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# Unpacking Canada's Fossil Fuel Subsidies

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Their size, impacts,  
and what should  
happen next

Oil, gas and coal are multi-billion dollar businesses, yet every year fossil fuel companies get billions in tax breaks and

## handouts.

In a world that's shifting to cleaner sources of energy, those subsidies don't make sense—especially when they work against the other actions we're taking to fight climate change.

Prime Minister Justin Trudeau and his government have promised to stop subsidizing fossil fuels in Canada—that was a clear and specific promise in their election platform (<https://www.liberal.ca/files/2015/08/A-new-plan-for-Canadas-environment-and-economy.pdf>). But the federal government's latest budget actually locked in some fossil fuel subsidies for another 10 years.

Taxes and subsidies are a complicated topic. This website was created to cut through the jargon, so you can understand what's really happening, debate it, and propose solutions for Canadians and Canada's economy.

### WHAT ARE FOSSIL FUEL SUBSIDIES?

A subsidy is a financial benefit that the government gives, usually to a specific business or industry. Economists can debate the difference (<https://www.iisd.org/gsi/getting-know-subsidies>) between a subsidy and “support” for hours, but that's a pretty good plain-English definition. (It's also roughly how the World Trade Organization defines ([https://www.wto.org/english/tratop\\_e/scm\\_e/subs\\_e.htm](https://www.wto.org/english/tratop_e/scm_e/subs_e.htm)) the term.)

The benefit from a subsidy can be a direct handout of cash or a tax break that has the same effect. Either way, it's more money in the pocket of whoever receives the subsidy.

A **fossil fuel subsidy** goes to fossil fuel producers or consumers—whether it's for digging coal out of the ground, shipping gas through a pipeline or burning oil for energy.

### HOW MUCH DOES CANADA GIVE OUT IN FOSSIL FUEL SUBSIDIES?

About \$3.3 billion for oil and gas producers (currency in Canadian dollars).

That includes measures like reduced property taxes and special tax deductions for the industry, as well as direct infusions of cash from the government to companies. You can find a list of key subsidies [below](#).

Both the federal and provincial governments are providing these subsidies. Examples of federal programs include the Canadian Development Expense, the Canadian Exploration Expense, and the Atlantic Investment Tax Credit, with a yearly average value of \$1 billion, \$148 million and \$127 million, over 2013 to 2015. Examples of provincial programs include Crown Royalty Reductions in Alberta with an average value of \$1.16 billion and the Deep Drilling Credit in British Columbia valued at \$271 million, over the same years.

## WHAT DO FOSSIL FUEL SUBSIDIES COST ME?

\$3.3 billion is obviously a lot of money. Let's put it in perspective.

- That would pay for education for **260,000 students** (Canada's average annual spending per student is \$12,700 (<https://www.fraserinstitute.org/studies/enrolments-and-education-spending-in-public-schools-in-canada>)).
- It would provide Canadians **a hospital bed for 16,000,000 days** (average cost of a hospital bed per day is \$202 for primary care (<http://www.who.int/choice/country/can/cost/en/>)).
- It would offer **job training for 330,000 workers** (Canada Job Grants provide up to \$10,000 to help workers gain the right skills ([http://www.esdc.gc.ca/en/job\\_grant/employers.page](http://www.esdc.gc.ca/en/job_grant/employers.page))).
- Or it's **\$94 dollars in the pockets of every Canadian each year.**

**SO THEY'RE EXPENSIVE AND WE COULD DO BETTER THINGS WITH THE MONEY. IS THAT THE PROBLEM WITH FOSSIL FUEL SUBSIDIES?**

Yes, but it gets worse. Not only are fossil fuel subsidies a bad idea, but they're doing damage to some of Canada's good ideas.

Most Canadians currently live in a province with some kind of price on carbon pollution, whether it's in place or under development. The plan is to make that national. Much like Canada's past success in stopping acid rain, putting a price on carbon pollution is a key part of the global fight against climate change.

