3RD CANADA

G7 FOSSIL FUEL SUBSIDY SCORECARD

Despite Canada's commitments to phase out fossil fuel subsidies and tackle climate change under the Paris Agreement, the government – like all G7 governments – continues to provide billions in support to oil, gas and coal, both domestically and internationally, through fiscal support and public financing mechanisms.

Overview

Canada has shown leadership by being the only G7 country to reform fiscal support for fossil fuel exploration since the end of 2016 (through changes to the Canadian Exploration Expense [CEE] Claims), and one of only two G7 members, alongside the United States (US), to reform fiscal support for oil and gas production (through changes to elements of flow-through shares renunciation).

But in both cases, the reform did not entirely remove fiscal support for those activities. Additionally, the continued existence of several other fiscal support policies, alongside financial transactions completed by Canada's Export Development Canada (EDC), mean that Canada scores relatively poorly given its continued government support for both oil and gas production and exploration (2015 and 2016). In terms of transparency, Canada has not yet committed to conduct a peer review of its subsidies under the G20 process.

Canada scored well relative to other G7 governments in terms of its comparatively low level of support provided to fossil fuel-based power generation (2015 and 2016). This is, to a large extent, thanks to several Canadian provinces relying mostly on renewable energy sources to generate electricity.

Scoring G7 progress in ending government support for fossil fuels

	CANADA	FRANCE	GERMANY	UK	ITALY	JAPAN	US
Overall score and ranking	**3rd** 54/100	**1st** 63/100	**2nd** 62/100	**4th** 47/100	**5th** 46/100	**6th** 44/100	**7th** 42/100
1. Transparency	**6th** 25/100	**3rd** 50/100	**1st** 90/100	**7th** 10/100	**3rd** 50/100	**5th** 30/100	**2nd** 70/100
2. Pledges and commitments	**4th** 75/100	**1st** 83/100	**1st** 83/100	**1st** 83/100	**5th** 58/100	**6th** 50/100	**7th** 25/100
3. Ending support for fossil fuel exploration	**3rd** 42/100	**1st** 63/100	**1st** 63/100	**4th** 38/100	**4th** 38/100	**7th** 29/100	**4th** 38/100
4. Ending support for coal mining	**1st** 75/100	**1st** 75/100	**4th** 60/100	**5th** 55/100	**1st** 75/100	**6th** 45/100	**7th** 20/100
5. Ending support for oil and gas production	**7th** 25/100	**1st** 54/100	**1st** 54/100	**3rd** 42/100	**3rd** 42/100	**5th** 38/100	**6th** 33/100
6. Ending support for fossil fuel-based power	**1st** 71/100	**2nd** 64/100	**6th** 39/100	**3rd** 50/100	**7th** 29/100	**4th** 46/100	**5th** 43/100
7. Ending support for fossil fuel use	**2nd** 67/100	**4th** 54/100	**6th** 46/100	**5th** 50/100	**7th** 33/100	**1st** 71/100	**2nd** 67/100

Source: see G7 fossil fuel subsidy scorecard and Methodology note for references.

This country scorecard is one in a seven-part series. The country findings are collated in the summary report, which you can find at **odi.org/g7-scorecard** along with full references and further information about the methodology and data source used. This scorecard was written by Yanick Touchette, and peer reviewed by Annie Bérubé (Equiterre) and Patrick DeRochie (Environmental Defence Canada).

The authors gratefully acknowledge the financial support of the KR Foundation that made this report possible.

3RD CANADA

G7 FOSSIL FUEL SUBSIDY SCORECARD

Indicators

1. Transparency — 25/100

- Canada has not yet participated in a fossil fuel subsidy peer review process as part of the G20 countries' longstanding commitment to phase out subsidies, nor has it so far committed to do so.
- Canada's Office of the Auditor-General attempted to audit Canada's progress in reforming fossil fuel subsidies in the country, but was unable to access several data sources as they were not provided by Finance Canada.
- Canada's export credit agency, EDC, does provide transaction-level data on fossil fuel projects, but lacks details such as stage of project development and exact amounts.

Canada must improve transparency as it does not publish specific reports on fiscal support for fossil fuels.

2. Pledges and commitments — 75/100

- Beyond its G7 and G20 commitments, Canada has made one other specific pledge to end fossil fuel subsidies: to phase out subsidies harmful to biodiversity by 2020, via the Aichi Biodiversity Target 3.
- Canada's EDC has set restrictions on financing coal-fired power plants.

3. Ending support for fossil fuel exploration — 42/100

- Canada reformed the CEE Claims in 2017 to reclassify certain expenses (such as those related to successful discovery wells) as development expenses, which are deducted at a lower rate, but did not remove CEE claims entirely.
- EDC completed three transactions financing oil and gas exploration in Canada over the course of 2015–2016, and just under 30 transactions during the same period in regions including Latin America, North America, and South and East Asia.

4. Ending support for coal mining — 75/100

- Canada continued to provide several fiscal support measures to coal mining domestically, mainly through general mining tax provisions that are also available to coal mining operations.

