



Climate Action Network Canada Réseau action climat Canada

Fossil Fuel Subsidies and Tax Breaks in Canada

Quick Facts:

- The Government of Canada gives the oil and gas sector \$1.4 billion per year in subsidies, \$840 million of which are in the form of special tax breaks.ⁱ
- Polls show that 7 in 10 Canadians would support a phase out of these subsidies.ⁱⁱ
- Along with other G20 nations, Prime Minister Harper promised to phase out “inefficient fossil fuel subsidies” over the “medium term” at a G20 meeting in Pittsburgh in 2009. Since then, the federal government has not made any new commitments to phase out the tax breaks it offers to the companies producing oil and gas in Canada.ⁱⁱⁱ
- In advance of the G20 meeting in Toronto last year, senior officials from the Department of Finance urged Finance Minister Jim Flaherty to phase out these subsidies for both economic and environmental reasons.^{iv} This advice was ignored, with Canada making no new commitments to reduce its subsidies. Under Canada’s leadership, G20 leaders did not agree to new actions on fossil fuel subsidies in the final G20 communiqué.^v
- The phase out of these subsidies would move Canada towards a more neutral and fairer tax system, something this government endorsed in its Advantage Canada plan.^{vi}
- By continuing to give special subsidies to the oil and gas sector, the government is favouring rapid expansion of polluting fossil fuel mega-projects such as the tar sands, the country’s fastest growing source of global warming pollution. Reports show that carbon pollution from the tar sands is 12 percent higher than it would be if this sector were not subsidized.^{vii}
- In a time when the federal government is running major deficits, ending these perverse tax breaks could generate hundreds of millions of dollars in revenue to help provide crucial public services. In particular, the savings from phasing out federal fossil fuel subsidies could be used to invest in clean energy at a time when the federal government’s only large support program for renewable energy has run out of funding to support new projects. The money saved from ending these tax breaks could also be used to fund Canada’s fair share of the international commitment to help vulnerable people in developing countries as they take action on climate change.
- Special tax breaks to this sector undermine efforts by provincial governments and individual Canadians to reduce emissions and avoid the worst impacts of climate change.

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- ⁱ International Institute for Sustainable Development, November 2, 2010. Fossil fuels: at what cost? Government support for upstream oil activities in three Canadian Provinces. <http://www.iisd.org/media/pres.aspx?id=180>
- ⁱⁱ De Souza, Mike. The Calgary Herald, June 25, 2010. *2 in 3 Canadians want G8/G20 summiteers to discuss fossil fuel fix: Poll*. <http://www.calgaryherald.com/technology/Canadians+want+summiteers+discuss+fossil+fuel+Poll/3201488/story.html>
- ⁱⁱⁱ Pittsburgh G20 Leaders' Statement, paragraph 24, September 25, 2009, http://www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf
- ^{iv} Leaked memo from Michael Horgan to the Minister of Finance, March 18, 2010.
- ^v G20 Toronto Summit Declaration, June 27, 2010, http://www.g20.org/Documents/g20_declaration_en.pdf
- ^{vi} See analysis in Climate Action Network Canada, November 4, 2010. Fuelling the problem: why it is time to end tax breaks to oil, coal and gas companies in Canada. <http://www.climateactionnetwork.ca/e/publications/fuelling-the-problem-climate-action-network-canada.pdf>
- ^{vii} ^{vii} International Institute for Sustainable Development, November 2, 2010. Fossil fuels: at what cost? Government support for upstream oil activities in three Canadian Provinces. <http://www.iisd.org/media/pres.aspx?id=180>