



environmental  
defence

# Climate Promises, Industry Handouts

Canada's Fossil Fuel  
Funding in 2025



**Media Backgrounder**

May 2026



## Introduction:

Canada continues to subsidize oil and gas expansion at a time when global energy trends are shifting towards renewable energy.

Recent geopolitical instability – including the war in the Middle East as well as economic uncertainty caused by the U.S. President Trump’s deregulation agenda – has contributed to short-term volatility in oil markets. However, this volatility does not change long-term trends. The global energy system is transitioning, with major institutions like the International Energy Agency warning that global oil demand is expected to peak before 2030, while the peak for global gas demand is expected to follow shortly after that in 2035.<sup>1</sup>

Despite this, Canadian governments are providing billions of public dollars for oil and gas and petrochemical production and infrastructure. Oil and gas markets face growing risks from declining global demand, price volatility, and competition from much cheaper renewable energy. Public financing of oil and gas projects could create billions in stranded assets, and risk exposing the Canadian public to long-term financial losses as global demand for oil and gas declines.<sup>2</sup>

**In 2025, the Government of Canada provided over \$10 billion in direct subsidies and public financing to the oil and gas industry.**

The Government of Canada has established guidelines to enforce its longstanding commitment to end fossil fuel subsidies. These rules came into force in 2023.<sup>3</sup> In addition, Canada has signed on to international efforts to end fossil fuel subsidies, including becoming a member of the Coalition on Phasing out Fossil Fuel Incentives.<sup>4</sup> The federal government has also committed to do its fair share to reduce emissions to achieve the goals of the Paris Agreement.

Yet, Canada continues to undermine these domestic and international obligations. **This is driven by sustained pressure from the oil and gas lobby, which in 2025 alone, held at least 986 meetings with the federal government.**<sup>5</sup>

Meanwhile, clean energy investment continues to outpace fossil fuels globally<sup>6</sup> as countries prioritize a more cost-effective and less emissions intensive energy source. In this shifting global market, Canada risks being left behind by doubling down on a sunseting industry and missing out on the economic opportunities of the energy transition.

**Disclaimer:** Images used for illustrative purposes only and may not depict the specific locations, projects, or conditions discussed.

<sup>1</sup> International Energy Agency (2025). World Energy Outlook 2025. Available: <https://www.iea.org/reports/world-energy-outlook-2025>

<sup>2</sup> Muttitt, G. (2025) Canadian Oil and Gas Production in the Global Clean Energy Transition: Outlook and economic risks. International Institute for Sustainable Development and Environmental Defence. Available: <https://www.iisd.org/system/files/2025-06/canada-oil-gas-clean-energy-transition.pdf>




<sup>3</sup> Environmental Defence (2023) Statement on the Government of Canada’s New Policy Ending Subsidies to the Fossil Fuel Industry Available: <https://environmentaldefence.ca/2023/07/24/statement-on-government-of-canada-new-policy-ending-subsidies-to-the-fossil-fuel-industry/>

<sup>4</sup> IISD. COFFIS | Coalition on Phasing Out Fossil Fuel Incentives Including Subsidies. Available: [www.iisd.org/coffis](http://www.iisd.org/coffis)

<sup>5</sup> Environmental Defence (2026). New Government, Same Big Oil Playbook: 2025 Fossil Fuel Lobbying Report. Available: <https://environmentaldefence.ca/wp-content/uploads/2026/03/Big-Oils-Lobbying-Playbook-2025.pdf>

<sup>6</sup> International Energy Agency (2025). World Energy Investment 2025. Available: <https://www.iea.org/reports/world-energy-investment-2025>

