

September 3rd 2026

To: The Honourable François-Philippe Champagne, Minister of Finance and National Revenue

CC: The Right Honourable Mark Carney, Prime Minister of Canada

The Honourable Tim Hodgson, Minister of Energy and Natural Resources

The Honourable Julie Dabrusin, Minister of Environment and Climate Change Canada

RE: Opposition to subsidizing fossil fuel industries through new tax credits

Dear Minister Champagne,

We, the undersigned organizations and experts, are writing to urge the Government of Canada to immediately withdraw its proposed expansion of the Carbon Capture, Utilization and Storage (CCUS) Investment Tax Credit (ITC) to include captured carbon used for enhanced oil recovery (EOR), and to cancel amendments to reinstate the accelerated capital cost allowances (CCA) for eligible liquefied natural gas (LNG) infrastructure.

The federal government has touted CCUS as a credible climate solution, but its performance as a technology has fallen far short of expectations. It remains expensive, energy intensive,¹ and has yet to demonstrate the ability to deliver emissions reductions at scale.² CCUS also can not compensate for the emissions produced from expanding fossil fuel production,³ as is being claimed by Prime Minister Carney. For these reasons, many experts⁴ and civil society organizations⁵ opposed the development of the CCUS ITC as it diverts public resources towards an inefficient and risky technology rather than prioritizing direct emissions reductions through proven means. On its own, the impacts of the CCUS ITC is concerning enough, but the proposal to include enhanced oil recovery (EOR) as an eligible part of the tax credit would make the problem that much worse.

Similarly, LNG has been touted as a low-carbon energy export. The accelerated build out of LNG reflects this claim, despite the fact that expanding domestic LNG would significantly increase emissions and air pollution within Canada.⁶ There is also no conclusive evidence that

¹ *Environ. Sci. Technol.* (2025) 59 (6): 3034–3045. <https://doi.org/10.1021/acs.est.4c10686>

² Fraser Institute (2026). Technological limitations, economic and infrastructure challenges raise questions about Carbon Capture, Utilization and Storage (CCUS) as foundation for climate policy. Available: <https://www.fraserinstitute.org/studies/challenges-scaling-up-carbon-capture-utilization-and-storage-technologies>

³ Environmental Defence (2025). Briefing Note: Why Pathways CCS Cannot Offset Pipeline Emissions. Available: <https://environmentaldefence.ca/report/why-pathways-ccs-cannot-offset-pipeline-emissions/>

⁴ Environmental Defence (2022). Letter from scientists, academics, and energy system modellers: Prevent proposed CCUS investment tax credit from becoming a fossil fuel subsidy. Available: https://environmentaldefence.ca/wp-content/uploads/2024/01/Letter-from-Academics-re-CCUS-tax-investment-credit_January-2022.pdf

⁵ Environmental Defence (2021). Re: No subsidies for enhanced oil production. Available: https://environmentaldefence.ca/wp-content/uploads/2021/03/No-subsidies-for-enhanced-oil-production_Civil-Society-Letter_March-2021.pdf

⁶ IISD (2025). How Canadian LNG Impacts the Climate: Carbon emissions, fuel switching, and cleaner alternatives. Available: <https://www.iisd.org/articles/deep-dive/how-canadian-lng-impacts-climate-carbon-emissions-fuel-switching-and-cleaner#lng-canada-emissions>

LNG can reduce global emissions by displacing coal in foreign energy systems, as the lifetime emissions of LNG are very high when considering extraction, processing and transportation.⁷ Aiding this build-out through tax credits will lock in fossil fuel infrastructure with operational lifespans up to 40 years, committing Canada to decades of emissions well beyond our 2050 net-zero target.

We urge the government not to include EOR in the CCUS ITC, and not to reinstate the LNG CCA for the following reasons:

1. Enhanced oil recovery is designed to produce more oil, not reduce fossil fuel emissions.

EOR involves injecting carbon dioxide into oil reservoirs to extract oil that would have been otherwise difficult or economically infeasible to produce. Storing a portion of the injected carbon underground would not eliminate the climate consequences of producing additional oil. Analysis from the Petroleum Technology Research Centre shows that an oil company can generate three barrels of oil on average per one ton of carbon dioxide that is injected into the reservoir.⁸

The federal government's own assessment acknowledges that the overall greenhouse gas impact of extending the tax credit to include EOR is subject to "high degree of uncertainty",⁹ because of the unknown amounts of additional greenhouse gas emissions that would be generated due to EOR. A tax measure that will increase climate change causing fossil fuel emissions should not qualify for public funding, especially when it is presented as a climate solution.

