

May 29, 2023

To: The Right Honourable Justin Trudeau, Prime Minister of Canada

CC: Chrystia Freeland, Deputy Prime Minister, Minister of Finance
Jonathan Wilkinson, Minister of Natural Resources Canada
Steven Guilbeault, Minister of Environment and Climate Change

Re: Eliminating fossil fuel subsidies through a robust assessment framework

Dear Prime Minister Trudeau,

It has been over a decade since Canada first committed to ending inefficient fossil fuel subsidies. Instead of fulfilling this promise, the Government of Canada has continued to provide billions of dollars to oil and gas companies year after year. Now, the federal government has a critical opportunity to correct its track record and become a global leader in its efforts to eliminate fossil fuel subsidies.

The much-anticipated Assessment Framework for Fossil Fuel Subsidies has the potential to set an example for the rest of the world – if the framework delivers the highest possible ambition. Conversely, a weak framework could damage Canada's credibility in international fora and set a dangerous precedent for other countries.

Over 100 environmental, health, human rights and civil society organizations across Canada and around the world urge you to ensure that the following items are included in the framework:

1. A robust definition of fossil fuel subsidies

Canada should use the World Trade Organization Agreement on Subsidies and Countervailing Measures Article 1.1 definition of subsidies to ensure all relevant measures are captured in the review. This definition includes financial benefits provided to businesses or industries, including direct transfers, foregone revenue, transfer of risk, loan guarantees and provision of goods and services. Failure to use this internationally-credible subsidy definition would result in a number of measures being overlooked for assessment, defeating the purpose of the original commitment to reform fiscal measures that are economically and environmentally harmful.

2. Subsidies to be included in the review

The definition of subsidy used must ensure that all tax and non-tax measures that benefit fossil fuel producers are captured in the review, including:

- Tax measures analyzed by the [Parliamentary Budget Office](#), including Canadian development expenses.
- Measures identified in the [inventory of supports for fossil fuels](#) as compiled by the Organisation for Economic Co-operation and Development.

3. Aligning 'efficiency' assessment with Canada's climate commitments

Earlier this year, the Government of Canada ended international fossil financing. This policy sets an important precedent – but doesn't tackle much of Canada's outsized support to the fossil fuel sector. The Assessment Framework must build off the important precedent set in order to ensure coherence between Canada's domestic and international approach and eliminate remaining financial support to the fossil fuel sector. The following criteria – which were included in the international public financing policy – should be included in the Assessment Framework. Subsidies should only be considered "efficient" if they:

- Align with Canada's Nationally Determined Contribution and a 1.5°C pathway, in line with the Paris Agreement.
- Do not result in the expansion or continued production of oil and gas, i.e. carbon lock-in. For instance, if a subsidy is supporting new or updated fossil fuel infrastructure that will enable or prolong the continued extraction and use of fossil fuels over decades, it cannot be considered efficient.
- Will not risk creating stranded assets or dead-ends, particularly in the context of projected demand decline for oil and gas.
- Will not delay or diminish the transition to renewables, or create market distortions which favour oil and gas over renewable energy.

In addition, the Assessment Framework must uphold the Polluter Pays Principle, which ensures that oil and gas companies do not pass on the costs of reducing emissions or environmental clean-up onto the public. The cost of investments for emissions reductions in the fossil fuel sector should be borne directly by the companies themselves. In order to ensure these outcomes, the government must implement strong regulatory frameworks.

Subsidies that ensure energy security for equity-deserving communities (including Indigenous, black, immigrant and low-income communities) who are already dealing with energy poverty should also be considered efficient.

While all G20 countries share the commitment to eliminate inefficient subsidies, Canada is the only G20 country which has accelerated the timeline from 2025 to 2023. In order to achieve the 2023 deadline, **it is critical that the Assessment Framework be released before Parliament rises in June.**

Finally, the bulk of the financial support being provided to oil and gas companies by the Government of Canada is in the form of public financing, predominantly through Export Development Canada and other crown corporations. In 2021, the Government of Canada committed to ending all domestic public financing to oil and gas companies. However, there has been no progress to date on the commitment. Alongside the release of the Assessment Framework, the Government of Canada must announce a timeline and plan to phase out public finance.

The pathway to zero emissions and a climate-safe future does not include subsidies or public financing for the oil and gas industry. It's time for Canada to turn off the financial taps to Canada's most polluting industry.

Sincerely,

Environmental Defence
Climate Action Network - Réseau action
climat Canada
David Suzuki Foundation
Association of Nurses for the Environment
Oil Change International
Équiterre
Indigenous Climate Action
Destination Zero Canada
Black Environmental Initiative
Canadian Coalition for Environmental and
Climate Justice
Nature Canada
Greenpeace Canada
Oxfam Canada
Ecojustice
Shift: Action
Stand.earth
Association québécoise des organismes de
coopération internationale
Conservation Council of New Brunswick
350 Canada
Sierra Club Canada Foundation
My Sea to Sky
Inter Pares
For Our Kids Toronto
Neighbours United
East Kootenay Climate Hub
Climate Legacy
Re_Generation
New Brunswick Anti-Shale Gas Alliance
Climate Justice Saskatoon
Grandmothers Act to Save the Planet
Friends of the Earth United States
Climate Emergency Institute
West Kootenay Climate Hub
Surrey for Future
Citizens' Climate Lobby Canada

Coalition for Responsible Energy
Development in New Brunswick
Clean Air Partnership
Oxfam-Québec
Seniors for Climate Action - Ottawa
Sustainable Energy Group, N.B.
La Pêche Coalition for a Green New Deal
Canadian Health Association for
Sustainability and Equity
Milieudéfense/ Friends of the Earth
Netherlands
Protect Our Winters Canada
Windfall Ecology Centre
Kootenay Outdoor and Environmental
Learning Society
Alberta Beyond Fossil Fuels
Ontario Clean Air Alliance
Shuswap Climate Action Society
Chase Environmental Action Society
Okanagan Climate Hub
Amazon Watch
Wildsight
Nanaimo Climate Action Hub
Kelowna Tree Protectors
Chilliwack Citizens for Change
Dogwood
BC Climate Alliance
Sierra Club BC
Southern Alberta Group for the Environment
Georgia Strait Alliance
BC Hydro Ratepayers Association
Leadnow
Fundación Ambiente y Recursos Naturales,
Argentina
Force of Nature Alliance
Denman Island Climate Action Network
Green 13
Action Environnement Basses-Laurentides
Global Peace Alliance

Cowichan Climate Hub
Burnaby For Our Kids
Fund Our Future
Science for Peace
Toronto350
Below2C
Tearfund Canada
KAIROS: Canadian Ecumenical Justice
Initiatives
Armstrong/Spallumcheen Climate Action
Chemainus Climate Solutions
View Royal Climate Coalition
OneUpAction International
Climate Action for Lifelong Learners
350 Colorado
Above Ground (a project of MakeWay)
Nelson and District Council of Canadians
Council of Canadians
Australian Rainforest Conservation Society

Australian Religious Response to Climate
Change
Elephanatics Conservation Education
Action Society
Fridays for Future US
Doctors and Nurses for Planetary Health -
Kootenay Boundary
Environmental Investigation Agency UK
One Cowichan
For Our Grandchildren
7th Generation Initiative
Climate Action Now! (CAN!) North
Okanagan
People's Health Movement - Canada
Canadian Unitarians for Social Justice
Regroupement Vigilance Hydrocarbures
Québec
ClimateFast
Stop Ecocide Canada