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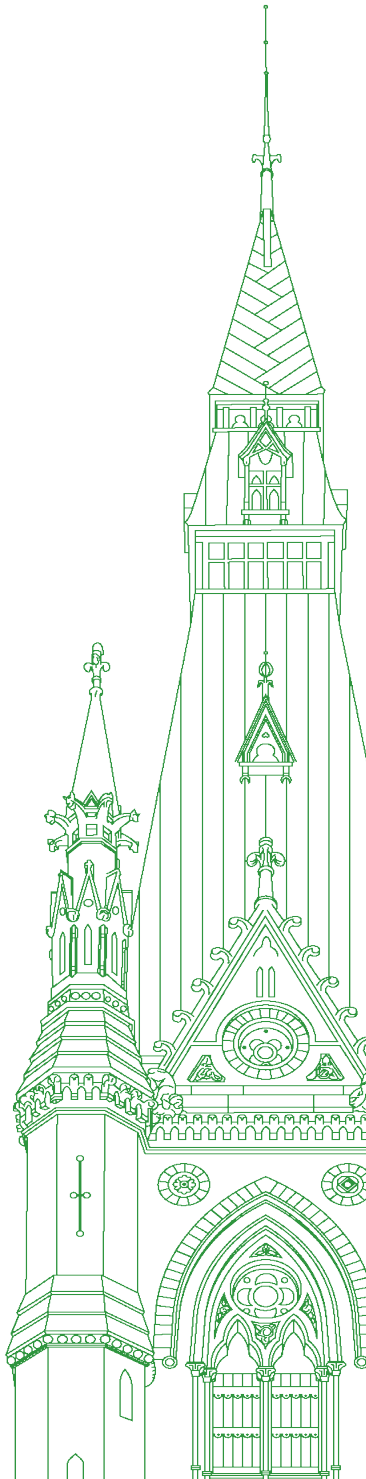

Chair: Mr. Francis Scarpaleggia

# Standing Committee on Environment and Sustainable Development

**Tuesday, March 29, 2022**

● (1100)

[*English*]

**The Chair (Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.)):** Given that it is 11 o'clock, we'll start the meeting

I would just like to mention that today we have Ms. May with us, and we have Mr. Chris Lewis substituting for MP Colin Carrie. On the Liberal side, we have Yvan Baker, who was a member of this committee in the last Parliament, substituting for Ms. Taylor Roy.

For everyone's benefit, I'll just go over the public health guidelines. We must maintain two metres of physical distance and wear non-medical masks when circulating in the room. MPs sitting at the table may take their masks off. Staff must keep their masks on at all times.

For the benefit of the witnesses, as you can ascertain, it's a hybrid virtual meeting. When not speaking, if everyone on the screen can keep their mikes on mute, that would be appreciated. When it's time to speak, of course, please unmute your microphone.

Today is the first meeting of our study on fossil fuel subsidies proposed to us by Ms. Collins. We have four witnesses in the first hour. Each witness will have three minutes to make an opening statement.

With us as an individual, we have Normand Mousseau, scientific director and full professor. We have, from the Canadian Chamber of Commerce, Mark Agnew, senior vice-president, policy and government relations. From the Canadian Labour Congress, we have Larry Rousseau, executive vice-president; and Tara Peel, political assistant to the president. From the Explorers and Producers Association of Canada, we have Tristan Goodman, president and chief executive officer.

I would first call on Professor Mousseau to provide an opening statement for three minutes.

Go ahead.

[*Translation*]

**Prof. Normand Mousseau (Scientific Director and Full Professor, As an Individual):** Thank you, Mr. Chair and committee members.

I'm a physics professor at the Université de Montréal, the scientific director of the Trottier Energy Institute and the scientific director of the Transition Accelerator.

I'll be speaking today about our work, including the “Canadian Energy Outlook 2021 — Horizon 2060” report. We used techno-economic modelling to analyze the major transformations that Canada must make to meet climate objectives.

First, I'll set out some findings.

Some sectors, including the transportation sector, are technically difficult to decarbonize. Other sectors must be decarbonized quickly to offset the shortfall in order to meet Canada's targets.

The net-zero emissions objective by 2050 doesn't allow for the introduction of transitional fuel. The goal now is to decarbonize all sectors. For example, natural gas isn't a transitional solution here.

The large-scale use of biofuels isn't an acceptable solution for several reasons. These reasons are outlined in my brief, which I don't have time to read here.

Lastly, many infrastructures using oil and gas products have lifecycles of several decades. Any support for their renewal today will maintain these structures over time and create barriers to the achievement of climate goals.

