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**Written Submission for the Pre-Budget
Consultations in Advance of the 2023-24 Federal
Budget**

Submitted to: The Parliamentary Standing Committee on Finance

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Summary of recommendations:

1. Deliver affordability support for households and move towards mode-neutral tax incentives for low carbon mobility by creating a refundable tax credit for Canadians who do not own a car.
2. Accelerate the start date of the permanent public transit fund to 2024 to move quicker on housing affordability and expand its role to include funding transit operations.
3. Eliminate *all* subsidies, public financing, and other fiscal supports provided to the oil and gas sector immediately, including financial support provided through crown corporations such as Export Development.
4. Provide \$100m to scale up local reuse systems.
5. Implement a windfall tax on soaring oil and gas profits and redirect that revenue to the communities and families who need it.

1. Creating a Low Carbon Mobility Tax Credit

With rising inflation as a result of global supply chain challenges, Canadian households are feeling the pinch of rising prices on their pocketbooks. 85 per cent of Canadians are concerned that their incomes are not keeping up with rising prices.¹ Amid soaring prices at grocery stores, one survey recently found that 23.6 per cent of Canadians have even had to cut back on the amount of food they are buying.²

Transportation is the second largest expense for Canadian households after housing. Urgent action is needed from the federal government to address the rising cost of living without resorting to policy choices that are harmful to the fight against climate change, such as cutting gasoline taxes.³ In fact, higher gasoline prices only reinforce the need to reduce reliance on high-carbon forms of transportation and shift towards low-carbon mobility.

While the federal government has a purchase incentive program for zero-emission vehicles (ZEV), these vehicles are difficult to access as automakers have been dragging their feet on ramping up supply. In February of 2021, a majority of Canadian car dealerships (55 per cent) reported that they don't have a single ZEV in stock, and nearly two thirds (64 per cent) of dealerships reported wait times for electric car orders of three to six months.⁴ These wait times have only gotten significantly worse after gas prices increased following Russian aggression in Ukraine – with reports now indicating buyer wait lists that are up to three years long.⁵ The federal government's plan to enforce its ZEV sales targets will help increase supply and reduce prices, but even at the most aggressive implementation speed, this regulation won't come in time to deliver help within this budget cycle. Additional targeted support is necessary now.

The federal government should shift towards a more neutral approach to incentivizing low-carbon mobility by also introducing a refundable low-carbon mobility tax credit for low and middle-income households who do not own a car of at least \$1250 per year. This would follow in the footsteps of California's climate leadership, which has just introduced this measure.⁶ This would broadly target Canadians who need help the most, as rates of car ownership increase with

¹ Ipsos (2022) 85% of Canadians Are Concerned That Inflation Will Make Things Less Affordable. <https://www.ipsos.com/en-ca/news-polls/85-percent-of-canadians-concerned-inflation-less-affordable>

² Yun, Tom (2022) Nearly a quarter of Canadians cutting back on food purchases amid high inflation: survey. CTV News. <https://www.ctvnews.ca/business/nearly-a-quarter-of-canadians-cutting-back-on-food-purchases-amid-high-inflation-survey-1.6075952>

³ Wallace, Nate (2022) The right (and wrong) way to deal with high gas prices. Environmental Defence. <https://environmentaldefence.ca/2022/06/08/the-right-and-wrong-way-to-deal-with-high-gas-prices/>

⁴ Dunsky Energy + Climate Advisors (2021) Zero Emission Vehicle Availability: Estimating Inventories in Canada: 2020/2021 Update. https://www.dunsky.com/wp-content/uploads/2021/12/DunskyZEVAvailabilityReport_2021-04-1.pdf

⁵ Tom Yun (2022) Electric car buyers face shortages, long wait times amid high gas prices. CTV News. <https://www.ctvnews.ca/autos/electric-car-buyers-face-shortages-long-wait-times-amid-high-gas-prices-1.5864455>

⁶ Osaka, Shannon (2022) Why California wants to give residents \$1,000 not to have a car. Washington Post. <https://www.washingtonpost.com/climate-environment/2022/09/01/why-california-wants-give-residents-1000-not-have-car/>

household income. It would also help Canadians pay for transit passes, or the purchase of an electric-assisted bicycle, and effectively reward low-carbon mobility choices equally – rather than only rewarding purchasing a car.

