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Care for Creation, Not Extraction: Understanding Why Canada Must End Fossil Fuel Subsidies

> *Every policy choice — especially those shaping our energy system — ripples across the interconnected web of life, affecting ecosystems, communities, and future generations.*

For over a decade, Canada has reaffirmed its commitment to phase out inefficient fossil fuel subsidies through annual G7 and G20 commitments since 2009 and, later, under the Paris Agreement. Yet today, billions in public dollars are supporting the largest emitters and the sector most responsible for the climate crisis — oil and gas extraction and fossil fuel production — despite the urgent need to transition toward a low-carbon economy.

Prime Minister Carney has argued that geopolitical instability and concerns about affordability and energy security require a different approach to achieving Canada's climate objectives. Since July 2, 2026 that different approach has taken a large and expensive shape: the federal government announced that Canada will become an equal partner with Alberta in a new one-million-barrel-a-day oil pipeline to the BC coast, financed in majority by the same kind of public money this document is about. Adapting climate policy to a changing world does not remove the need to ensure that public spending supports just and clean long-term solutions rather than reinforcing dependence on high-emission energy systems.

Subsidies for oil and gas expansion, instead of investments that accelerate clean energy and a just transition, persist because of the political influence of the petro-industry, outdated ideas about economic benefits, and loopholes that allow questionable "exceptions" to slip through. This narrow accounting hides the broader costs of fossil fuel dependence, including impacts on ecosystems, inequality, and the rights of Indigenous Peoples.

As people of faith, our expectation is for public spending to reflect values that put people and care for creation over profit and short-term interests. Since its start in 2022, ORCIE has urged the federal government to end climate-inconsistent fossil fuel subsidies, close remaining loopholes, and invest in renewables for a just energy transition that supports people, communities and the planet we share.

1. What are fossil fuel subsidies?

Fossil fuel subsidies are forms of federal or provincial financial support that lower the cost of producing or consuming coal, oil, and gas. For producers they take many forms:

- Direct financial transfers such as grants, loans, and loan guarantees
- Preferential financing through federal programs and Crown corporations like Export Development Canada (EDC)
- Tax benefits, including deductions for exploration and production, accelerated capital cost allowances, royalty relief, and reduced interest rates

For consumers, the subsidies are policy measures to make gasoline, diesel, natural gas, or heating fuel artificially cheap. Consumer-side measures include temporary fuel tax relief, heating affordability programs, targeted household energy assistance such as rebates to offset heating costs, and exemptions for fuels used in agriculture or remote areas.

Producer subsidies encourage more fossil fuel supply while consumer subsidies encourage more fossil fuel demand. Together, these mechanisms reduce financial risk for fossil fuel companies and artificially lower the market price of fossil fuels, encouraging continued production and consumption. Because governments often argue that some fossil fuel support serves legitimate public purposes, climate policy discussions focus on identifying subsidies considered "inefficient": public support for fossil fuels that is not clearly justified by broader public policy objectives and may prolong dependence on high-emissions energy.

ORCIE supports Canada's climate commitments that have focused more on producer-side fossil fuel phaseout, while still allowing targeted affordability measures for lower-income consumers, recognizing that not all energy support is problematic, so long as public resources are advancing the energy systems needed for Canada's long-term sustainability.

2. The problem of definitions and transparency

A major barrier to phasing out fossil fuels is the lack of a clear, consistent definition of what counts as a fossil fuel subsidy. The federal government often uses narrow criteria that exclude some forms of support, especially loans and financial services provided by public institutions. Export Development Canada (EDC) is the clearest example: a July 2026 analysis found that Canada's public banks provided $18.2 billion a year in fossil fuel financing between 2022 and 2024, the highest of any G20 country, against just $975 million a year for renewable energy in the same period. EDC alone was responsible for 99 percent of the fossil fuel financing identified. EDC maintains that this support is not a subsidy, since it provides financing on commercial terms rather than grants. Environmental groups counter that the World Trade Organization treats loans from public bodies as subsidies regardless of the terms, and that a Crown corporation absorbing risk private lenders won't take on is a subsidy in substance even when it isn't labelled one.

Increasingly, that support doesn't only take the form of loans and tax credits. Since 2025, the federal government has used the Building Canada Act to designate certain projects "of national interest," a status that streamlines and exempts environmental review and permitting. Faster, lower-cost approval is a form of subsidy in itself and it lowers the cost and risk for producers before a single dollar of financing is even discussed. The new West Coast oil pipeline, addressed in detail below, is currently going through this process.

Subsidies also extend beyond the federal level. Provinces, including Alberta, Saskatchewan, Newfoundland and Labrador, and British Columbia, offer royalty reductions, targeted tax breaks, and other incentives to support fossil fuel production. When the unpriced costs of carbon emissions, air pollution, land degradation, and other environmental harms are excluded, the public bears the burden while producers avoid paying the true cost of their operations. These hidden costs function as subsidies just as much as direct financial transfers, yet they rarely appear in official accounting.