In closing, I want to identify three principles for the subsidy review that build on these findings.

First, the subsidies in place mustn't support the use of fossil fuels. Instead, they must serve the social or economic objective sought. For example, if you want to support the fisheries sector, instead of funding fossil fuels, you must fund the sector directly.

Second, the subsidies must facilitate the transition to low-carbon energy and mustn't constitute a barrier to this transition. The current subsidies are often barriers to decarbonization.

Third, the subsidies mustn't serve to maintain or increase greenhouse gas emissions and to maintain and develop new infrastructure that will contribute to greenhouse gas emissions. They must be compatible with the objective of net-zero emissions.

I'll stop here.

Thank you.

● (1105)

**The Chair:** Thank you, Professor Mousseau.

I will now turn the floor over to Mr. Agnew from the Canadian Chamber of Commerce.

Mr. Agnew, you have three minutes to give your opening remarks.

[*English*]

**Mr. Mark Agnew (Senior Vice-President, Policy and Government Relations, Canadian Chamber of Commerce):** Thank you, Chair, and honourable members, for the invitation to participate in this committee's study on fossil fuel subsidies.

Certainly, as Canada's largest business organization, with member companies of all sizes in all sectors and regions of the country, the chamber welcomes the interest parliamentarians have taken in this critical issue.

The G7 and G20's voluminous communiqués over the years have regularly referenced eliminating fossil fuel subsidies. Certainly it makes for a great sound bite, but unfortunately I think a lot of the nuance has been lost in the conversation. The oil and gas sector plays a critical part in Canada's pathway to net zero, since without reliable supplies of energy there will not be the political conditions to enable us to have the push for decarbonization. Additionally, we need to have an approach to fossil fuel subsidies that recognizes the regional dynamics of our country.

I mentioned earlier the need for nuance. I want to briefly unpack that with three examples that all feed into the simple point that immense capital investment is needed in the transition to net zero.

First is carbon capture utilization and storage. CCUS plays a critical role in our net-zero transition, especially when looking at the 2030 time horizon. Industry is stepping up in a major way and we are seeing collaborative initiatives, such as the Oil Sands Pathways to Net Zero alliance. CCUS is a prime example of what some would see as a fossil fuel subsidy to industry, yet CCUS is not cheap, and without this tax credit there certainly is no credible pathway towards net zero.

Second is the net-zero accelerator initiative. We welcome the government launching this fund, which has the potential to play a vital role in derisking the deployment of new technologies by oil and gas companies, and certainly others in the economy, to align with both traditional and new business lines. Again, some would take this as a fossil fuel subsidy, but I think cutting off oil and gas companies from initiatives like this would certainly make our transition towards net zero much more difficult.

The third and final example is multisector tax measures, such as capital cost allowances. The Canadian tax code is already complex enough. Blocking certain sectors from accessing these types of tax credits would only serve to complicate and in some ways distort the tax code and make capital deployment much more difficult.

In closing, as I said at the outset, I hope the honourable members of this committee will understand that the fossil fuel subsidy issue is not a binary one. Phase-outs might make for a good sound bite, but certainly we urge careful deliberation to ensure that our net-zero transition is not inadvertently made more difficult.

Thank you, and I look forward to your questions.

**The Chair:** Thank you.

We'll go now to the Canadian Labour Congress. I imagine Mr. Rousseau will be speaking to us.

[*Translation*]

**Mr. Larry Rousseau (Executive Vice-President, Canadian Labour Congress):** Mr. Chair and honourable committee members, thank you for the opportunity to appear today. My name is Larry Rousseau. I'm the executive vice-president of the Canadian Labour Congress.

[*English*]

The CLC is Canada's largest central labour body speaking on national issues on behalf of three million unionized workers, including tens of thousands of workers in the fossil fuel industry. For years, the CLC has been a passionate national and international advocate of just transition measures, so energy and resource sector workers already understand the grim reality of climate change. They are living it. They get the need to transition to clean and renewable sources of energy, but they insist, and we insist, that the transition benefits workers instead of occurring at their expense. Workers must see their own future reflected in a vision of a net-zero Canada. Otherwise, uncertainty, resentment and opposition will continue to frustrate the accelerated transition needed to meet our climate goals.

Meaningful just transition measures that emphasize creating good green jobs, training and upskilling opportunities, and a path to financial security and retirement for older workers are essential. That extends to supports for affected communities and the families of affected workers. Workers and unions must play a role in the decisions made about their future and the economic future of their communities.

