

The Clock Is Ticking for Canada to End Fossil Financing

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Delivering on Canada's Commitment to End Public Financing of the Oil and Gas Sector Before 2025

The Government of Canada [has committed to](#) releasing an implementation plan to phase out public financing of the fossil fuel sector, including by federal Crown corporations, by fall 2024. Finance Canada, Environment and Climate Change Canada and Natural Resources Canada are currently developing the rules.

With Canada preparing to take over the G7 Presidency in 2025, much global attention will be paid on the approach the country takes to eliminating fossil financing.

What will the new policy do?

The new policy will target the public financing being provided by crown corporations, such as Export Development Canada (EDC), for domestic oil and gas companies. EDC provides different types of financing, including project financing, loan guarantees, insurance and bonding coverage.

This government support has an outsized influence on what kinds of energy projects get built. By providing oil and gas companies with this support, the government is making it easier and cheaper to produce, refine, transport and export oil and gas. Even existing levels of fossil fuel infrastructure are enough to prevent the world from limiting global warming to 1.5 or even 2 degrees. Any expansion of current production levels will lead to catastrophic levels of warming. Ending fossil financing will free up billions to support Canadian clean energy companies, helping them compete globally.

This new policy is meant to address the gap left by existing policies. In December 2022, the federal government released [guidelines ending direct and indirect international public financing](#) (in response to a commitment made at COP26 under the UK's leadership). In July 2023, the federal government released a [framework to eliminate inefficient fossil fuel subsidies](#).

[Canada is one of the highest providers](#) of fossil financing in the G20. Most of the federal support being provided to oil and gas companies is domestic financing through EDC. In 2023 the Government of Canada [provided at least \\$18.6 billion in financial support](#) to fossil fuel and petrochemical companies, of which EDC provided \$7.3 billion. This financing included \$300 million for NOVA Chemicals Corporation, a petrochemical company, and \$200 million for Enbridge. [So far in 2024 we have tracked \\$8.5 billion](#) in public support for oil and gas, with EDC accounting for \$6.4

billion of that. This includes \$300 million for Enbridge, \$500 million for Ceder LNG and \$200 million for Coastal GasLink.

What to watch out for?

In order to ensure that financing for fossil fuels is being eliminated, the new rules must:

- End all public financing for fossil fuels by 2025
- Cover the full range of direct and indirect financial instruments, including project financing, loans, guarantees, bonds, equity, and insurance. EDC defines indirect financing as including insurance and bonding coverage, which sets EDC apart from most of its counterparts around the world. In 2023, [88% of EDC's business support to the oil and gas sector](#) was indirect, making it crucial that these financing mechanisms are covered by the new rules.
- Cover financing for all fossil fuels across their entire life cycle, including fossil fuel derivatives such as petrochemicals, plastics, and other non-combustion uses of fossil fuels.
- Not exempt gas. Support for gas or LNG is incompatible with the agreed 1.5°C global warming limit, and [research shows that clean alternatives are better suited](#) to serve energy security and clean development pathways. Gas infrastructure, including for LNG and gas-fired power, should be excluded from financing.
- End the policy of encouraging Indigenous participation as a mechanism to justify federal 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.
- Establish clear mechanisms for the monitoring and enforcement of the rules, including regular and transparent reporting on all exemptions to the policy.

Public Opinion Supports This Policy

There is widespread support for ending public financing of fossil fuels. Last year, [people across Canada sent over 138,000 letters](#) to the federal government demanding that no more public money be used to prop up the oil and gas sector. Earlier this year, seventy-three organizations and over 100 academics [sent a letter urging Prime Minister Trudeau](#) to quickly fulfil the commitment to phase out public financing of the fossil fuel and petrochemical sectors.



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