Transparency remains limited. The federal government does not publish a comprehensive public inventory of subsidies and public financing to the oil and gas industry. Larger transactions are often censored due to confidentiality agreements and even basic information about preferential financing is inaccessible.

> *Integral ecology calls us to examine how public spending reflects our collective values. Are we investing in the flourishing of the whole Earth community, or reinforcing systems that harm it?*

3. How much do fossil fuel subsidies cost Canadians?

According to Environmental Defence, Canada provided at least $10.2 billion in fossil fuel subsidies and public financing in 2025 alone. Since 2020, total support has reached at least $85.2 billion, a staggering amount for an industry that is already among the most profitable in the world. In Integral Ecology: How the Concept or Integral Ecology is Evolving in the Canadian Context ORCIE reminds us to think beyond the impacts on Canadians: “Governments, including the Canadian government, are expanding fossil fuel infrastructure even as the nations around the world, and especially the nations of the Global South, hurtle toward increasingly devastating climate change impacts.”

Despite Canada’s repeated international commitments to phase out inefficient fossil fuel subsidies, the Carney government introduced two new subsidies in its April 2026 Spring Economic Update, and both now come with a price tag. The credit for carbon capture and storage, broadened this year to make enhanced oil recovery eligible for the first time, was already projected by the Parliamentary Budget Office to cost $12.3 billion before that expansion. The revived Liquefied Natural Gas Capital Cost Allowance, which lets LNG facilities write off capital costs faster, is separately costed at $362 million over five years.

The biggest addition to this tally arrived on July 2, 2026, when Prime Minister Carney and Alberta Premier Danielle Smith announced that Canada and Alberta will be equal partners in a new oil pipeline to the BC coast, capable of carrying one million barrels a day, built largely along the existing Trans Mountain corridor, and led by Trans Mountain Corporation, the federally owned pipeline operator. Alberta's own submission to the Major Projects Office prices the pipeline, its terminal, and its marine loading facility at $35.2 to $43.7 billion. The linked Pathways carbon capture project adds another $16.5 to $20 billion or more, and Ottawa has separately committed roughly $10 billion to upgrade the Roberts Bank port corridor where the pipeline would end. Federal dollars may also flow through the $10-billion Indigenous Loan Guarantee Program to finance Indigenous equity in the project, providing a second stream of public money in the same pipeline. Independent estimates that account for likely cost overruns put the full package above $100 billion.

Private capital's role in that total is small. Pembina Pipeline is the only outside investor, starting with a 10 per cent stake and holding an option to reach 20 per cent once the pipeline is operating and has said publicly it will not risk its own capital before that decision is made. Alberta's premier has said what taxpayers will owe "remains to be negotiated." Canada's own energy minister has already acknowledged taxpayers could be on the hook, while defending the project as a good investment. In other words, this is very largely a publicly financed pipeline, and it follows almost exactly the pattern of the original Trans Mountain purchase: bought by the federal government for $4.5 billion in 2018, its costs have since more than quadrupled. The federal government also promised roughly $1 billion in 2026 to cover Equinor's payments to the International Seabed Authority in the Bay du Nord project, which is a direct transfer to a foreign energy company during an affordability crisis for Canadians.

4. Why do fossil fuel subsidies persist?

Subsidising oil and gas reflects a deeper worldview that normalizes extractive systems and obscures their social and ecological costs. Industry narratives emphasize jobs, investment, and energy security while downplaying harms to communities, ecosystems, and future generations. The Canadian Association of Petroleum Producers claims the sector generated $45 billion in revenues last year; the same year, the estimated cost of pollution from oil and gas operations in Canada, including health costs, property damage from extreme weather, and reduced agricultural productivity, was $56.4 billion. Industry accounts also tend to omit that global markets are shifting rapidly toward clean energy investments that are cheaper, faster to deploy, and more secure than volatile fossil fuel markets, a reality PM Carney himself has acknowledged in noting that Canada has "no control over the price of oil" but "lots of control over the price of our electricity."

Political influence compounds this. In 2025 alone, industry representatives held at least 986 meetings with the federal government, an extraordinary level of access that keeps subsidies in place even when they no longer serve the public interest.

5. Why are fossil fuel subsidies unjustifiable?

They contradict Canada's climate and moral commitments.

"As a wealthy nation with one of the highest per capita emissions in the world, Canada has a moral duty to demonstrate strong leadership on this issue; a duty to be a leader in transitioning from fossil fuel-based energy to renewable and cleaner energy sources", is a clear call from Dr. Sue Wilson and Darlene O'Leary in Integral Ecology: How the Concept or Integral Ecology is Evolving in the Canadian Context, and "to do so while safeguarding the social, economic, and environmental wellbeing of the people and bio-regions in Canada, and while contributing significantly to climate mitigation and adaptation in the Global South as well as the Loss and Damages Fund."

Canada pledged in 2009, in response to a United Nations call, to phase out inefficient subsidies, and introduced federal guidelines in 2023 that have not been reviewed or updated since. Under the 2015 Paris Agreement, Canada committed to cutting greenhouse gas emissions by half by 2030. Public funds should not be working against these commitments by prolonging dependence on high-emission industries. Fossil fuel subsidies deepen climate harms that violate rights to life, security, and equality: they worsen air pollution, increase health risks, and contribute to extreme weather events that disproportionately affect low-income and Indigenous communities. These are not distant harms; they are current, lived realities.