We are eagerly looking forward to a just transition act, a just transition act that enshrines these principles. The Government of Canada recently committed to accelerate the timing of G20 commitments to phase out or rationalize inefficient fossil fuel subsidies from 2025 to 2033. In our view, inefficient fossil fuel subsidies should not continue to flow to very profitable energy companies. These subsidies, together with current windfall profits in the oil and gas industry, should be redirected towards just transition measures, rather than being funnelled into share buybacks, executive bonuses and special dividends that benefit a small minority of wealthy individuals. Instead of subsidizing profitable oil and gas companies, fossil fuel rents should be taxed away and spent on just transition and energy affordability measures.

● (1110)

[*Translation*]

Mr. Chair, my time is up. I'm ready to answer the members' questions.

Once again, thank you.

**The Chair:** Thank you, Mr. Rousseau.

I'll now give the floor to the representative of the Explorers and Producers Association of Canada.

Mr. Goodman, you have the floor.

[*English*]

**Mr. Tristan Goodman (President and Chief Executive Officer, Explorers and Producers Association of Canada):** Hello. Thank you very much for the opportunity to present today.

My name is Tristan Goodman. I'm the president and CEO of the Explorers and Producers Association of Canada, which represents independent oil and gas producers across this country.

First, I certainly recognize that, like other sectors, subsidies, incentives and supports to aid emissions reduction in the Canadian natural gas and oil sector is not without controversy and historical application. As Canada and the rest of the world grapples with the critical issues of accelerating the application of clean technology and renewables, an emerging crisis of energy affordability and the obvious issue of energy security, we face the need for a pragmatic approach to energy subsidies that supports all Canadians and our values and climate ambitions.

I should start by saying that the Canadian oil and gas sector is not seeking government subsidies that promote oil and gas exploration. Although these subsidies may have been common decades ago—for example, in the development in the 1970s of the oil sands—they are now a vestige of history. With a well-established sector such as we have in Canada, they are generally not needed. However, similar to other sectors in our country, we are interested in implementing climate ambitions in Canada rather than in other jurisdictions, and thus need to remain competitive with other nations and attract significant investment capital into this country.

The Government of Canada has implemented a series of globally leading GHG reduction policies that address the climate challenge and are successful in reducing emissions at scale, including from the oil and natural gas industry. We support the Government of Canada's stated goal of tackling climate emissions rather than considerations of production.

Similar to other sectors in Canada, programs are required to help mitigate the costs of critical but challenging government policies to ensure that oil and gas development occurs here in this country, while it is still needed, with strong regulatory standards rather than simply shifting production to other jurisdictions that lack real climate expertise and ambition.

The use of tax policies and the creation of such market mechanisms as a robust carbon offset market can go a long way to addressing these competitiveness challenges. Designed correctly, these types of tax and fiscal policies can be meaningful and effective mechanisms to reduce emissions in combination with a robust regulatory regime, which is now in place. Furthermore, these policies create substantive economic value in the country in the cleantech sector, creating jobs and developing technologies with export potential.

I believe it is an error to classify as a fossil fuel subsidy government initiatives that support Canadian companies in implementing clean technology that reduces emissions through hydrogen development, geothermal, CCUS, methane capture, wind, solar and other innovations.

Thank you for your time. I look forward to your questions.

[*Translation*]

**The Chair:** Thank you, Mr. Goodman.

We're now starting the first round of questions.

Mr. Seeback, you have six minutes.

[*English*]

**Mr. Kyle Seeback (Dufferin—Caledon, CPC):** Thank you, Mr. Chair.

I want to start off with you, Mr. Goodman. At the end of your testimony, you started to touch on what you consider to be—I guess I'm going to use this term—"good" subsidies. I think part of what we're going to be examining during the study at committee is this: What do we mean by fossil fuel subsidies, and what is being requested when we say the "elimination" of fossil fuel subsidies?

Could you expand on your statement and tell us what government programs or tax incentives and other things in the fossil fuel sector could be used to reduce emissions, such as CCUS and so on? How would you define “good” tax subsidies for the fossil fuel industry?

● (1115)

**Mr. Tristan Goodman:** I think in general I would look at that from a production standpoint versus a transition or a clean-tech application standpoint.

Decades ago, it was clear that there were a number of opportunities that Canada wanted to pursue to grow oil and natural gas production. I think with an emerging sector, those made some sense between 30 and 50 years ago. I think it's fair to say now that there is a well-established sector here. We're making some really significant changes in energy use. Those have already begun and will continue going forward.

