either import it from primarily the US where this gets produced, or we can make it. So our current activities around co-processing, and by co-processing bio-feed at the refinery in the current regulation, we comply with that. It's our pathway. And I think the way that we described it last year where co-processing is probably about the cost of 2 times diesel. Actually, importing renewable diesel is about 3 times the cost of diesel, so there is an advantage of doing it ourselves.

And as Bob as well said, although we've decided not to proceed with the stand-alone RD plant, we'll continue to expand our co-processing volumes. Over last year, we did just over 2,000 barrels a day. But we've already said we kind of debottlenecked the refinery to get to 5,500 barrels a day. And then we'll look what we can do beyond. And so within that pathway of co-processing, we can comply for quite a period with our own obligation.

And then the question perhaps is, is the renewable diesel manufacturing capacity in the US, which is rapidly expanding, does that continue to provide a cost advantage or not? Or is it actually an option to import renewable diesel at that point economic or equivalent to actually doing it yourself, but then without the capital costs?

So that's kind of the way to think about it. We believe that, at least for the foreseeable future, there will be lots of renewable diesel available in the market as the US subsidies start kicking in and everybody starts throwing money at this. And I think it's then at that point in time when we get a bit further in the future where we can decide what's the most economic pathway for us with the most certainty.

So maybe that provides a bit of context on how we think of compliance through time.

Peter Sklar

Right. And then just one follow-up. Like what proportion of your requirements are currently satisfied through your own co-processing abilities?

Bob Espey

Yeah. Currently, we can fully meet our obligation and we actually can earn extra credits through our co-processing.

Marcel Teunissen

Yeah.

Peter Sklar

Okay. Okay. Thank you.

Operator

Thank you. There are no further questions at this time. I will turn the call over to Bob Espey for closing remarks.

Bob Espey

Great. Thanks for joining us. We look forward to chatting in a couple of months.

Operator

Ladies and gentlemen, this does conclude the conference call for today. We thank you for your participation, and ask that you please disconnect your lines.

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