5. Ending support for oil and gas production — 25/100

- In 2017, Canada reformed how certain firms could reclassify a portion of development expenses into exploration expenses (when renounced to flow-through share investors), but it did not remove access to flow-through shares entirely.
- Canada continues to support oil and gas production activities, both domestically (mostly through Canadian Development Expense Claims) and abroad, through fiscal support such as the Foreign Resource Expense Claims and EDC's transactions in regions such as Latin America, North America, the Middle East, and South and East Asia (2015 and 2016).

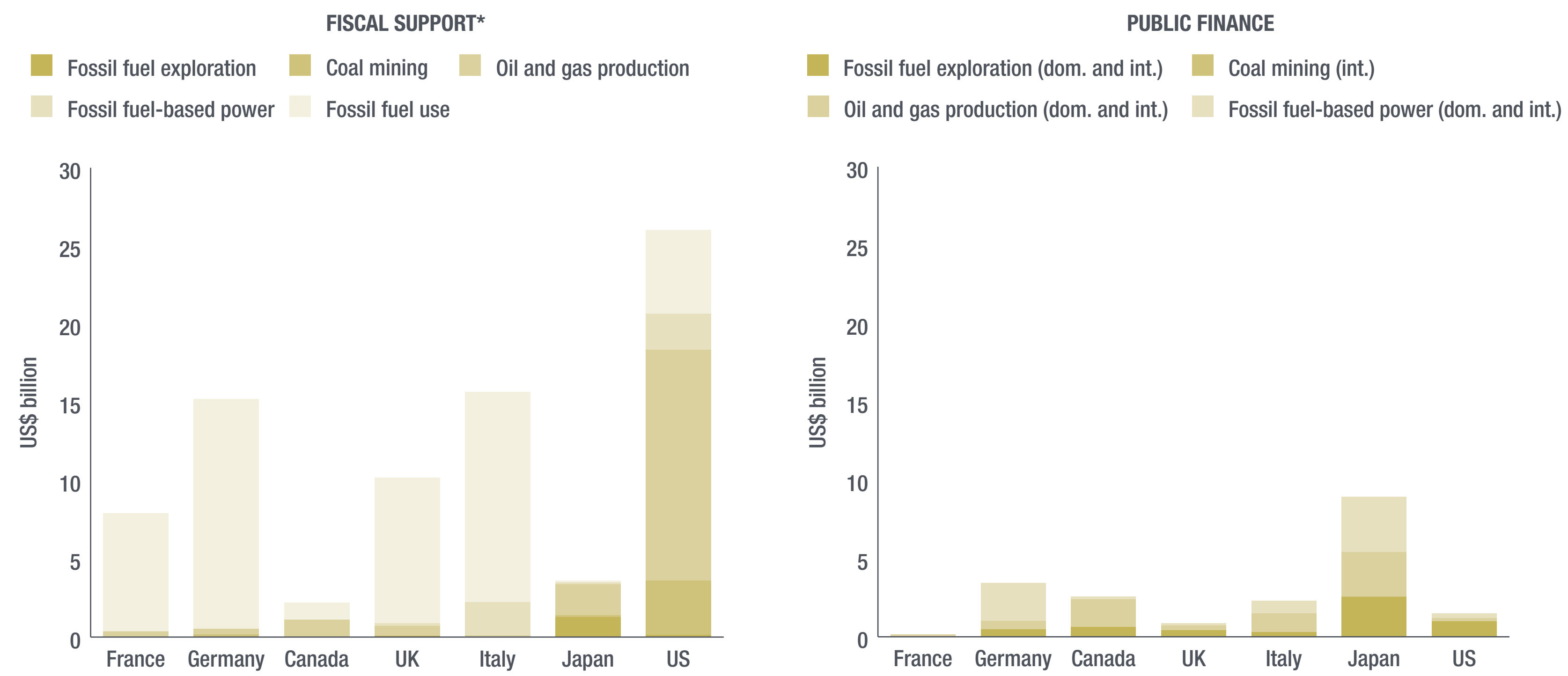
6. Ending support for fossil fuel-based power — 71/100

- The province of Newfoundland and Labrador still provides a Gas Tax Exemption for electricity generation to oil-based electricity.
- EDC completed four transactions internationally in 2016 to finance oil and gas-fired power in Egypt, Indonesia, Oman and Saudi Arabia.

7. Ending support for fossil fuel use — 67/100

- Canadian provinces substantially support oil and gas consumption – mostly in transport, industry and household sectors (2015 and 2016).
- The Canadian federal government introduced an incentive to deploy transport infrastructure in 2017 not only for electric vehicle charging and hydrogen refuelling stations, but also for natural gas refuelling stations.

Figure 1 G7 fiscal support and public finance to fossil fuels (annual average 2015 and 2016)



**All domestic. Note: scoring under indicators 3–7 was based on totals in Figure 1 divided by gross domestic product (GDP), so that countries were compared based on totals per unit of GDP.*
Source: author's own

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