The key is that what you're looking for really is a balance between how you maintain energy affordability for Canadians as well as, quite frankly, globally. The problem there is that it actually negatively impacts low-income Canadians the most. When you see these sorts of prices and you're not getting a response from the oil and gas companies in Canada or elsewhere to grow, prices continue to move up until demand decreases.

At the same time, on the other side, where supports, incentives and even subsidies work well is in the application of anything that is a clean technology. Some of those are very basic and very detailed. For example, in Saskatchewan and Alberta there's a great opportunity to tie in natural gas. That does reduce emissions immediately. That's been recognized by the World Bank, IMF and others. It's been done before in other provinces in the 1990s and into the 2000s, but then you move into some quite innovative pieces whereby oil and gas companies will seek to transition. Those are in things such as the great opportunity with hydrogen, CCUS and those sorts of things. They tend to be tax incentives or some other forms of support.

**Mr. Kyle Seeback:** If someone were saying that an oil and gas company should not be able to have the benefit of, let's just say some kind of a tax credit or tax deduction for investments in CCUS or other technologies to reduce emissions—because I think that's what some people are saying—what would you say to that?

**Mr. Tristan Goodman:** I do recognize that, unfortunately, there are those out there who, for various reasons, disagree with perhaps a specific technology, whether it's geothermal or CCUS or some hydrogen aspects. I personally think that's not valid. I think we're looking for GHG reductions as quickly as possible, and a pragmatic approach has to be taken.

The other problem we need to recognize is that oil and gas companies move up and down. Many of my members actually simply no longer exist. They didn't make it through the last downturn, and we are now obviously in an up cycle. This is affecting Canadian workers as we go through this, so we want to make sure that the investment stays in Canada, because what we don't want to do is.... I recognize there's this ambition to say there are substantive profits within these companies at this moment in time. The problem is that they invest across the world and their investors will dictate where they invest, so it's very hard for CEOs and others to put additional capacity in.

They have continued to move forward. There have been great gains there. That really can't be debated. I agree that it's certainly debatable whether or not that has been fast enough.

**Mr. Kyle Seeback:** Mr. Mousseau, in your statement you said that LNG is not a transitory fuel; however, right now we have two steel plants in northern Ontario that are being transitioned from coal to LNG to manufacture steel. Each transition is going to save three megatonnes per year, which is an incredible reduction. How can you say that's not a transition fuel with the massive savings we're getting from just one project moving from coal to LNG?

[*Translation*]

**Prof. Normand Mousseau:** The issue is that the transition must take place over 30 years. Any investment that must be made again in 10 years is a lost investment. That's really the challenge of this transformation.

If we want to move to natural gas, it must be part of the transition to net-zero emissions. A 30% reduction in greenhouse gases doesn't lead to net-zero emissions, the goal that Canada set out to achieve.

When we carry out our modelling, we can clearly see that any way of keeping the natural gas somewhere will mean that the sequestration must be done elsewhere. However, sequestration is very costly.

● (1120)

**The Chair:** We'll now turn to Ms. Thompson.

[*English*]

**Ms. Joanne Thompson (St. John's East, Lib.):** Thank you, Mr. Chair.

I'd like to continue with the thread of the inefficient fuel subsidies. To Mr. Agnew, the Government of Canada has said that it will accelerate Canada's G20 commitment to eliminate fossil fuel subsidies, completing this by 2023, rather than 2025, and it has said that it will develop a plan to phase out public financing of the fossil fuels sector, including by federal Crown corporations.

Not all groups agree on what constitutes a fossil fuel subsidy within the Canadian Association of Petroleum Producers. For example, it has said that tax measures are not subsidies.

In your view, what should be considered as a fossil fuel subsidy? Are tax measures subsidies?

**Mr. Mark Agnew:** For all my sins, I have been involved with work at the G7 and the G20 over the years where we've spent far too much time agonizing over this very issue at the business advisory groups. If I'm being quite transparent about it, the language you'll see talked about in some of the businesses groups, because this is a very difficult thing to define, is “distortive” fossil fuel subsidies. That is how you might see it referred to in some of the documents that have come out of business advisory groups.

What I would say about the timeline is that it's very ambitious to try to phase all of these out by 2023, given the definitional challenges we face in agreeing on what the definition is. Having gone through some of the work that the Auditor General has produced, it has identified these very tricky things about how to define it. The risk is that we spend a lot of time chasing our tails in trying to define it but not really getting to the nub of the issue, which I think is what your question was getting at.