## Key Findings:

-  The Government of Canada has provided at least \$10.2 billion in fossil fuel subsidies and public financing in 2025. Since Environmental Defence began tracking fossil fuel subsidies in 2020, the federal government has provided at least \$85.2 billion in subsidies to the fossil fuel industry. This figure includes government direct spending as well as public financing through Crown corporations, such as Export Development Canada.
-  In addition to fossil fuel subsidies, the Government of Canada provided at least \$405.53 million dollars in subsidies for carbon capture and fossil fuel hydrogen projects in 2025. These technologies have failed to deliver on their promises to reduce emissions and have instead locked in further fossil fuel production. Furthermore, this figure excludes the estimated cost of the carbon capture investment tax credit, which is estimated to cost Canadians up to \$5.7 billion by 2028, and up to \$12.4 billion by 2035.<sup>7</sup> The changes introduced in the Budget 2025 could increase the cost to Canadians by an additional \$3.75 billion.<sup>8</sup>
-  In 2025, the cost of pollution from oil and gas companies operating in Canada was an estimated \$56.4 billion. This figure was calculated by taking the most recent oil and gas emissions figures<sup>9</sup> and multiplying with the social cost of carbon.<sup>10</sup> Climate pollution created by oil and gas companies has massive costs, including health costs, property damage from extreme weather events, and decreased agricultural productivity due to changing weather patterns. The social cost of carbon helps us estimate what those costs to society are.



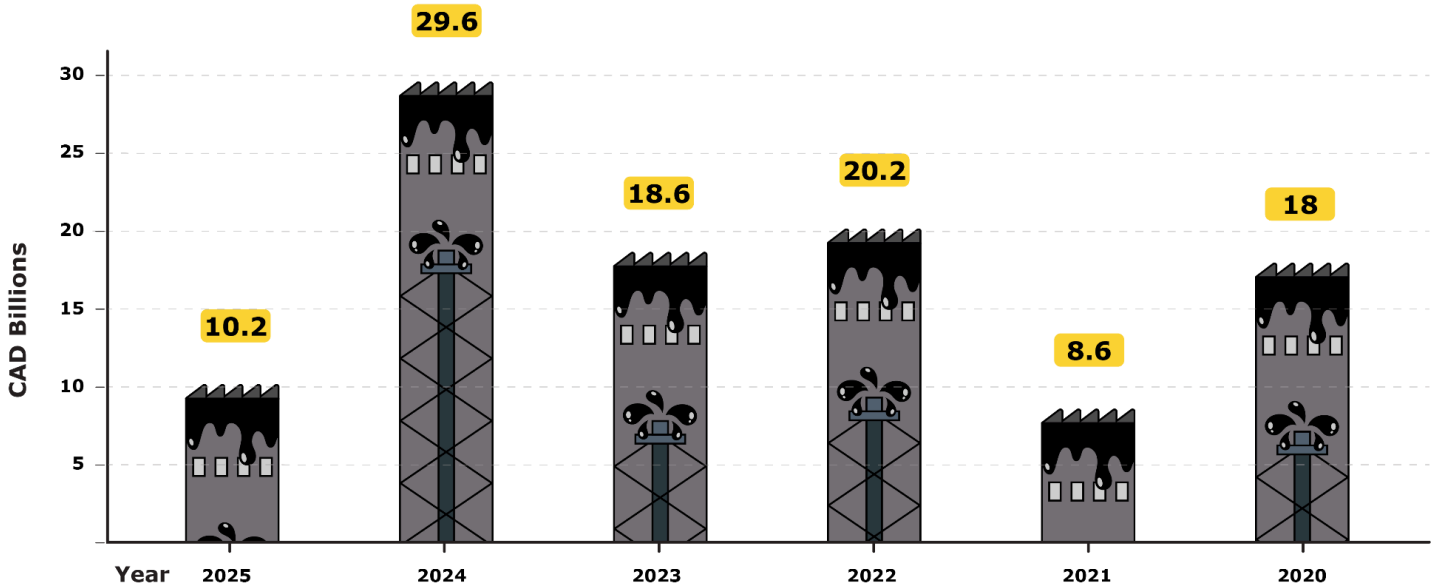
<sup>7</sup> Parliamentary Budget Office (2024). Long-Term Fiscal Cost of Major Economic Investment Tax Credits. Available: <https://distribution-a617274656661637473.pbo-dpb.ca/674ae7ddffe21855898fb140a7e84909f356a00983ce0b581731f9ae3f75551a>

<sup>8</sup> When CCUS ITC was first introduced in 2022, it was estimated that it would cost Canadians \$1.5 billion/year until 2030, which would then be halved to \$.75 billion/year after 2030. The changes introduced in Budget 2025 delay the rates halving to 2035, which means that Canadians would pay an additional \$.75 billion per year for five years starting in 2030 until 2035.