This measure has a clear advantage as it would allow the Government of Canada to indirectly make riding transit more affordable without overstepping its jurisdictional authority by trying to directly reduce transit fares. This has the potential to encourage riders to return to public transit, which has had depressed ridership due to the pandemic and continues to have a slow recovery.

2. Accelerating Permanent Transit Funding to Move Quickly on Climate and Housing Affordability

The permanent public transit fund is a historic opportunity to decarbonize the transport sector, while delivering a more inclusive economy and fostering greater social equity. It can be a powerful tool to leverage greater housing supply from investments in major capital projects, building on the strong success existing transit infrastructure programs have had at building subways and light rail. It can also form the basis for a transformation of urban mobility across Canada towards sustainable modes, reducing carbon emissions, improving our quality of life and dramatically reducing regional disparities in transit service levels.

In response to Canada's consultations on the program,⁷ Environmental Defence recommends the following:⁸

- **Make the emerging federal role in funding public transit operations permanent** to foster modal shift, create more equitable transit service, reduce regional disparities, optimize the use of existing transit fleet capacity and help mitigate driver shortages.
- **Distinguish between bus service and major capital projects in the permanent fund** by establishing a baseline, core transit funding stream structured similar to the Canada Community-Building Fund (CCBF) with capital and operations funding primarily for bus service, separate from a cost-shared major projects stream that would function much like existing transit funding under the Investing in Canada Infrastructure Program (ICIP).

⁷ INFC (2022) The Government of Canada launches consultations on establishing permanent public transit funding. <https://www.canada.ca/en/office-infrastructure/news/2022/07/the-government-of-canada-launches-consultations-on-establishing-permanent-public-transit-funding.html>

⁸ <https://environmentaldefence.ca/report/public-transit-path-to-net-zero/>

- **Set clear targets for an increased mode share of sustainable transportation** in the federal climate plan and tie these objectives to municipal reporting and planning requirements.
- **Accelerate permanent transit funding by two fiscal years** to make quicker progress on housing supply and emissions reductions and align with the accelerated winding down of ICIP. Additionally, scale up the funding profile of the permanent public transit funding program to successfully achieve its ambitious policy objectives.
- **Require 'Supportive Policies Agreements' with municipalities to be signed as part of business cases for all major capital projects** to increase housing supply and transit ridership.

3. Eliminating all subsidies, public financing, and other fiscal supports provided to the oil and gas sector

It has been over a decade since Canada first committed to ending fossil fuel subsidies. Yet Canada ranks worst in the G20 for public finance for fossil fuels.⁹ In fact, between 2020 and 2021, the Government of Canada provided a total of \$23.8 billion in subsidies and supports to oil and gas companies.¹⁰ As of October, the number for 2022 is already at \$15.6 billion.¹¹

Government support for fossil fuels is incompatible with keeping global warming below 1.5°C. By making it cheaper to find, extract, process, transport and export fossil fuels, subsidies encourage more fossil fuel production, increasing the risk of locking in greenhouse gas emissions for decades to come. Meanwhile, real climate solutions have received limited government support. Tackling the climate crisis will require significant investments into renewable energy, electrification and energy efficiency. Providing federal support to fossil fuels diverts government resources away from climate solutions and a just transition to a clean energy future.