Mr. Goodman's answer earlier was a very good explanation of it, in that transition measures should be not something that we are, by any means, seeking to phase out. The chamber is on the record as being very supportive of CCUS. That would be a very reasonable approach to take to it.

The recommendation that I would give to this committee is to not get too hung up on whether it is a tax measure or it is a capital cost allowance. Is it a grant? Is it a refundable credit? You should be looking at what the outcomes are that this policy tool is working towards.

**Ms. Joanne Thompson:** To follow through on that idea of the outcomes, in your opinion, what should the key considerations for the Government of Canada be as it plans to eliminate fossil fuel subsidies and phase out public financing in the fossil fuels sector? Could you give a little more detail around that?

**Mr. Mark Agnew:** One item would be what the impact would be on our emissions profile. Is it a transition measure that will help deliver bang for our buck, if I could use that term? For instance, what will this mean for economic competitiveness? What will it mean for our trade commitments?

As the Canadian Chamber of Commerce, we're always very mindful of abiding by various WTO and other bilateral commitments where there are disciplines on certain subsidies that could be provided.

Those are some considerations I would encourage the committee to look at in its recommendations.

**Ms. Joanne Thompson:** I'm sorry to continue on in this thread, but I think it's important to clarify things.

There may be some public financing in support of fossil fuel production or consumption that's not classified as official fossil fuel subsidies, and that could remain in place after 2023. If this is the case, would there be a timeline by which to end such supports?

**Mr. Mark Agnew:** It would depend highly on the particular program. To use an example, we wouldn't want to see a CCUS tax credit end by 2025. These things are going to need to stick around for quite some time.

What I would say, to put the question in a different perspective, is the need for predictability in the funding streams that companies can tap into or their technologies. We've been very happy with the net-zero accelerator initiative. Can the government look to make that a permanent funding program? What you wouldn't want to happen is industry wondering every two to three years what's going to be around the corner and whether this tool will be available to it.

The planning cycles for these capital investments require people to think quite far in advance. That doesn't always necessarily align with parliamentary budgetary cycles that can be a little more fickle, if I can put it that way.

● (1125)

**Ms. Joanne Thompson:** Finally, in this thread, what would the greenhouse gas emission reductions be if such public financing were ended?

**Mr. Mark Agnew:** That's a question that I would have to get back to you in writing. I can do that.

I know witnesses don't like to deflect questions and look to others, but perhaps Mr. Goodman could advise on that.

**Mr. Tristan Goodman:** We could certainly examine that. The reality is that it really depends on which particular piece you're speaking about. Similar to you, what we're looking for are some additional definitions on what an inefficient subsidy is, what a subsidy is. It really depends on how they're classified.

Again, the key here is to look at GHG reductions while preserving.... We need to meet the existing demand. That's sort of the tricky balance. What we don't want to see is.... I thought there were some good comments earlier. During this period of time, we have to be careful with workers in this sector and we have to be careful with low-income Canadians. Those are the two groups that can, unfortunately, bear the brunt here if we're not careful during this period. It's not a question of whether we're moving through this.

[*Translation*]

**The Chair:** Ms. Pauzé, you have the floor.

**Ms. Monique Pauzé (Repentigny, BQ):** Good morning. Thank you for joining us.

My first question is for Mr. Mousseau.

Earlier this month, you made a comment. I'll remind you of what happened in Quebec. An agreement was reached between Hydro-Québec and Énergir. Ultimately, Hydro-Québec's customers will likely pay for it. You said that this approach was incompatible with Quebec's climate objectives.

Could you elaborate on this incompatibility between Quebec's climate objectives and the federal government's subsidy practices that make taxpayers' money available to the Canadian oil and gas sector?

I want to know whether what happened in Quebec could apply to the federal level.

**Prof. Normand Mousseau:** Thank you for your question.

In Quebec, we have solutions for carbon-neutral construction. Continuing to use natural gas and invest in furnaces for facilities that will last several decades will prevent Quebec from achieving the objectives it has set. We're talking about a 37.5% reduction in GHGs by 2030.

In Canada's case, it's much the same thing. From the start, people have been talking a lot about carbon capture, utilization and storage. However, utilization in that way is completely at odds with net zero objectives. If we want to remove carbon, we will need to store it, sequester it forever. If we remove carbon, use it to extract more oil or for other applications and release it elsewhere, we are acting in a way that's incompatible with climate targets. It's important to point that out.

**Ms. Monique Pauzé:** You talk about carbon capture and storage. However, Mr. Agnew and Mr. Goodman said earlier that in this case we shouldn't be talking about subsidies.

