Canada

G20 coal subsidies

Canada has pledged CA$185 million to support transition away from coal

<table>
<thead>
<tr>
<th>Coal and Canada’s economy</th>
<th>US$45,762</th>
<th>4,561</th>
<th>18,088</th>
<th>9%</th>
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</thead>
<tbody>
<tr>
<td>GDP per capita, PPP</td>
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<tr>
<td>(2016–2017 average)</td>
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<tr>
<td>2016 imports</td>
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<tr>
<td>(kilotonne oil equivalent)</td>
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<td>2016 exports</td>
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<tr>
<td>(kilotonne oil equivalent)</td>
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<tr>
<td>Share in power mix</td>
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<td>(by generation)</td>
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Key findings

- Canada plans to phase out unabated coal-fired power generation by 2030 and implement Just Transition programmes for communities and workers.
- Since 2011 Canada has reformed or phased out various thermal coal subsidies, but still supports coal mining and exploration, as well as research, development and demonstration (RD&D) support for carbon capture and storage (CCS).
- To improve transparency on subsidies, Canada has volunteered to conduct a peer review of its fossil fuel subsidies with Argentina.

Prominence of fossil fuels and subsidy phase-out commitments

- Canada obtains 20% of its electricity from fossil fuels (IEA, 2019) and per unit of gross domestic product (GDP) is the G7’s biggest supporter of oil and gas production (Touchette and Gass, 2018; Whitley et al., 2018).
- As a member of the G20, Canada has committed to the phase-out of inefficient fossil fuel subsidies over the medium term (as agreed in 2009), and as a G7 member to do so with a 2025 deadline (G20, 2009; G7, 2016). Canada has also committed to phase out environmentally harmful subsidies, including those to fossil fuels, by 2020 as a signatory to the Convention on Biological Diversity (Aichi Target 3) (UN, 1992).
- To improve transparency on subsidies, Canada has volunteered to conduct a peer review of its fossil fuel subsidies with Argentina (Government of Canada, 2018).

Government support to coal production

- Canada has reformed various coal support policies since 2011, phasing out the mining components of the Atlantic Investment Tax Credit (2012–2017), redefining mine development expenses by reducing the...
deduction rate from 100% to 30% (2013–2018), while phasing out the accelerated capital cost allowance (ACCA) for certain mining assets (2013–2021) (Gerasimchuk et al., 2018; Touchette and Gass, 2018).

- Coal mining and exploration subsidies continue in the form of research and development (R&D) funding and mine development tax credits.

**Government support to coal-fired power production**

- One of the largest fiscal subsidies is for RD&D for coal-fired power, including CCS (Bast et al., 2015). However, no estimates were available for this in the Organisation for Economic Co-operation and Development (OECD) database used for this research.
- Although sub-national-level state-owned enterprises were outside the scope of this report, four provinces (Alberta, Saskatchewan, New Brunswick and Nova Scotia) support coal via ownership stakes in utilities with coal operations (TFJTCCPWC, 2018). The Saskatchewan government-owned utility, SaskPower, invested CA$1.2 billion (US$1 billion) between 2011 and 2014 in its Boundary Dam CCS demonstration project, with CA$226 million (US$197 million) in grants from the Canadian government (Bast et al., 2015).
- No public finance support or state-owned enterprise involvement through majority state-owned national-level companies was identified.

**Government support to coal and coal-fired power consumption**

- Tax exemptions are offered by British Columbia to support household consumption of coal-fired power, and by Nova Scotia to support household consumption of coal and coal-fired power.
- No public finance support or state-owned enterprise involvement was identified.

**Government support to the transition away from coal and coal-fired power**

- The 2019 Canadian budget allocated CA$185 million (US$143 million) over five years to an infrastructure fund for priority projects and economic diversification in affected communities transitioning from coal (Minister of Finance, Canada, 2018; 2019).
- In 2018 the government launched the Task Force on Just Transition for Canadian Coal Power Workers and Communities, which recommended ‘considerably more funding, potentially in the hundreds of millions of dollars’ (TFJTCCPWC, 2018: viii). The government also pledged CA$275 million (US$212 million) to the World Bank’s Energy Transition and Coal Phase-Out Program, and co-founded the 2017 Powering Past Coal Alliance (PPCA, 2017; TFJTCCPWC, 2018; Touchette and Gass, 2018; World Bank, 2018).

### Canada’s government support to coal and coal-fired power production and consumption

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Coal production</th>
<th>Coal-fired power</th>
<th>Coal consumption</th>
<th>Transition support</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiscal support</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>(budgetary transfers and tax exemptions)</td>
<td>19,773,106</td>
<td>none identified</td>
<td>23,382,390</td>
<td>none identified</td>
</tr>
<tr>
<td><strong>Public finance</strong></td>
<td>none identified</td>
<td>none identified</td>
<td>none identified</td>
<td>none identified</td>
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<tr>
<td><strong>State-owned enterprise investment</strong></td>
<td>none identified</td>
<td>none identified</td>
<td>none identified</td>
<td>none identified</td>
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</table>

Note: for more detail and sources see the Canada data sheet available at odi.org/g20-coal-subsidies/canada.

1. This category includes support for coal exploration, mining, processing and transportation.
2. This category includes support for consumption of coal-fired power, and of coal other than for its use for coal-fired power generation (or for co-generation of power and heat).
3. This category includes support for closing down mining sites, and for workers and communities in their transition away from coal and coal-fired power.
• The Alberta Government negotiated CA$1.1 billion (US$0.8 billion) in phase-out compensation for major operators of coal-fired power plants. November 2017 saw a CA$5 million (US$3.7 million) Coal Community Transition Fund for municipalities to promote economic diversification, and a CA$40 million (US$30 million) Coal Workforce Transition Fund to help workers transition (TFJTCCPWC, 2018; Vriens, 2018; Environmental Defence Canada, 2019).

References