<sup>9</sup> Government of Canada (2025). Overview of Canada's Greenhouse gas emissions (1990–2024). Available: <https://www.canada.ca/en/environment-climate-change/services/climate-change/greenhouse-gas-emissions/inventory/preliminary-emissions-1990-2024.html>

<sup>10</sup> Environment and Climate Change Canada (2023). Social cost of greenhouse gas emissions. Available: <https://www.canada.ca/en/environment-climate-change/services/climate-change/science-research-data/social-cost-ghg.html>

## Fossil Fuel Subsidies Breakdown (Billions CAD):



**Note:** The total is \$85.2 billion, rather than \$105.2 billion, given that \$20 billion in financing for TMX announced in 2024 replaces a previous \$20 billion announced in 2022.

Every year, Environmental Defence produces a tally of the financial support that the federal government and crown corporations have provided to fossil fuel companies. This includes direct funding, as well as tax breaks, loans and loan guarantees. The Government of Canada does not publish a transparent inventory outlining all subsidies and public financing to the oil and gas industry, despite making a commitment to do so. This makes it challenging to track and communicate the federal financial support to the oil and gas industry.

In 2025, the Government of Canada provided at least \$10.2 billion in financial support to the oil and gas industry in Canada. This number is based on what we have been able to track through public announcements.

The largest source of federal support in 2025 was through Export Development Canada, which provided at least \$9.3 billion in financing to oil and gas companies. Export Development Canada's public disclosures show financial support flowing to companies across the fossil fuel supply chain. Many of the larger transactions are partially censored due to confidentiality agreements, which masks the full extent of financial support to major producers. However, Export Development Canada has provided public financing to the following companies for oil and gas projects:

- Up to \$300 million for Enbridge US
- Up to \$300 million to Strathcona Resources, for exploration and production of fossil fuels
- Up to \$200 million for Irving Oil,

Even with the gaps in transparent reporting, Export Development Canada's own disclosures confirm that oil and gas remains a core sector for financing, with public support extending from small service providers to large-scale international companies.

**See Appendix 1 for a complete breakdown of the support provided by the federal government to the oil and gas industry**



## Liquefied Natural Gas (LNG)

The Government of Canada provided \$340 million for Liquefied Natural Gas (LNG) in 2025. This brings the total federal subsidies for LNG since 2019 to \$2.4 billion.

In 2025, the federal government provided \$200 million to connect the Coastal Gaslink Pipeline to the Cedar LNG facility through Export Development Canada. The Canada Infrastructure Bank is providing a \$140 loan for pre-construction work of the North Coast Transmission Line (NCTL). NCTL is designed specifically to provide power to industries in Northern BC, including the proposed LNG export facility Ksi Lisims. These subsidies seek to derisk expansion into a struggling market, entrenching public funds into a fuel source the world is moving away from.

As part of Budget 2025, the federal government re-introduced the LNG Capital Cost Allowance (CCA), designed to help offset the costs of constructing new LNG infrastructure. Notably, there was a lack of transparency in Budget 2025 about the potential costs of this subsidy. A recent estimate by the Parliamentary Budget Office estimates that this subsidy will cost the federal government \$362 million by 2030.<sup>11</sup> This indicates the government's continued commitment to providing LNG taxpayer subsidies over the coming years.

Two proposed LNG projects have been referred to the Major Projects Office, making them eligible for further federal funding. Neither of these projects have the full support and consent of impacted Indigenous communities,<sup>12</sup> nor received final investment decisions from investors. Additionally, the International Energy Agency estimates that there will be an excess supply of 65 billion cubic meters (bcm) of LNG by 2030, excluding Canada's latest projects.<sup>13</sup> LNG is a mature and oversupplied market, and federal subsidies turn the risks associated with this weak market into burdens for taxpayers to bear. The lack of private investment in LNG indicates that significantly more public subsidies would be required to incentivize investors to back expansion of the Canadian export market, throwing good public money after bad.

<sup>11</sup> Parliamentary Budget Office (2026), Accelerated capital cost allowance and immediate expensing measures. Available:

<https://www.pbo-dpb.ca/en/publications/LEG-2526-012-S--accelerated-capital-cost-allowance-immediate-expensing-measures--mesures-deduction-amortissement-accelere-passation-charges-immediate>

<sup>12</sup> Investors for Paris Compliance (2026), The LNG Casino: Who Wins and Who Loses?. Available:

<https://www.investorsforparis.com/the-lng-casino-who-wins-and-who-loses/>

<sup>13</sup> International Energy Agency (2025). Gas 2025.