In your opinion, should we instead conclude that, because that method is used, these are in fact fossil fuel subsidies in disguise?

**Prof. Normand Mousseau:** It depends on the objective. In the context of the Paris Agreement, for example, oil exported from Canada and burned elsewhere is not included in Canadian climate targets. If Canada reduces its emissions but exports oil, those exports do not count on its balance sheet.

In my view, subsidies should be used to decarbonize overall utilization. We may be able to justify subsidizing production of blue hydrogen, which represents at least a 90% life cycle reduction over methane, that is, grey hydrogen. That would transform the entire economy.

Using capture and storage to subsidize exports seems inappropriate to me given that we must move towards net zero and that funding must be devoted to transforming the energy system as a whole.

**Ms. Monique Pauzé:** If I understand correctly, you're keeping the word “subsidize”. You really see this as subsidies for capturing carbon.

● (1130)

**Prof. Normand Mousseau:** Yes. Any money that goes to an industry, whether it's a tax credit, royalties or anything like that, is a subsidy, in my opinion.

**Ms. Monique Pauzé:** Okay. Do you see any danger in burying carbon?

**Prof. Normand Mousseau:** It carries some danger, but we don't know much about it. However, our models clearly show that it will be impossible to meet net zero objectives in Canada without storing carbon. Nevertheless, we need to use it as a last resort. We must reduce emissions elsewhere, because based on our models, even if we reduce emissions and electrify as much as we can, we will still need to store 150 million tonnes of carbon per year in 2050. That's a huge amount.

If we take the easy way out, keeping oil and gas everywhere and storing carbon, we will end up with astronomical amounts of carbon to store. That won't be manageable in 2050.

**Ms. Monique Pauzé:** Thank you very much.

My next question is for Mr. Rousseau from the Canadian Labour Congress.

Some groups, including Iron and Earth, are calling on governments to create meaningful programs to add value to the oil and gas trades during the transition to renewable energy. I am thinking in particular of the DEEP geothermal plant in Saskatchewan.

Mr. Rousseau, how much do you feel the federal government should invest in transition programs for the various trades currently in the oil and gas sector?

How much are governments listening to you?

You have one minute to respond.

**Mr. Larry Rousseau:** I will quickly respond and ask my colleague Tara Peel to add her comments.

I want to make one thing clear: the CLC isn't saying that there should be no subsidies, but rather that they should be directed to what will support workers, who are constituents.

Ms. Peel can answer the rest of the question.

**The Chair:** Please keep your response brief, Ms. Peel.

[*English*]

**Ms. Tara Peel (Political Assistant to the President, Canadian Labour Congress):** As my colleague said, we are not arguing that all subsidies are inherently bad, but if they are properly targeted, subsidies can support the low-carbon transition and avoid the associated bankruptcies and unemployment risks. For example, careful government spending can support worker transitions from fossil fuels to clean energy.

I'll just quickly speak to the affordability issue that has come up. Ensuring affordable energy access in remote and northern communities in Canada is an absolute necessity and historically some fossil fuel subsidies have enabled this.

**The Chair:** Thank you.

We'll have to go to Ms. Collins now.

**Ms. Laurel Collins (Victoria, NDP):** Thanks so much.

My questions are also to the Canadian Labour Congress.

Over the past three years, Canada has invested 14 times more in oil and gas than in renewables. I'm just curious if you think that ratio should be flipped. What would it mean for the workers you represent if the government were to invest adequately in a just transition and in renewables?

**Mr. Larry Rousseau:** For the latter part of your question, that is exactly what we're asking for, to make sure that the investments are targeted, and that does include tax and the other kinds of subsidies we're talking about. We need to make sure that the funding that the government is looking at is going to help maintain.... The boom and bust economies, which is what we've seen for the 150 years of Confederation, have to stop. The whole approach of the industry is that, once it's not profitable, then the workers are thrown out on the street. We have to make sure that we have a plan going forward as to how are we going to support the workers.

**Ms. Laurel Collins:** Can you speak a little bit more about what you'd like to see in that plan for workers in a just transition?

**Mr. Larry Rousseau:** I'll ask Tara to round that out, because there are some specific measures we'd like to see.

Go ahead.

**Ms. Tara Peel:** I guess part of the question is getting a handle on what these subsidies are, and it's really hard for those of us looking to see what these are. Some organizations have quantified these subsidies in the billions. A conservative estimate I've heard, if you take in all levels of government and all forms of subsidies, is that it's in the range of $4.8 billion a year. That's equivalent to job training 480,000 workers, if you look at what the Canada job grants provide for worker upscaling.