⁹ Tucker, B. & DeAngelis, K. (2021) Past Last Call: G20 public finance institutions are still bankrolling fossil fuels. Oil Change International & Friends of the Earth. Available: <http://priceofoil.org/2021/10/28/past-last-call-g20-public-finance-institutions-are-still-bankrolling-fossil-fuels/>

¹⁰ Levin, J. (2021) Paying Polluters: Federal Financial Support to Oil and Gas in 2020. Environmental Defence. Available: https://environmentaldefence.ca/report/federal_fossil_fuel_subsidies_2020/; Levin, J. (2022) Buyer Beware: Fossil Fuel Subsidies and Carbon Capture Fairy Tales in Canada. Environmental Defence. Available: <https://environmentaldefence.ca/report/buyer beware/>

¹¹ Environmental Defence Canada (2022). Available: <https://environmentaldefence.ca/federal-fossil-fuel-subsidies-tracking/>

Last year the Government of Canada committed to: accelerate the phaseout of inefficient subsidies from 2025 to 2023; develop a plan to phase-out public financing of the fossil fuel sector, including from Crown corporations; and eliminate public financing for international overseas projects before the end of 2022.

We are encouraged by the momentum these commitments have generated. However, these commitments do not yet amount to the federal government ending its fossil fuel support in line with what is needed for Canada to meet its climate targets. They are at risk of being undermined by weak implementation and new subsidies and public financing being made available to false solutions, including carbon capture, utilization and storage (CCUS), gas, and fossil-based hydrogen, such as the new CCUS investment tax credit. The tax credit was implemented against the recommendations from over 400 of Canada's leading academics and energy transition experts. Continued government support for gas, CCUS and fossil-based hydrogen contribute to expanded or prolonged fossil fuel production instead of the just energy transition needed to stay within 1.5°C limits.

Oil and gas companies have profited immensely for decades from activities that are fueling the climate crisis as well as polluting our land and water - and are currently earning windfall profits. The public should not be on the hook for paying these companies to lower their emissions or clean up their mess. Instead of continuing to subsidize the sector, the government must implement strong regulatory frameworks that ensure oil and gas companies are doing their fair share, while investing in the activities that put us on a climate-aligned pathway.

We urge the government to demonstrate true leadership by going beyond the commitments made to date and eliminate *all* subsidies, public financing and other forms of financial support from the Government of Canada and federal crown corporations directed to the oil and gas sector immediately - without any loopholes that would allow continued subsidies, public finance or support for gas or false solutions, including carbon capture, utilization and storage (CCUS) and fossil blue hydrogen.

4. Committing \$100 million to support the scaling up of local reuse systems for products and packaging that enable elimination of single-use plastics.

Local, small-scale systems are currently in place in a range of Canadian cities for return and refill of takeout beverage and meal containers, bottled beverages, and some grocery items. However, these services are not yet widespread and

convenient for a majority of Canadians. Implementing the fund aligns with the mandate of the Environment and Industry ministers to develop a fund to support made-in-Canada innovation to scale up reuse, which is an essential tool to achieve the goal of eliminating plastic waste by 2030. Federal support will enable these job-generating local services to improve adoption of reuse and refill options in their existing location as well as for expansion to markets that are currently lacking reuse options. Funding can include grants and loan guarantees to small businesses, municipalities and non-profit organizations that provide reuse services, as well as support for the development of industry-standard containers that can be safely and effectively collected, sanitized, refilled and redistributed at scale.

5. Implementing a windfall tax on soaring oil and gas profits and redirect that revenue to the communities and families who need it

Oil and gas companies are profiting from the energy crisis sparked by the invasion of Ukraine. Canadian oil and gas companies' free cashflow is estimated to reach \$152 billion in 2022. This is the highest level of profits the industry has ever seen.¹²

At the same time, rising fuel costs are driving up already-high grocery bills, threatening food security in remote and Indigenous communities and making life unaffordable for many Canadians across the country. Oil and gas companies must not be allowed to profiteer while people suffer the consequences. A windfall tax on oil and gas would redirect revenue to the communities and families most affected by the rising prices. Revenue could also be used to support decarbonization efforts. Canada should follow the lead of the many countries and jurisdictions which have implemented windfall taxes, including the EU, UK and Italy.

¹² Gorski, J. and El-Aini, E. (2022) Waiting to launch: The gap between Canadian oilsands companies' climate pledges and actions. Pembina Institute. Available: <https://www.pembina.org/reports/waiting-to-launch-2022-09-23.pdf>