Available: <https://iea.blob.core.windows.net/assets/db3d568d-b985-4cc2-bb1a-119517f118ac/Gas2025.pdf>

## The Memorandum Of Understanding (MOU) could put Canadians on the hook for \$35 billion

The memorandum of understanding (MOU) signed between the Government of Canada and Alberta Government in November 2025 is centered on developing a new oil pipeline to B.C. and the Pathways Carbon Capture and Storage (CCS) project, both of which would require significant public financing to proceed. According to Alberta Premier Smith, the new west coast pipeline could cost \$20 billion.<sup>14</sup> Of course, the number could be significantly higher, as demonstrated by the Trans Mountain Expansion pipeline, whose costs ballooned from \$5.4 billion to over \$36 billion dollars. Given that oil demand is expected to plateau and fall in the next decade, a new pipeline is unlikely to be financially sustainable, leaving little reason to believe that public dollars would be returned. This is on top of the environmental, climate and health risks associated with the pipeline.

Similarly, the Pathways CCS project is now expected to cost \$20 billion in its first phase,<sup>15</sup> with the Oil Sands Alliance (companies responsible for the Pathways CCS project) communicating that they will only build the project, if it is funded primarily by Canadian taxpayers through federal and provincial subsidies. The federal government and Alberta have already agreed to cover up to 62 per cent of the capital costs of this project, which would amount to a \$12 billion price tag for Canadians. Yet, the Oil Sands Alliance is still not satisfied as they are looking for Canadians to cover at least 75 per cent of the capital cost,<sup>16</sup> which would amount to \$15 billion in taxpayer money, as well as 60 per cent of the project's operating costs.<sup>17</sup> The companies have not yet released any public facing estimates of how high those operating costs could be.

These projects face strong opposition from Indigenous Nations,<sup>18</sup> farmers and rural communities,<sup>19</sup> as well as from the wider civil society,<sup>20</sup> who are concerned about land use, water and long-term impacts.

<sup>14</sup> Resource Works (2025). New pipeline has benefits for First Nations. Available:

<https://resourceworks.com/new-pipeline-has-benefits-for-first-nations/#:~:text=Alberta%20Premier%20Danielle%20Smith%20has%20proposed%20a,Nations%20could%20own%2050%25%20of%20the%20venture.>

<sup>15</sup> Pathways Alliance (2025). A Brief on Clean Technology in Canada: Submitted to the House of Commons Standing Committee on Environment and Sustainable Development. Available:

[https://www.ourcommons.ca/Content/Committee/441/ENVI/Brief/BR12004653/br-external/PathwaysAlliance-e.pdf#:~:text=In%20its%20f\[%E2%80%A6\]to%2020%2C000%20high](https://www.ourcommons.ca/Content/Committee/441/ENVI/Brief/BR12004653/br-external/PathwaysAlliance-e.pdf#:~:text=In%20its%20f[%E2%80%A6]to%2020%2C000%20high)

<sup>16</sup> Desmog (2025). No Federal Ministers or Major Announcements at Leading Canadian Carbon Capture Expo.

Available:

<https://www.desmog.com/2025/10/21/no-federal-ministers-or-major-announcements-at-leading-canadian-carbon-capture-expo/>

<sup>17</sup> Calgary Herald (2026). Varcoe: 'We need to get this across the goal line' — Cenovus CEO hopeful of deal on pivotal carbon capture project. Available:

<https://calgaryherald.com/opinion/columnists/varcoe-cenovus-ceo-hopeful-deal-carbon-capture-project>

<sup>18</sup> Coastal First Nations (2025). Coastal First Nations Dismiss Pipeline MOU: North Coast Pipeline Will Never Be Built. Available:

<https://coastalfirstnations.ca/resources/coastal-first-nations-dismiss-pipeline-mou-north-coast-pipeline-will-never-be-built/>

<sup>19</sup> CTV News (2026). Indigenous, rural leaders band together in opposition to northern Alta. carbon storage project. Available:

<https://www.ctvnews.ca/edmonton/article/indigenous-rural-leaders-band-together-in-opposition-to-northern-alta-carbon-storage-project/>

<sup>20</sup> Environmental Defence (2025). No Public Funds for Pathways CCS. Available:

<https://environmentaldefence.ca/wp-content/uploads/2025/10/No-Public-Funds-for-Pathways-CCS.pdf>

## The Path Forward

Canada is at a crossroads. Continued public financing in pipelines, carbon capture and fossil fuel expansion exposes Canadians to financial and environmental risks, while locking Canada into an increasingly uncertain global fossil fuel market.