Absolutely, we need to invest in the things that will create good jobs and that also drive down emissions, and we know that it's not going to happen overnight. We know that there is a transition, but we need to be supporting those things that help move us in that direction.

I will just say that workers really need to be at the table. We talk a lot about investments and where we need to go, but workers have solutions to this. We need to be at the table helping to shape the plan across the economy, not just in oil and gas but sector by sector and right down to the workplace level.

I will argue that we need to invest in the things that we know build towards what we're looking for, including worker skills training and investment in modernizing the grid, all of those things, with workers at the table, making sure that we have the supports to get from here to there and ensuring that those investments come with the job streams so that we are creating jobs that support the economy and that support families and communities in where we know we need to go, towards a net-zero economy.

● (1135)

**Ms. Laurel Collins:** I have a follow-up to some of the comments in your opening statement.

You mentioned that big oil and gas companies are currently making record profits along with giving out CEO bonuses and share buybacks. That's at the same time these companies are receiving public subsidies.

The NDP recently proposed a tax on the excess profits these companies are receiving. Is that something that your organization would support?

**Mr. Larry Rousseau:** I don't want to keep repeating myself, but our organization is going to support anything that brings us to the table in the decision-making process. I've heard the comments from the Chamber of Commerce and from the industry side. We will be talking about workers. Everybody talks about workers, but no one is asking the workers what they believe is going to be the best way forward on this.

As far as exactly what the government is going to be putting on the table, that's where we want to be involved. That's where we want to work with the parties to say what we believe is going to be the best way forward. It cannot just be government working with industry. It has to be government working with industry and with the employee representatives to make sure that everyone's at the table.

When we look at specific measures, I cannot make a blanket statement on what you just asked. We have to look at the details. The devil is always in the details.

**Ms. Laurel Collins:** Thanks so much.

In addition to ensuring that workers are at the table, are there other ways that the government can ensure that the policies they're putting forward benefit both workers who are looking to transition and also those who are close to retirement?

**Mr. Larry Rousseau:** Absolutely.

Just transition means that.... We have a model already. We have health and safety committees in the workplace. Why don't we just introduce the same notion of having just transition committees in the workplace as well, where we are at the table?

That's one way we can get our voice heard and make sure we don't just go down that path of whether it's profitable or not profitable and boom—everybody's out on the street. It makes people angry. It makes voters make decisions that we've had a little bit of a taste of. We want to avoid going down that path.

[*Translation*]

**The Chair:** Thank you.

I will now ask Mr. Dreeshen to begin the second round of questions.

Mr. Dreeshen, you have the floor.

[*English*]

**Mr. Earl Dreeshen (Red Deer—Mountain View, CPC):** Thank you very much, Mr. Chair, and thanks to all the witnesses.

One thing that was just mentioned is that industry needs long-term commitment. I think that really becomes the critical part.

If Canadian industry isn't competitive with its global counterparts for whatever the reason—be it labour, excessive regulations, transportation bottlenecks or taxation—the most common result is that it can't compete beyond its borders. We can manage here, but we can't compete beyond our borders or the investors go to more favourable countries to set up shop. We see what is happening with the commitment between Russia and China for 100 million tons of coal that's heading from one country to the other. Here we are looking at our part as the rest of the world changes. I think it's important that we recognize this.

If you have these products, but you then have to import it, the profits that could have filled our own government's coffers have instead filled those of competing nations. The benefits of all of the progressive labour practices we speak of, the environmental stewardship we are so proud of here in Canada and the human rights champions we always want to be part of lose their ability to be effective.

When it comes to Canada's natural resources specifically at this point in time, the anti-hydrocarbon activist narrative is that Canada should do all it can to dissuade us from advancing our world-class fossil fuel industry, not only from using it for our own needs but from being part of the global market. That's what I've heard today from some of the witnesses.

I'd like to ask Mr. Agnew from the Chamber of Commerce a question.

How do we get the message out there of the significance of Canadian energy for reaching the actual goals of net zero, when we see this bombardment of polar opposite views? They have made their commitment to it. How do we do that?

Needing that long-term commitment, how do we make sure that we don't have governments or whatever coming in and changing the rules as they go along, as was stated?

● (1140)

**Mr. Mark Agnew:** Thank you for the question.

In no particular order, a couple of things come to mind.