2. The inclusion of EOR continues the pattern of climate backtracking for this federal government

When the CCUS ITC was first introduced, the Government of Canada made a deliberate decision to exclude EOR. As recently as 2024, the Department of Finance's own briefing materials showed support for excluding EOR from the CCUS ITC as the tax credit was not intended to be a financial support mechanism for increasing oil production. The federal government even went as far as defending the CCUS ITC against claims that it was an inefficient fossil fuel subsidy on the basis that eligible projects would deliver emissions reductions and that captured carbon would not be used for EOR.¹⁰

⁷ IEFFA (2024). LNG is not displacing coal in China's power mix. Available: <https://ieefa.org/resources/lng-not-displacing-coal-chinas-power-mix>

⁸ Petroleum Technology Research Centre. Weyburn-Midale. Available: <https://ptrc.ca/past-projects/veyburn-midale>

⁹ Government of Canada (2026). Tax Measures: Supplementary Information. Available: <https://budget.canada.ca/update-miseajour/2026/report-rapport/tm-mf-en.html>

¹⁰ Government of Canada (2024). Briefing binder created for the Deputy Minister of Finance on the occasion of his appearance before the Standing Committee on Finance on March 21, 2024 on Bill C-59, An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023 and certain provisions of the budget tabled in Parliament on March 28, 2023, and the Main Estimates 2024-25. Available: <https://www.canada.ca/en/department-finance/corporate/transparency/2024/part-3.html>

Extending eligibility to EOR would further undermine the government's terrible climate track record and raise further questions about whether climate policy under Prime Minister Carney is being redesigned to accommodate the fossil fuel industry rather than deliver real emissions reductions.

3. These measures would create new fossil fuel subsidies for additional production

Making EOR and LNG eligible for subsidies would result in the use of limited public dollars to lower the cost of producing more fossil fuels. EOR allows oil companies to extract and sell additional barrels that may be otherwise inaccessible and remain underground. Providing a refundable tax credit for the infrastructure needed to access that oil would constitute a public subsidy intended to expand oil production for wealthy oil companies, even if the credit is offered at a reduced rate.

Oil and gas companies are generating massive amounts of profits and do not need public dollars to finance their operations. Four of Canada's largest oil sands producers (Cenovus, Imperial Oil, Suncor, CNRL) reported \$13.3 billion dollars in combined profits in the second quarter of 2026 alone.¹¹ Shell, the largest company involved in LNG Canada, earned \$9.8 billion in profits in the second quarter of the year.¹² The aforementioned tax amendments would only serve to shift economic risk from the fossil fuel companies to Canadians, while the industry itself reaps all the benefits through the profits generated from selling the additional product.

The Government of Canada has rules in place to avoid the creation of new inefficient fossil fuel subsidies. Implementing either of these tax credits violates the government's own policy. Not only would this decision be economically reckless, it would also lead to worsening climate conditions that many Canadians are already facing in the forms of horrific wildfires, droughts, floods and rising costs.

4. The proposed LNG CCA emissions intensity threshold is environmentally harmful

The proposed emissions intensity threshold of 0.20 tCO₂e/tLNG is more permissive than the province of British Columbia's own greenhouse gas emissions intensity benchmark of 0.16tCO₂e/t LNG. The federal government may end up offering preferential tax treatment to a facility that fails to meet provincial standards already in force.

Most critically, the proposed threshold is so undemanding that it functions not as a low-emissions standard, but as a formality. Woodfibre LNG's anticipated emissions intensity is one fifth of the proposed threshold, and every project currently in development or proposal is designed with a significantly lower emissions intensity. It sets the ceiling far above what current

¹¹ Toronto Star (2026). Canada's oil giants are cashing in on conflict. Consumers are paying the price. Available: https://www.thestar.com/business/opinion/canadas-oil-giants-are-cashing-in-on-conflict-consumers-are-paying-the-price/article_e290bb98-9b27-4a22-a841-ae32743fedb6.html#tncms-source=login

¹² Shell (2026). Q2 2026 Results. Available: https://www.shell.com/content/experience-fragments/shell/corporate/quarterly/master/_jcr_content/root/tabs/tab_1817701465/text_copy_copy_94812_1893307662/links/item0.stream/1785372072040/e57181bc216c6ec907666599b9822d2dc8dc0049/q2-2026-quarterly-press-release.pdf

technology and industry best standards can deliver. Proposing a tax credit that requires no new innovation or operational efficiency is a poor use of limited taxpayer dollars.