The alternative however, presents a much more positive opportunity. Investments in clean energy are now racing ahead of fossil fuel investments globally. Renewable power now makes up almost 50 per cent of global electricity capacity, driven by massive leaps in solar capacity.<sup>21</sup> Countries that align their public spending with this transition are strengthening their energy security, lowering costs, reducing emissions and creating long-term sustainable jobs.

**Canada has the resources, workforce and capital to go full steam ahead on the energy transition. However, this requires shifting finite public dollars from high-risk fossil fuel expansion towards clean energy solutions that can deliver lasting prosperity for Canadians. Otherwise, Canada will be left behind holding on to a sunseting industry, while the rest of the world takes advantage of the global energy transition.**



<sup>21</sup> Globe and Mail (2026). Renewables surged to almost half of global electricity capacity in 2025. Available: <https://www.theglobeandmail.com/business/international-business/article-renewables-energy-solar-growth/>

## Appendix 1: Non-Tax Subsidies and Public Financing For Fossil Fuels

Program	Description	Amount (in CAD)	Link
Canada Indigenous Loan Guarantee Corporation (CILGC)	CILGC is responsible for managing the Indigenous Loan Guarantee Program, which provides financial solutions to help Indigenous groups participate in Canada's growing economy. Its role includes engaging with eligible applicants, conducting due diligence, negotiating agreements, and issuing loan guarantees that empower Indigenous groups to take part in economic opportunities.	\$400 million	<a href="https://cilgc-cgpac.ca/2025/05/federal-indigenous-loan-guarantee-program-celebrates-first-loan-guarantee">https://cilgc-cgpac.ca/2025/05/federal-indigenous-loan-guarantee-program-celebrates-first-loan-guarantee</a>
Canada Infrastructure Bank	A federal crown corporation dedicated to supporting infrastructure projects.	\$239.5 million	<a href="https://cib-bic.ca/en/investments/">https://cib-bic.ca/en/investments/</a>
Energy Innovation Program, Natural Resources Canada	Advances clean energy technologies that will help Canada maintain a competitive, reliable, and affordable energy system while transitioning to a low-carbon economy. Most of the funds listed here went to support carbon capture and storage technologies.	\$40.3 million	<a href="https://natural-resources.canada.ca/funding-partnerships/current-investments">https://natural-resources.canada.ca/funding-partnerships/current-investments</a>
Export Development Canada	Export Development Canada is a crown corporation that provides public finance for oil and gas projects as well as plastics, both in Canada and countries around the world.	\$9,326 million	<a href="https://www.edc.ca/en/about-us/corporate/disclosure/reporting-transactions/canadian-industry-sub-sector-2025.html">https://www.edc.ca/en/about-us/corporate/disclosure/reporting-transactions/canadian-industry-sub-sector-2025.html</a>

