

September 26, 2024

To: The Right Honourable Justin Trudeau, Prime Minister of Canada

CC: Chrystia Freeland, Deputy Prime Minister, Minister of Finance
Steven Guilbeault, Minister of Environment and Climate Change
Jonathan Wilkinson, Minister of Energy and Natural Resources of Canada

Re: End all public financing of the fossil fuel and petrochemical sectors

Dear Prime Minister Trudeau and Honourable Ministers,

We, the 73 undersigned organizations and 106 academics, call on the Government of Canada to fulfill the commitment to phase out *all* public financing of the fossil fuel sector, including derivative petrochemicals and plastics, by implementing robust new rules ahead of COP29 that align with Canada's approach to ending international public financing.

We are living in a climate crisis. People in Canada and around the world are experiencing the impacts of climate change - lethal heat waves, wildfires that are burning down our communities, droughts that threaten food security. These impacts will only worsen with rising global temperatures. Scientists, governments, businesses, and financial institutions globally have recognized that to avoid the worst impacts of climate change, warming must remain below 1.5°C.

At the root cause of the climate crisis is our collective dependence on fossil fuels. Projected emissions from the use of existing fossil fuel infrastructure already exceed the remaining global "carbon budget" for a chance of keeping warming below 1.5°C. To stay within a 1.5°C pathway, new fossil fuel sources cannot be developed, and existing infrastructure will need to be retired. **The Government of Canada must not use public money to support activities that grow or maintain fossil fuel dependence.**

The majority of the financial support being provided to the oil and gas industry is in the form of domestic public financing through crown corporations. In fact, last year your government still provided over \$18.5 billion to oil and gas companies.¹ Public finance has an outsized influence over energy systems, particularly in shaping which types of energy projects ultimately get built. Beyond providing direct financial support, public finance derisks projects and crowds in private investment in projects that would not otherwise occur.

Canada cannot claim to have ended financial support for fossil fuels until all domestic public finance has been eliminated.

¹ <https://environmentaldefence.ca/wp-content/uploads/2024/03/Canadas-Fossil-Fuel-Subsidies.pdf>

A strong approach to eliminating all domestic financing of oil, gas and petrochemical activities will set Canada up as a global leader, a helpful position as Canada approaches its G7 Presidency. However, civil society organizations in Canada and internationally are concerned that the approach being considered by policy-makers will not actually turn off the taps to the companies most responsible for the climate crisis. **Releasing a weak policy that allows for ongoing financing will undermine Canada's climate credibility**, both here in Canada and across the world, and set a dangerous global precedent.

The Government of Canada has taken some important steps towards aligning Canada's economic policy with its climate goals. This includes the development of strong new rules ending international public financing, the Guidelines for Canada's International Support for the Clean Energy Transition.² The policy lays out a number of robust conditions that projects must meet, including that any project receiving support must align with a pathway consistent with limiting global heating to 1.5°C, include a robust assessment of stranded assets, and prove a lack of viable renewable energy alternatives.

The Government of Canada should align its domestic public financing framework with the precedent established by its international public financing guidelines. This would ensure a consistent approach between Canada's international and domestic financing.

On the other hand, we are concerned that aligning with Canada's Guidelines on Inefficient Fossil Fuel Subsidies is insufficient: the concerning 'efficiency' loopholes in that framework should not be introduced into new policies.

Our recommendations for fulfilling the government's commitment to eliminate public financing include:

- By Fall 2024, the Government of Canada must implement a robust policy ending all public financing for fossil fuels, as was promised by your government without caveats in 2021.
- Ensure that all public financing aligns with a 1.5°C pathway and supports the transition off fossil fuels to renewable energy. Public financing that leads to carbon lock-in, stranded assets or continued production of oil and gas must be eliminated.
- Exclude any loopholes that would allow continued support for fossil gas, LNG, fossil-derived hydrogen or technology aimed at reducing emissions from the oil and gas sector, including carbon capture and storage (CCS) – all of which are being used to prolong our dependence on fossil fuels.
- End the policy of encouraging Indigenous participation as a mechanism to justify tax dollar investments in fossil fuel projects and instead promote genuine truth and reconciliation driven economic initiatives that promote sovereignty and do not perpetuate exploitative practices or contribute to climate and biodiversity crises.³ Offering financial support of this kind is the opposite of economic reconciliation. It puts the economic

