Submission to the Standing Committee on Finance (FINA)

Recommendations in response to 2025/26 Pre-Budget Consultations

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Submission on behalf of:

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Summary Recommendations:

1. Go beyond the measures made to date and eliminate all subsidies, public financing, and other fiscal supports provided to the oil and gas sector, including petrochemical producers, and ensure that oil, gas and petrochemical companies do not pass on the costs of reducing emissions or environmental clean-up onto the public.
2. Implement a windfall tax on soaring oil and gas profits and redirect that revenue to the communities and families who need it.
3. Implement the necessary regulations and legislation to align Canada's financial system with the goals of the Paris Agreement on Climate Change.
4. Accelerate and Expand the Canada Public Transit Fund
5. Establish an ongoing fund dedicated to supporting the development of local packaging reuse systems across Canada, with a focus on the grocery and food service sectors.
6. Deliver on the promises of the Sustainable Jobs Act, invest in workers and communities.

1. Eliminate all subsidies, public financing, and other fiscal supports provided to the oil, gas and petrochemical sectors

The Government of Canada has taken important steps to eliminate some forms of financial support provided to the oil and gas sector, including ending new international public financing for fossil fuels and inefficient fossil fuel subsidies. The government is currently developing a policy to end public financing delivered through crown corporations, such as Export Development Canada, expected later this fall.

However, these measures are at risk of being undermined by weak implementation, a narrow scope and little public transparency. Furthermore, loopholes that allow for new or continued financial support to oil and gas companies to reduce their emissions – including through expensive and ineffective technologies such as carbon capture and storage (CCS), and fossil-based hydrogen – must be closed.[1] Subsidies for CCS and fossil-hydrogen are opposed by hundreds of leading experts and academics, as well as dozens of civil society organisations.[2]

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.

Continued government support for gas, petrochemicals, CCS 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. The Government of Canada must end all forms of financing to the oil, gas and petrochemical sectors by the release of the next federal budget.

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[1] Anderson, K. & Peters, G. (2016) The trouble with negative emissions. Science, 354(6309). Available: https://www.science.org/doi/full/10.1126/science.aah4567

[2] Letter to Minister Freeland from scientists, academics, and energy system modellers: Prevent proposed CCUS investment tax credit from becoming a fossil fuel subsidy. (2022) Available: https://www.researchgate.net/publication/363485567_Letter_from_scientists_academics_and_energy_system_modellers_Prevent_proposed_CCUS_investment_tax_credit_from_becoming_a_fossil_fuel_subsidy;
Letter to Minister Freeland: Prevent proposed hydrogen investment tax credit from becoming a fossil fuel subsidy (2023) Available: https://environmentaldefence.ca/wp-content/uploads/2023/02/Letter-to-Min.-Freeland_-Hydrogen-Tax-Credit_Feb-2023.pdf

2. Implement 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 in a period of windfall profits. 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.

3. Align Canada's financial system with the goals of the Paris Agreement on Climate Change

Aligning Canadian private finance with the Paris Agreement is essential for a safe climate and a stable economy. It requires new types of regulation and legislation. This budget should prioritize:

- Regulating credible climate Transition Plans across the economy, starting with financial institutions and large companies, and working in partnership across federal and provincial financial regulations and legislation.
- Resourcing an examination of implementing the Climate-Aligned Finance Act into law.

4. Accelerate and Expand the Canada Public Transit Fund

The federal government's newly unveiled Canada Public Transit Fund unfortunately does not address the core challenge facing public transit systems today: a shortage of operations funding. Currently, all public transit funding coming from the federal government is capital funding, not operating funding. Capital funding goes towards construction of new subways, light rail transit, or bus procurement. Operating funding goes towards hiring drivers, mechanics, maintenance and repair of assets, and increased service frequencies and hours.

Research shows that the most effective way of encouraging more people to use public transit and grow ridership is to ensure that service is convenient, frequent and reliable. **Public transit service levels are extremely important: cities that have buses and trains running for more total scheduled hours have much higher ridership than those that don't.** However, because cities aren't allowed to use federal transit funding to operate increased service levels, this hurts efforts to increase ridership and displace car travel, which is public transit's most powerful method of reducing carbon emissions.

Transit systems are currently facing existential operating funding shortfalls. While investing in capital projects like building new public transit lines or purchasing electric buses can contribute to reducing GHG emissions, the effectiveness of these investments depends on the availability and quality of transit services actually provided with this infrastructure. Without adequate operational funding, transit agencies will struggle to fully utilize the capacity of newly built or expanded transit infrastructure. This is because they just don't have enough revenues to hire drivers and mechanics to operate those vehicles frequently and seamlessly enough for them to be a viable alternative to driving. Underutilized infrastructure not only represents a missed opportunity to reduce GHG emissions but also results in an inefficient use of taxpayer money.

