April 14th, 2025

To the Honorable Jonathan Wilkinson, Minister of Energy and Natural Resources,

It is with disappointment that Environmental Defence responds to the recent comments you made on [What on Earth with Laura Lynch](). We were dismayed to hear your characterization of our recent report, [Fossil Funding in 2024,]() and our evidence-based perspective on carbon capture and storage, as false.

Environmental Defence produces a yearly inventory of federal supports to the oil and gas industry because the federal government does not make this information available to the public. We have compiled our responses to set the record straight and to remove any confusion for Canadians that may have stemmed from your comments.

Minister Wilkinson, you claim that Environmental Defence's report is flawed because it counts government spending to achieve emissions reductions from oil and gas companies as subsidies. There is in fact an internationally agreed upon definition of what constitutes a subsidy, which is provided by the [World Trade Organization (WTO)](). According to the WTO any financial contribution made by a government or public body which confers a benefit to an industry should be classified as a subsidy. This includes the direct transfers of funds, tax, foregone revenue through incentives, loan guarantees and the provision of goods and services below market rates. Clearly, providing oil and gas companies support for carbon capture or other emissions reductions activities fits within that definition. This support, whatever the intended outcome, lowers the cost of doing businesses for these companies, resulting in increased profitability. Furthermore, these subsidies distort the market, even further benefiting fossils over non-polluting sources of energy. Essentially, these programs socialize the environmental cost of fossil fuel production, while allowing oil and gas companies to reap enormous benefits from public resources.

Emissions reductions can and should be reached – at no public cost – through the use of regulations or legislation that requires companies to invest their own funds into solutions. This is what the Government of Canada promised to do with the cap on emissions from the oil and gas industry.

You also claim that Canada has delivered on its commitment to end "inefficient" fossil fuel subsidies. Although the government has introduced new guidelines, there has been no transparency about the implementation of these. As a result, we have no information on whether these guidelines, which include substantial loopholes, have effectively eliminated any existing fossil fuel subsidies or prevented the creation of new subsidies. Furthermore, Canada has a

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long standing commitment to produce an inventory of current fossil fuel subsidies, yet despite many deadlines set and missed, this information has still not been made available.

Your suggestion that CCS is an effective way to reduce emissions from the oil and gas industry in Canada is false. Despite your assertions, evidence shows that CCS has a track record of underperformance. Most projects never make it off the ground, and those that do, fail to deliver the promised capture rates. A study from Institute for Energy Economics and Financial Analysis (IEEFA) in 2022 showed that out of 13 major global CCS projects, 10 projects failed or underperformed significantly. In fact, the Executive Director of the International Energy Agency stated that "continuing with business-as-usual for oil & gas while hoping a vast deployment of carbon capture will cut the emissions is fantasy." He further noted that "the [oil and gas] industry needs to commit to genuinely helping the world meet its energy needs and climate goals – which means letting go of the illusion that implausibly large amounts of carbon capture are the solution."

Pursuing this ineffective mitigation strategy is extremely expensive. A recent report out of Oxford University finds that heavy dependence on CCS to reach net zero would be "highly economically damaging", costing at least $30 trillion more than a strategy based primarily on renewable energy, energy efficiency and electrification. According to the IPCC, CCS is the most expensive and least effective of the mitigation options. Furthermore, a vast portion of captured CO2 is utilized for enhanced oil recovery, leading to increased fossil fuel extraction and undermining the supposed climate benefits of CCS. The continued subsidization of CCS in Canada diverts resources from more effective climate solutions.

Minister Wilkinson, you claimed that TMX is profitable and a sound investment, which is already achieving return on investment. First off, the profitability of TMX has no bearing on whether or not the financing provided by the federal government is a subsidy – it clearly is, according to the WTO definition.

Secondly, this statement is contradicted by multiple recent analyses and financial reports. In 2024, The Parliamentary Budget Officer (PBO) reported that the total project cost for TMX had surged by $12.8 billion since the 2022 analysis, culminating in a total cost of over $34 billion, and recent reports show that it could be even higher than that. The original cost estimate for this project was expected to be $5.4 billion.

According to analysis by TD Securities in 2018, the expansion project ceased to be viable when project costs exceeded ~$11 billion. A report on the pipeline project's financial viability filed with the Canada Energy Regulator earlier this year found the project's revenue shortfall is about $20 billion. This was released before $20 billion in new financing for the project was announced, with nearly $15 billion of that in the form of equity. Given a lack of government transparency, it is very unclear what the current estimate is, and what portion of it taxpayers are ultimately on the hook for. The government could end up writing off most of the debt to make the pipeline appear commercially viable for potential buyers.

There is currently no evidence that TMX will ever recover the cost of construction. In part, this depends on the forthcoming decision around toll rates – which are currently set at a too low of a rate to recoup costs. The tolls need to rise significantly to cover the project's full operating and capital costs. Last fall, a report from the International Institute for Sustainable Development released found that Canadian taxpayers could end up contributing up to CAD 18.8 billion in subsidies to the Trans Mountain Pipeline if the federal government continues charging discounted transportation tolls to the oil industry. As I'm sure you know, TMX is not running at capacity today, because the tolls are already higher than shippers are willing to pay.

Minister Wilkinson, as you rightfully pointed out in your letter to oil and gas CEOs last month, climate change is real and it continues to represent an existential threat to the future of the human race, for which the oil and gas sector should not be left off the hook. We agree that it is disappointing to see the CEOs of major Canadian energy companies profiting from the actions in the United States, to the long-term detriment of Canadians generally.

There is no doubt that addressing the climate crisis requires an end to all forms of public financing for the sector, and a re-direction of that support to the necessary clean energy and energy efficiency measures. The commitment to ending fossil fuel subsidies and public financing has been shared, for well over a decade, by successive Canadian governments, the G7, the G20 and re-iterated by the United Nations Secretary General.

Although the Government of Canada has made some progress on this, much more is needed. That starts with acknowledging the facts, not rejecting sound analysis from civil society.

Sincerely,

Keith Brooks
Environmental Defence Canada