Canada needs to cap its pipeline of fossil fuel supports

Rather than attempting to revive yesterday's energy and economic systems, the federal government has an opportunity to 'build back better' by supporting the transition to renewable energy and a more equitable economy.

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Opinion

In the midst of unprecedented heat waves, Canada's climate policy paradox—promising climate action, while instead supporting fossil fuel extraction—was exposed yet again this week.

A new report by the International Institute for Sustainable Development (IISD), an internationally reputed research institute, reveals new details about how federal and provincial governments continue to bankroll the fossil fuel sector. Supporting the sector with taxpayer dollars contradicts the country's climate commitments and is an increasingly unsafe financial bet.

This new research found that the federal and provincial governments have given at least $23 billion in support to oil and gas pipelines over the past three years—$10 billion of this since the onset of the COVID-19 pandemic.

These staggering estimates are understated, due to a lack of transparency. Canada is among the worst-performing countries on government transparency and on phasing out fiscal support and public finance to fossil fuels; demonstrated most recently when the federal government redacted thousands of pages of documents on its financial support for the Trans Mountain project.

Financing for pipelines is the tip of the iceberg of support the industry receives. Data on foregone revenues from tax credits, accelerated depreciation write-offs, and other taxable deductions to the fossil fuel industry are not disclosed. From what we do know, Canadian governments provide at least $4.8 billion in fossil fuel subsidies every year.

Moreover, some public funds to the fossil fuel sector, including some pipeline support measures, are not counted as subsidies. Export Development Canada, for example, extends at least $13 billion in public finance to the oil and gas industry annually. Canada's Emergency Wage Subsidy is also not considered a fossil fuel subsidy, yet Canada's four fossil fuel corporations collectively received over $250 million in wage support. Imperial Oil alone received $120 million in wage support while concurrently issuing $320 million in dividends.

The federal government is artificially propping up fossil fuel production that is otherwise not economically viable. Last month, the International Energy Agency (IEA), globally renowned for providing energy advice to industrialized countries, urged governments to stop investing in new oil, gas, and coal development now. The IEA's executive director also ominously cautioned that investing in oil and gas is likely a "junk investment."

Here in Canada, the benefits of the sector are in decline: as oil and gas production reached record levels over the last decade, the industry shed 53,000 workers as the revenues paid to governments nosedived. Meanwhile, wind, solar, and energy storage prices are "plummeting." Global firms and investors are pivoting to seize the advantages, as is the labour movement. The International Labour Organization estimates 24 million green energy jobs will be created this decade.

What is more, oil, gas, and coal are driving the climate crisis and its own daunting economic and health costs. By mid-century, climate disruption will likely cause deaths "the equivalent of a coronavirus crisis every year," as Mark Carney, the United Nations envoy for climate action and finance has warned.

In this context, support for fossil fuels is not in Canada's national economic interest. Rather, it is a costly gamble of public funds. Case in point: Albertan taxpayers have lost at least $1.3 billion of the $7.5 billion their provincial government wasted supporting the cancelled Keystone XL pipeline.

Rather than gambling workers' futures and more public funds on fossil fuel assets that may become stranded, Canada should invest in a just transition that supports workers and communities and ensures they can reap the rewards of the low-carbon economy of the future.

A just transition is a safe alternative to the wide-ranging costs of status quo fossil fuel development—and Canada's pathway is clear, as are the employment benefits: the renewable energy sector is predicted to employ 559,400 Canadians by 2030. Workers are needed to insulate homes, electrify transit, install and maintain small-scale renewable energy, and more. Canada's major unions are preparing to lead this effort. Unifor has prioritized enacting a just transition and urges Canada to aim for a 60 per cent emissions reduction by 2030, while Blue Green Canada unites unions and environmental organizations to create and maintain good jobs while ensuring climate stability.

The transition requires the federal and provincial governments to redirect financial support for fossil fuels to a low-carbon future. It also means seeing subsidies and other support measures for what they are: a tax on the public. The $10 billion governments gave to pipelines last year is equivalent to a $263 "pipeline tax" on every Canadian.

Rather than attempting to revive yesterday's energy and economic systems, the government of Canada has an opportunity to "build back better" by supporting the transition to renewable energy and a more equitable economy.

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The Hill Times