Fossil fuel subsidies work against that—they give money and tax breaks to the sources of carbon pollution that we're trying to scale back. **It's like raising taxes on cigarettes to discourage smoking, while also giving tobacco companies a tax break so they can make more cigarettes.**

## **DIDN'T PRIME MINISTER JUSTIN TRUDEAU SAY HE WOULD DO SOMETHING ABOUT THIS?**

Yes. When the Liberals were running for election in 2015, they promised to end fossil fuel subsidies. It's right here (<https://www.liberal.ca/files/2015/08/A-new-plan-for-Canadas-environment-and-economy.pdf>), on page 5 of their “environment and economy” plan:

*“We will fulfill Canada's G-20 commitment to phase out subsidies for the fossil fuel industry.”*

That's the plan that Justin Trudeau launched with a major speech (<https://www.youtube.com/watch?v=zZ4LFwNqF40>) in Vancouver last summer, leading to headlines like this one (<http://www.cbc.ca/news/politics/justin-trudeau-s-environment-plan-end-fossil-fuel-subsidies-invest-in-clean-tech-1.3131607>):

(<http://www.cbc.ca/news/politics/justin-trudeau-s-environment-plan-end-fossil-fuel-subsidies-invest-in-clean-tech-1.3131607>).

Along with the United States and Mexico, Canada has also publicly called (<https://www.whitehouse.gov/the-press-office/2016/06/29/leaders-statement-north-american-climate-clean-energy-and-environment>) for other G20 countries to end fossil

fuel subsidies in less than a decade. But we haven't taken the necessary steps to live up to the commitment at home yet.

## WHAT'S THE GOVERNMENT'S STORY?

So far, the government has been quiet about the details of its plan. As part of its G20 commitment, Canada has said that it will eliminate "inefficient" subsidies. But that hasn't been clarified—nobody knows which subsidies will or won't be considered inefficient.

## WHAT SHOULD CANADA DO?

To start, Canada should stop introducing new subsidies for fossil fuel companies. We also shouldn't be extending the lifespan of any existing subsidies that are scheduled to expire.

Second, the government should announce when it will end all of the fossil fuel subsidies listed below, to keep the promise the prime minister made during the election.

Now is the time for Canada to remove its fossil fuel subsidies under an ambitious timeline.

## CAN YOU TELL ME MORE ABOUT THESE SUBSIDIES?

These some of the largest current subsidies to the fossil fuel industry in Canada.

Subsidy name	Who gives it?	Who gets it?
<u><a href="https://www.iisd.org/gsi/sites/default/files/ffs_awc_3canprovinces.pdf">Canadian Development Expense</a></u> ( <a href="https://www.iisd.org/gsi/sites/default/files/ffs_awc_3canprovinces.pdf">https://www.iisd.org/gsi/sites/default/files/ffs_awc_3canprovinces.pdf</a> )	Canada	Oil and gas companies
<u><a href="#">Canadian Exploration Expense</a></u>	Canada	Oil and

<a href="https://www.iisd.org/gsi/sites/default/files/ffs_awc_3canprovinces.pdf">https://www.iisd.org/gsi/sites/default/files/ffs_awc_3canprovinces.pdf</a> )		gas companies
<u>Crown Royalty Reductions</u> ( <a href="http://www.energy.alberta.ca/About_Us/1001.asp">http://www.energy.alberta.ca/About_Us/1001.asp</a> )	Alberta	Oil and gas companies
<u>Deep Drilling Credit</u> ( <a href="http://bcbudget.gov.bc.ca/default.htm">http://bcbudget.gov.bc.ca/default.htm</a> )	British Columbia	Gas companies
<u>Atlantic Investment Tax Credit</u> ( <a href="https://www.fin.gc.ca/taxexp-depfisc/2016/taxexp1602-eng.asp#_Toc442180630">https://www.fin.gc.ca/taxexp-depfisc/2016/taxexp1602-eng.asp#_Toc442180630</a> )**	Canada	Oil and gas companies
Other subsidies	Federal and provincial	Oil and gas companies
<b>Total</b>		

\* The exact amount changes from year to year, so this is a yearly average based on estimates from the period 2013-2015 with specific data used for all years available and averaged. During periods of higher oil prices, royalty payments will also tend to be higher. As such, the impacts of royalty reductions (such as those in Alberta) were higher in 2013 than in 2015”.

\*\* The oil and gas component of this program is scheduled to be phased out (<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns409-485/412/tlntc-eng.html>) in 2017.

You can learn more from this detailed report (<http://www.iisd.org/library/g20-subsidies-oil-gas-and-coal-production-canada>), which gives a detailed breakdown of fossil fuel subsidies in Canada in 2013-2014. The IISD Global Subsidies Initiative (<http://www.iisd.org/gsi>) has produced a wealth of information on subsidies to fossil fuels globally and in Canada.

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