Program	Description	Amount (in CAD)	Link
Indigenous Natural Resource Partnerships	This program aims to increase the economic participation of Indigenous communities and organizations in the development of natural resource projects that support the transition to a clean energy future.	\$1.4 million	<a href="https://natural-resources.canada.ca/natural-resources-indigenous-peoples/projects">https://natural-resources.canada.ca/natural-resources-indigenous-peoples/projects</a>
Low Carbon Economy Fund	The Low Carbon Economy Fund is an important part of Canada's clean growth and climate action plans. It invests in projects that reduce greenhouse gas emissions, generate clean growth, build resilient communities, and create jobs for Canadians.	\$6.39 million	<a href="https://www.canada.ca/en/environment-climate-change/services/climate-change/low-carbon-economy-fund.html">https://www.canada.ca/en/environment-climate-change/services/climate-change/low-carbon-economy-fund.html</a>
Output-Based Pricing System (OBPS) Proceeds Fund	This program is funded by proceeds collected from the federal Output-Based Pricing System to either decarbonize Canada's industrial sectors or to support clean electricity projects and/or programs.	\$19.55 million	<a href="https://www.canada.ca/en/environment-climate-change/news/2025/03/canadas-industrial-carbon-pricing-system-delivers-nearly-150-million-in-new-support-for-dozens-of-innovative-canadian-clean-technology-projects-acr.html">https://www.canada.ca/en/environment-climate-change/news/2025/03/canadas-industrial-carbon-pricing-system-delivers-nearly-150-million-in-new-support-for-dozens-of-innovative-canadian-clean-technology-projects-acr.html</a>
Prairies Economic Development Canada	Promotes economic growth in Alberta, Manitoba and Saskatchewan.	\$6.2 million	<a href="https://www.canada.ca/en/prairies-economic-development.html">https://www.canada.ca/en/prairies-economic-development.html</a>
Strategic Response Fund	Provides major investments in innovative projects to grow Canada's economy.	\$210 million	<a href="https://ised-isde.canada.ca/site/ised/en/programs-and-initiatives/strategic-response-fund/investments/projects">https://ised-isde.canada.ca/site/ised/en/programs-and-initiatives/strategic-response-fund/investments/projects</a>
		<b>Total: \$10.249.34 billion CAD</b>	

## Appendix 2: CCS & Fossil Fuel Hydrogen Subsidies

Program	Description	Amount (in CAD)	Link
Energy Innovation Program, Natural Resources Canada	Advances clean energy technologies that will help Canada maintain a competitive, reliable, and affordable energy system while transitioning to a low-carbon economy.	\$72.41 million	<a href="https://natural-resources.canada.ca/funding-partnerships/current-investments">https://natural-resources.canada.ca/funding-partnerships/current-investments</a>
Export Development Canada	Export Development Canada is a crown corporation and Canada's export credit agency.	\$5 million	
Green Shipping Corridor Fund	Provides funding for projects that contribute to the establishment of green shipping corridors.	\$22.5 million	<a href="https://www.canada.ca/en/transport-canada/news/2025/02/the-government-of-canada-invests-in-port-infrastructure-for-atlantic-canada.html">https://www.canada.ca/en/transport-canada/news/2025/02/the-government-of-canada-invests-in-port-infrastructure-for-atlantic-canada.html</a>
Low Carbon Economy Fund	The Low Carbon Economy Fund is an important part of Canada's clean growth and climate action plans. It invests in projects that reduce greenhouse gas emissions, generate clean growth, build resilient communities, and create jobs for Canadians.	\$13.41 million	<a href="https://www.canada.ca/en/environment-climate-change/services/climate-change/low-carbon-economy-fund.html">https://www.canada.ca/en/environment-climate-change/services/climate-change/low-carbon-economy-fund.html</a>

Program	Description	Amount (in CAD)	Link
Pacific Economic Development Agency of Canada	Promotes economic growth in British Columbia.	\$0.460 million	<a href="https://www.canada.ca/en/pacific-economic-development/news/2025/06/government-of-canada-invests-in-british-columbias-hydrogen-and-fuel-cell-sector.html">https://www.canada.ca/en/pacific-economic-development/news/2025/06/government-of-canada-invests-in-british-columbias-hydrogen-and-fuel-cell-sector.html</a>
Prairies Economic Development Canada	Promotes economic growth in Alberta, Manitoba and Saskatchewan.	\$4.85 million	<a href="https://www.canada.ca/en/prairies-economic-development.html">https://www.canada.ca/en/prairies-economic-development.html</a>
Strategic Response Fund	Provides major investments in innovative projects to grow Canada's economy.	\$275 million	<a href="https://ised-isde.canada.ca/site/ised/en/programs-and-initiatives/strategic-response-fund/investments/projects">https://ised-isde.canada.ca/site/ised/en/programs-and-initiatives/strategic-response-fund/investments/projects</a>
Zero Emission Transit Fund (ZETF)	Provides support to public transit and school bus operators to electrify their fleets.	\$11.9 million	<a href="https://housing-infrastructure.canada.ca/zero-emissions-trans-zero-emissions/index-eng.html">https://housing-infrastructure.canada.ca/zero-emissions-trans-zero-emissions/index-eng.html</a>
		<b>Total: 405.53 million CAD</b>	

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