Fact Sheet: Fossil Fuel Subsidies

Why Have Governments Pledged to Eliminate Fossil Fuel Subsidies?
At their 2009 Summit meeting in Pittsburgh, the leaders of the Group of Twenty principal world economies pledged to “phase out ... over the medium term inefficient fossil fuel subsidies ... [that] encourage wasteful consumption, distort markets, impede investment in clean energy sources and impede efforts to deal with climate change.”[1] At the time subsidies to fossil fuels by the federal government in Canada were estimated at around $1 billion a year.[2]

What Progress Has Canada Made since 2009?
Between 2011 and 2015 the government of Canada phased out the Accelerated Capital Cost Allowance, one of the principal subsidies available to tar sands operations. This subsidy allowed companies to defer taxes on the capital costs of new projects and was worth an estimated $300 million a year. Another tax deduction for tar sands assets such as leases that was worth an estimated $50 million a year was also phased out by 2011.[3]

What are the Principal Remaining Subsidies?
The most important remaining federal subsidies are two tax deductions, the Canadian Development Expense and the Canadian Exploration Expense, with a combined value of around $711 million a year.[4]

Does the Failure to Make Fossil Fuel Companies Pay for the Costs of Pollution Constitute a Subsidy?
Some economists maintain that there is an implicit subsidy for fossil fuel producers and users when they are not required to pay for the costs of what are known as “externalities”. For example, public health care systems pay for the costs of respiratory diseases caused by air pollution. According to the Pembina Institute the social costs of carbon use could be as high as $4 billion to $18 billion a year in Canada.[5]

Are There Other Ways the Government Subsidizes Fossil Fuels?
Two omnibus bills that implemented the 2012 federal budget contained several provisions of a non-monetary nature that effectively facilitate fossil fuel extraction and pipeline projects. The omnibus budget implementation bills, known as Bills C-38 and C-45, made changes to the *Fisheries Act*, the *Environmental Assessment Act*, the *Navigable Waters Protection Act*, and the *Species at Risk Act.* Some of the changes include permitting serious harm to fish habitat without protecting Aboriginal commercial fisheries; removing particular components (such as water, fish or birds) from the definition of “environment” and significantly shortening the time allowed for assessments of resource projects; removing protections for endangered species as well as thousands of lakes and millions of rivers. Many of these changes resulted from lobbying by the Canadian Association of Petroleum Producers and the Canadian Energy Pipeline Association.[6]

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[1] *G20 Leaders' Statement: The Pittsburgh Summit*. September 24-25, 2009. Paragraphs 24 and 29.

[2] John Dillon and Ian Thomson. *Pumped Up: How Canada subsidizes fossil fuels at the expense of green alternatives*. Toronto: KAIROS: Canadian Ecumenical Justice Initiatives. 2008. Page 4.

[3] Sarah Dobson and Amin Asadollahi. *Fossil Fuel Subsidies: An analysis of federal financial support to Canada's oil sector*. Calgary: The Pembina Institute. July 2014. Table A.1 Page 32-33.

[4] Ibid. Table A.2 Page 34.

[5] Ibid. Page 2.

[6] See *Who is the Government of Canada Listening to?* KAIROS: Canadian Ecumenical Justice Initiatives. January 22, 2013. at http://www.kairoscanada.org/sustainability/who-is-the-government-of-canada-listening-to/