They undermine the purpose of pricing carbon emissions.

Pollution pricing is designed to discourage extraction and consumption by making pollution more expensive. Fossil fuel subsidies do the opposite: they lower costs for producers and encourage continued production, leaving Canadians facing higher fuel costs at the pump while also funding, through their taxes, subsidies for the companies generating those emissions.

They benefit industry, not Canadians.

Subsidies shield companies from financial risk while Canadians face rising costs of living and climate-related impacts. High industry profits do not translate into lower fuel prices or broad public benefit. Oil and gas companies have reported record profits, demonstrating they do not need taxpayer support.

The original Trans Mountain pipeline illustrates the risk. It is the most expensive infrastructure project in Canadian history, its costs ballooning to more than four times initial estimates, the equivalent of roughly $800 per Canadian, and in 2023 it received $8 billion in federal loan guarantees, shifting investment risk from private investors to taxpayers. The new West Coast pipeline is on track to repeat this pattern at a larger scale: as detailed above, private investment currently covers only a small fraction of a project that could exceed $100 billion, with the financing structure still unresolved. A pipeline is also a poor answer to the energy security argument used to justify it. Continued reliance on volatile global oil markets does not reduce Canada's exposure to price shocks and shifting demand the way investment in domestic clean electricity and transmission would; as Carney himself has said, Canada has far more control over the price of its own electricity than over the global price of oil.

Subsidies can also perpetuate violations of Indigenous rights, as many fossil fuel projects and related infrastructure proceed without the free, prior, and informed consent of Indigenous nations and are often subject to legal challenge. The Union of British Columbia Indian Chiefs called on Ottawa and Alberta in August 2026 to halt advancement of the new pipeline, arguing that consultation has not been conducted in good faith, and more than 120 civil society organizations, including ORCIE and faith groups, have signed an open letter opposing new fossil fuel pipelines.

6. What ORCIE is calling for

Grounded in an integral ecology framework, ORCIE calls on the federal government to fully phase out all remaining fossil fuel subsidies: implement G20 commitments, close the loopholes that allow counter-productive subsidies to persist, and stop treating streamlined permitting and new equity stakes in fossil fuel infrastructure, including the West Coast pipeline, as separate from the subsidies Canada has pledged to end.

We also call for increased transparency: a complete, accessible inventory of all federal fossil fuel subsidies and public financing, using globally agreed-upon definitions and methodologies. Redirecting these public dollars toward renewable energy, clean electricity infrastructure, and a just transition is the subject of a companion ORCIE pieces; this document makes the case for why the redirecting has to start with ending the subsidies themselves.

These changes are foundational to ORCIE's climate policy positions, including calls for the oil and gas sector greenhouse gas emissions cap, the industrial carbon pricing framework, climate-aligned finance, an excess profits tax on oil and gas companies, Fossil Fuel Non-Proliferation Treaty, and Canada contributing its fair share to confront the climate crisis.

7. Talking points and questions

Grounded in integral ecology, our message is simple: public policy must reflect care for people, care for Earth, and care for future generations.

Canada continues to subsidize the fossil fuel industry, including a new multi-billion-dollar equity stake in an oil pipeline, while making cuts to public programs, including housing, healthcare and clean water. *Why are we subsidizing a profitable fossil fuel industry while cutting social programs? When will the government fully end fossil fuel subsidies?*

It is difficult to reconcile Canada's climate targets with continued public support for the very industry driving emissions, especially as it risks locking in long-term fossil fuel projects that may lose value or become stranded assets as the world shifts to cleaner energy. *How can we meet our climate targets while continuing to support the industry driving the emissions crisis? How will Canadians be able to clearly see how much public money is going to fossil fuel companies?*

Ongoing public funding for oil and gas sends a mixed signal to young people about the seriousness of Canada's commitment to climate action and their future, and represents a missed opportunity to invest in good, clean jobs in growing sectors such as wind, solar, and other renewable energy industries. *What message does this send to young people about our commitment to their future? How will public money be shifted from fossil fuels into clean energy and social programs instead?*

8. Conclusion

Ending fossil fuel subsidies is about more than correcting a policy contradiction; it is about choosing a different way of relating to Earth and to one another. Continuing to direct public funds toward fossil fuel expansion, including new pipelines, risks reinforcing dependence on high-emission systems, increasing climate risks, and placing disproportionate burdens on communities already facing the impacts of environmental degradation.

This does not require ignoring the complex realities facing Canada today. A just energy transition must account for affordability, energy security, workers, and communities. But responding to these challenges requires careful choices about where public resources are directed. Investments made today will shape Canada's energy system for decades to come; they should strengthen our long-term goals, not deepen dependence on systems that create future ecological and economic vulnerabilities.

Phasing out fossil fuel subsidies is a concrete expression of the ethical, spiritual, and societal conversion needed to meet the climate crisis with integrity.