This threshold only covers facility-level liquefaction emissions, entirely excluding upstream and fugitive methane emissions from extraction and transportation. Less than 10 per cent of LNG lifecycle emissions are covered by the threshold.¹³ This means a facility could qualify for the tax credit while contributing to a lifecycle emissions significantly out of line with Canada's net-zero commitments.

5. Canada needs climate investments that deliver clear emissions reductions, not policies that lock in more fossil fuel production.

Canada is already significantly off track from its legislated 2030 climate target. Recent projections from the Canadian Climate Institute show that Canada would have only achieved 18 to 22 per cent emissions reductions from 2005 levels by 2030, much lower than the federal target of 40 to 45 per cent.¹⁴ This doesn't include additional emissions that would be released from the slew of recently approved fossil fuel projects, which include a new west coast oil pipeline and LNG terminals, including LNG Canada Phase 2 and Ksi Lisms.

Recently, Prime Minister Carney was himself forced to acknowledge that Canada's emissions in the coming years will be higher than they have been recently. Considering these projections, public dollars should be directed towards measures that deliver clear and additional emissions reductions and reduce Canada's dependence on fossil fuels given that global markets are shifting towards clean, renewable energy.

Canada faces an enormous investment challenge to expand renewable energy, build and modernize electricity grids, improve energy efficiency and deploy other proven clean technologies at the scale and speed required to fight climate change. These investments will require sustained public support. Every dollar directed towards subsidizing fossil fuel production reduces the public resources available to accelerate Canada's clean energy transition.

We, the undersigned, urge the federal government to not proceed with this proposal and immediately withdraw the amendments that would make enhanced oil recovery eligible for the CCUS ITC, and the amendments reinstating the accelerated capital cost allowances for LNG facilities.

Sincerely,

8th Fire Rising
Adamant Economics Institute

¹³ IISD (2025). How Canadian LNG Impacts the Climate: Carbon emissions, fuel switching, and cleaner alternatives. Available: <https://www.iisd.org/articles/deep-dive/how-canadian-lng-impacts-climate-carbon-emissions-fuel-switching-and-cleaner>

¹⁴ Canadian Climate Institute (2026). Canada off course for climate targets, with more riding on fewer policies: expert report. Available: <https://climateinstitute.ca/news/canada-off-course-for-climate-targets/>

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BCTF Divest Now
Calgary Climate Hub
Canadian Association of Physicians for the Environment
Canadian Association of the Club of Rome (CACOR)
Canadian Health Association for Sustainability and Equity (CHASE)
Canadian Voice of Women of Peace
Canada's Clean50
Change Course
Chase Environmental Action Society
Citizens for Public Justice (CPJ)
Citizens' Climate Lobby Canada
Climate Action for Lifelong Learners
Climate Justice Saskatoon
Climate Justice Thunder Bay
Climate Reality Project Canada
ClimateFast
Coalition for Responsible Energy Development in New Brunswick (CRED-NB)
Common Horizon
Community Informative Group
CUSP - Citizens United for a Sustainable Planet
David Suzuki Foundation
Decolonial Solidarity
Dogwood
East Kootenay Climate Hub
EcoAnalytics Research (a project of MakeWay)
Environmental Defence Canada
First Things First Okanagan
For Our Grandchildren
For Our Kids Canada
For Our Kids Alberta
For Our Kids Toronto
Force of Nature Alliance
Frack Free BC, Vernon Chapter
Greenpeace Canada
Indigenous Climate Action
Keepers of the Water
Manitoba Energy Justice Coalition
My Sea to Sky
New Westminster Climate Action Hub
No CO2 Pipelines Alberta
North Vancouver Capilano Green Party EDA
Ontario Climate Emergency Campaign
RBC Off Screen

Regenerate BC
Seniors for Climate/ Okanagan Climate Hub Kelowna
Seniors for Climate South Okanagan
Shift: Action for Pension Wealth & Planet Health (Makeway)
Shuswap Climate Action Society
South Okanagan Chapter, Council of Canadians
Southern Alberta Group for the Environment
Stand.earth
Surrey4Future
Teachers for Future Turtle Island
Tech for Good Canada / Climate Literacy Project
The Decentralized Intelligence Agency
The Office of Religious Congregations for Integral Ecology (ORCIE)
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