Public transit is an affordability issue. When Canadians can't rely on public transit service, they pay more by being forced to drive a car, even if they can't afford one. When Governments do not fund transit operating costs, they are passing transportation operating costs onto Canadians. Canadians end up paying the cost of this policy decision in the form of lost time, lost wages, lost opportunities, higher transportation costs, greater gridlock, higher carbon emissions and a worse quality of life.

The federal government must work with provincial governments to create a *New Deal* for public transit, that permanently fixes the broken funding model, so transit systems and Canadians can finally turn the page and focus on the service expansions needed to address the climate crisis and the demands of a rapidly growing population.

Environmental Defence recently partnered with Equiterre to release a report: *Putting Wheels on the Bus: Unlocking the Potential of Public Transit to Cut Carbon Emissions in Canada.* This report, supported by modelling from Dunsky Energy + Climate Advisors, found that with the right policy interventions, Canada can double public transit ridership by 2035 and reduce carbon emissions by 65 million tonnes. To achieve these outcomes, public transit systems across the country must collectively increase their service levels by 109% by 2035. Our report estimates that to achieve this, the federal government must provide an additional $3 billion per year on average for transit operations and bus fleet electrification, doubling the existing ($3 billion per year) planned spending in the *Canada Public Transit Fund*. This would constitute the federal government's traditional 40% cost-share to achieving these objectives, with the remainder requiring provinces to also step up funding contributions.

5. Funding to develop local packaging reuse/refill systems:

Funding to support local reuse and refill systems is vital to reduce the demand for single-use plastic packaging, particularly in the food and grocery sectors. Plastic packaging drives nearly half of all plastic waste generated in Canada, of which more than 90 per cent ends up in landfills, incinerators or the natural environment.[3] Single-use plastic packaging is a major barrier to achieving the Canadian Council of Ministers of the Environment goal of achieving Zero Plastic Waste.[4]

Funding recommendation:

- **$100 million over three years** to establish a reuse fund to support businesses and organizations developing reusable container and packaging solutions as alternatives to single-use plastics, **then $35 million per year, ongoing, until the effective implementation of reusable containers and packaging in Canada**.

[3] Statistics Canada (2024) Physical flow account for plastic material, 2020. Available: https://www150.statcan.gc.ca/n1/daily-quotidien/240318/dq240318c-eng.htm

[4] CCME. Environment ministers are committed to taking action within their jurisdictions and through CCME to improve Canada's record on reducing and recycling waste. Available: https://ccme.ca/en/current-activities/waste

6. Deliver on the promises of the *Sustainable Jobs Act*:

We welcome the adoption of the *Sustainable Jobs Act* in June 2024. To deliver on the promises of the Act, Budget 2025 needs to invest in programs that support workers and communities impacted by the transition. Program details must be informed by the Partnership Council and direct engagement with Indigenous nations. Special attention is needed to ensure that programs supports youth, racialized communities, women, migrant workers, and other groups facing workforce barriers in the transition to low-carbon industries.

1. **Ensure sufficient funding for staffing and resourcing** of the Sustainable Jobs Secretariat and Partnership Council to carry out their duties. This must include a budget for improved data collection, analysis and modelling to inform planning.
2. **Invest in workforce development, training, and upskilling, and support workers facing job loss and transition.** Commit to an initial investment of $5 billion to be accessed by workers who need programs for training, certification, relocation, career development, financial counseling and mental health support, as well as revenue as a bridge-to-reemployment or a bridge-to-retirement. This is in addition to evaluating and addressing shortcomings in the EI system.
3. **Ensure regional and sub-national economic diversification efforts are adequately resourced**, by establishing a fund[5] with an initial investment of $60 billion[6] to be put toward major economic diversification projects in regions confronting the transition away from fossil fuels. A portion of the fund must be carved out for a Sustainable Pathfinding for Indigenous Communities program to help communities identify strategic opportunities and connect with the current patchwork of funds available.
4. **Ensure all federal funding dedicated to developing low-carbon industries and sectors has labour and climate conditions** to ensure it advances the goals of the Sustainable Jobs Act and Canada's climate commitments.

[5] See the European Union's Just Transition Mechanism fund: https://commission.europa.eu/funding-tenders/find-funding/eu-funding-programmes/just-transition-fund_en

[6] In line with recommendations from Lee, M., Brouillette, C. & Mertins-Kikrwood, H. (2023) *Spending What it Takes: Transformational climate investments for long-term prosperity in Canada.* Canadian Center for Policy Alternatives and Climate Action Network. Available at: https://climateactionnetwork.ca/wp-content/uploads/Spending-What-It-Takes.pdf