

# Tariff Relief & Retaliatory Measures

## How Governments in Canada Should Respond

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As of March 4th, President Trump has imposed 25 per cent tariffs on Canadian imports to the United States, and 10 per cent tariffs on energy imports. A prolonged trade war will have enormous consequences for Canada's economy and Canadians, with important sectors like EV manufacturing and agriculture potentially bearing a lot of the brunt. The tariffs could put countless Canadian jobs at risk, undermine domestic and foreign investment in the country, and reignite inflation as costs on companies are passed on to consumers.

Canada's response to these unjustified tariffs must center on protecting the most impacted Canadian workers and businesses, as well as vulnerable households already struggling with the cost of living.

In response to Trump's threats of tariffs and a full blown trade war, the Government of Canada has imposed its own retaliatory tariffs. Retaliatory tariffs, on their own, may not deter the Trump administration or sufficiently enhance Canada's negotiating position. Canadian governments should be using their most powerful tools and adopt counter-measures that build the treasury to cushion the blow for workers and communities and set Canada up to transition the economy away from dependence on oil and gas for the long term.

### Ensuring Canadian Workers and Families are Protected

- Immediate support for impacted workers through financial assistance and income support, job protection measures, and transition programs to retrain workers, as Canada's major unions are calling for.
- Ensure that support is directed to the most vulnerable workers and sectors of the economy.
- Provide support for families and households already struggling with the cost of living who may be impacted by higher prices on essential goods.
- Prevent corporate profiteering by implementing measures to prevent corporations from using the imposition of tariffs as a cover for price gouging and/or wage suppression.
- Develop domestic procurement policies across the country to prioritize clean Canadian products and materials, for example for domestically produced steel and aluminum.
- Ensure that federal support prepares Canada to become a clean energy superpower so that we can take advantage of the growing clean energy economy. Support should only be directed towards clean energy sectors that can lead to energy security and reduce our dependence on volatile oil and gas.

## Broadening the Scope of Retaliatory Measures

Retaliatory measures should bring in revenue to support Canadians, and set Canada up to transition the economy away from dependence on oil and gas for the long term to achieve clean energy security.

- Implement a 15 per cent tax on the export of oil and gas.
  - An export tax could generate substantial revenues which could be reinvested into relief for workers and communities most impacted by the US trade tariffs as well as measures that will drive the energy transition and support economic diversification to reduce our dependence on oil and gas. Recent analysis found that a [25 per cent export tax on](#) oil and gas would net the federal government just over \$40 billion a year based on current exports to the U.S. Therefore a 15 per cent one could net close to \$25 billion.
  - [82 per cent of Canadians support](#) export levies on oil. Even in the Prairies, the poll found 72 per cent support. Nearly 90 per cent of people in the Atlantic provinces — which have offshore oil projects — support using export taxes.
  - The oil and gas industry is well placed to shoulder an additional tax, in order to ensure that the burden of the US tariffs isn't disproportionately felt by other Canadian industries and regions, given the vulnerability of sectors such as the automotive industry and agriculture. Furthermore, the reliance of Midwestern and Gulf refineries on Canada's oil and gas exports – and therefore the inelasticity of U.S. demand for heavy crude – is Canada's strongest leverage point. An export tax would therefore not likely affect the flow of Canadian trade to the U.S., but it would raise costs for U.S. buyers, creating inflationary pressures across much of the U.S. economy. Researchers at Stanford University [tracked](#) 30 years of polling and found that a U.S. president, on average, loses 0.6 per cent of approval for each dime of increase in a gallon of gas. Even the threat of an export tax would be impactful.
- Impose tariffs on thermal coal imports from the United States
  - Thermal coal should be a priority for retaliatory tariffs. Each year, Canada has been allowing millions of tonnes of American thermal coal from Montana to be shipped from our ports in British Columbia. In 2023 [17.6 million tonnes](#) of thermal coal were exported through Vancouver-area ports, the majority of which was American. American coal exporters have little choice but to ship from BC, given a lack of alternative ports that will handle coal.

## Ensuring Economic Security

- Canadians support clean energy — a recent [poll](#) from Environmental Defence found more than half of Canadians support the prioritization of renewable energy sources over fossil fuel production. Despite renewed rhetoric around expanding oil and gas

production, the global energy transition continues to accelerate with oil demand peaking in the next four years. Achieving energy security requires Canada to reduce its dependence on sunsetting and volatile oil and gas, and build up its domestic clean energy through ramping up renewable energy production and building our national electricity grid. This could put thousands of Canadians to work, lower energy costs and achieve energy security.

- Expand provincial electricity grid inter-ties between provinces to boost the resilience of existing grids and help meet projected growth in demand. Prioritize inter-ties which will enhance clean energy security, facilitate complementary system balancing, and support a clean power corridor across the country, rather than inter-ties which serve to electrify sunsetting industries, like LNG and oil.
- Coordinate provincial permitting regimes to unlock renewable power and transmission lines.
- Coordinate multi-province “freeing” of solar energy production on rooftops of homes and businesses through reform of metering rules and investments in grid infrastructure.
- Improve energy efficiency and facilitate the electrification of space and water heating through new federal and provincial home/MURB and industrial retrofit programs. This is key to reducing demand for gas imports in Ontario.
- Avoid any investments in projects that are likely to quickly become stranded assets, such as new oil or gas pipelines.
- Expand investment and employment in inward-oriented activity, like affordable and energy efficient housing construction.
- Promote domestic trade, *without undermining critical environmental and labour standards*, for example building clean transportation infrastructure (e.g. rail) to move goods across Canada for domestic use and export.
- Look to grow trade with like-minded allies, such as the European Union (EU).
  - Ensure environmental and social standards are in alignment with the EU.
  - Invest in expedited, comprehensive class-based chemical assessments and regulations to clean up Canadian products that can access European markets.
  - Explore trade mechanisms to protect clean Canadian industries, such as carbon border adjustment mechanisms or tariffs on high-polluting imports (for example, based on regional electricity grids, given that US electricity is twice as emitting as Canada’s given the reliance on coal).

## Achieving zero waste and circularity

A package aligned with initiatives in the European Union that supports zero waste and circularity measures to address supply chain disruptions and eliminate Canadian reliance on waste and scrap exports while achieving Canada’s Zero Plastic Waste commitments and expanding producer responsibility:

- Provide financial supports for food distribution networks, linked to growers in Canada, to develop and/or scale up reusable business-to-business and business-to-consumer

packaging, including reusable packaging design and manufacture, collection systems, sanitation and local co-packing infrastructure; requirements for Producer Responsibility Organizations to participate in developing and using reuse systems to reduce packaging discards

- Implement Zero Waste measures: disposal (landfill/incinerator) bans; Extended Producer Responsibility for construction, textiles, electronics, solar panels; requiring design for reuse, repair, recyclability
- Make Right to Repair meaningful by providing financial support to expand municipal and non-profit repair and sharing programs to support the circulation of used clothing and other textiles; small appliances; tools; bicycles; etc.
- Shift logistics infrastructure from import/export orientation to reuse, refurbishment and resale circuits within Canada. Canada Post could be a key driver of this reorientation
- Establish a national co-ordinated deposit-return system for packaging materials, with expansion of deposit-return programs to ensure packaging materials are effectively captured for reuse and recycling, starting with expansion of beverage deposit return programs in Ontario and Manitoba.
- Fund training programs for repair of consumer goods.

Governments across Canada have a choice. They can either cater to incumbent industries that will keep the country locked into the status quo of volatility and energy insecurity, or respond in a way that will set our country up to thrive today and tomorrow.



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