² <https://natural-resources.canada.ca/home/guidelines-for-canadas-international-support-for-the-clean-energy-transition/24797>

³ <https://breachmedia.ca/economic-reconciliation-is-a-false-promise-for-indigenous-peoples/>

burden of a failing industry on the backs of Indigenous Peoples and exposes communities to both financial as well as legal risks, given the high likelihood of these projects becoming stranded assets and the increasing number of climate lawsuits against fossil fuel proponents.⁴

- Cover the full range of direct and indirect financial instruments, including loans, guarantees, bonds, equity, and insurance.
- Cover the range of crown corporations and federal agencies that provide funding and loans across sectors, prioritizing the biggest providers of fossil financing: Export Development Canada (including the Canada Account), Canada Infrastructure Bank, Canada Development Investment Corporation, the Canada Growth Fund and the Business Development Bank of Canada.
- Establish clear mechanisms for the implementation, monitoring and enforcement of the public financing rules. This must include regular and transparent reporting on all exemptions to the policy.
- The policy should not only include robust conditions for phasing out domestic public financing for fossil fuels; it should also provide details on how the financing will be redirected toward renewable energy projects, including how this financing can be targeted to support Indigenous communities as well as other equity-deserving communities (including black, immigrant and low-income communities) who are already currently dealing with disproportionate rates of energy poverty and impacts of the climate crisis.

The pathway to zero emissions and a climate–safe future does not include subsidies or public financing for the oil and gas industry. It’s time for Canada to turn off the financial taps to Canada’s most polluting industry.

Sincerely,

Organizations:

Environmental Defence Canada
Sacred Earth Solar
David Suzuki Foundation
Indigenous Climate Action
Oil Change International
Canadian Association of Nurses for the Environment
Stand.earth
Seniors For Climate
Above Ground, a project of MakeWay
Oxfam Québec
Oxfam Canada
Canadians for Tax Fairness
re•generation
Greenpeace Canada

⁴ <https://stateline.org/2024/04/04/after-a-long-slog-climate-change-lawsuits-will-finally-put-big-oil-on-trial/#>

Alberta Wilderness Association
Équiterre
Center for International Environmental Law
Council of Canadians
Leadnow
Climate Caucus
Climate Legacy
Grand Riverkeeper Labrador
For Our Grandchildren
Sierra Club Canada
Windfall Centre
Climate Action Parry Sound
Group of 78
Climate Emergency Unit
West Coast Environmental Law Association
Protect Our Winters Canada
For Our Kids
Dogwood
Sue Big Oil Comox Valley
Council of Canadians Terrace Chapter
CHASE (Canadian Health Association for Sustainability and Equity)
Climate Justice Organizing HUB
Climate Action for Lifelong Learners (CALL)
Chase Environmental Action Society
Climate Justice Saskatoon
Monkey Rebel Society
Canadian Association of Physicians for the Environment (CAPE) Alberta Regional Committee
For Our Kids Toronto
Citizens' Climate Lobby Canada
East Kootenay Climate Hub
Nanaimo Climate Action Hub
Saanich Eco Advocates
First Things First Okanagan
One Cowichan
Climate Action Now! (CAN!) of the North Okanagan
New Westminster Climate Action Hub
View Royal Climate Coalition
Carleton Climate Commons Working Group
Clean Air Partnership
Food Impact Network
Vote16 Canada
Prevent Cancer Now
Force of Nature Alliance
First Things First Okanagan

Grand(m)others Act to Save the Planet (GASP)
South Durban Community Environmental Alliance
Canadian Health Association for Sustainability and Equity (CHASE)
Just Earth
Canadian Unitarians For Social Justice
Women's International League for Peace and Freedom - WILPF Canada
Green 13
Action Environnement Basses-Laurentides
Council of Canadians PEI Chapter
West Coast Climate Action Network
CFMS HEART
PEI/Epekwitk Fridays for Future Climate Action Group
Say No to LNG
Council of Canadians, South Shore (NS) Chapter
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