The first is certainly having a clear signal from government of the legitimate and important role that the oil, gas and energy sector plays in the Canadian economy. As the honourable member will know, for the folks over in Alberta, it's where a lot the extraction takes place, but there's a whole supply chain across the country that benefits from and relies upon this. Certainly, the industry pays taxes, and those taxes help fund roads, hospitals, national defence and social programs. I think that's an important recognition to have that is important from the top.

The other element of it, too, is, how we advance the conversation globally. We like to talk a lot about Canada's role on the world stage. Energy is an area where Canada can assert some influence, and it's a tool. We're looking at how Canada makes itself relevant in a very *realpolitik* way. Again, I think the energy sector is something that we shouldn't be shy in talking about.

This isn't about just the current context of what's going on with the terrible war in Ukraine. This is something that we should have been doing well before the conflict started.

Those would be two measures I would put forward for the committee's consideration.

**Mr. Earl Dreeshen:** Thank you very much.

Perhaps I'll ask Mr. Goodman a somewhat similar question in talking about supply chains.

For example, I am from Alberta, and just so we can put things in perspective, I was speaking with Dow Chemical as they were talking about their initiatives for net zero and how they were going to go through the plastics production and be able to come out with straight hydrogen at the end so that it becomes the byproduct. Then we put money, as Alberta has done, into investments that make a difference, and we would be able to really see things that we could be selling all around the world and so on.

One of the things that Dow Chemical indicated is that, if we want to talk about some of these other industries that are so important to people, it takes 17 tons of material to build a windmill. Seven tons of that is plastic, and you don't get that from anywhere else other than our oil and gas industry. We have to get that message around.

I know that my time is going to be short here.

Mr. Goodman, how are you going to ensure that this message gets out to people?

**Mr. Tristan Goodman:** I think that's key. The reality is that what we're looking for here across all of these sectors is that you need to remain competitive. It helps workers, the oil and gas business and the renewable businesses.

You need predictable and stable policy that is actually equitable and focused on all factors. It's not just one lens. The key is that you need investor confidence. Without investor confidence, you're not going to have that.

**The Chair:** Thank you.

Mr. Duguid, you have five minutes please.

**Mr. Terry Duguid (Winnipeg South, Lib.):** Thank you, Mr. Chair.

I want to thank our witnesses for their excellent testimony.

Mr. Chair, as my colleagues are probably aware, the emissions reduction plan that will get us to 2030 and 2050 is being released as we speak by the Prime Minister in Vancouver. Some of my colleagues may have seen an op-ed by ministers Guilbeault and Wilkinson, saying that we need to use all the tools in the tool box.

The ERP, as it's called, has some prominent references to carbon capture and underground storage. I'd be interested in the views of the Canadian chamber, as well as our friend from the CLC, on carbon capture and underground storage.

As a little bit of a frame, can it be viewed as a technology development initiative? I'm not the biggest Brad Wall fan in the world, but former premier Mr. Wall was talking about this five and seven years ago and saying that it could be particularly advantageous in China, which burns coal and needs this kind of technology. There's also a national unity element. I'm from the west, and this is a sensitive issue in the west. I'd be particularly interested in an amplification by the chamber on that issue.

Mr. Rousseau, I know that the building trades are very supportive not of only pipelines but of CCUS. It would provide employment for some of those 70,000 workers who are dependent upon oil and gas. I wonder if we could have some comments from the two of you on this emerging technology, which the International Energy Agency says will trap 10% of our global emissions.

● (1145)

**Mr. Mark Agnew:** I can get started, and then Mr. Rousseau can comment.

To the honourable member's point, certainly it has been flagged by numerous climate reports and energy transition documents that have been put out.

To the question you asked about national unity in particular, we spoke a little earlier about the important role that oil and gas plays in the Canadian economy. It's also important for the mix of our exports by value. It is quite an important part of that.

Certainly we are going to be producing oil and gas for some time, but at the same time, from what I gather from the snippets of the ERP that I've seen, there's a fairly heavy reliance on the oil and gas sector making some fairly steep reductions in emissions between now and 2030. I think the only credible way in which we're going to do that is with the deployment of CCUS technology.

One thing that I think is important to put on the record, given that the budget is coming next week with another major government announcement, is that we're hoping to see a fairly sizable down payment by the government in next week's budget that will support the deployment and the sustainment of the technology, because it is going to be very capital-intensive and expensive to use.

**Mr. Larry Rousseau:** Thank you for that question.

To start, especially getting back to a previous honourable member's comment, I think everybody should be quite clear that, for the CLC, when we represent three million workers and when we're talking about unionized jobs across this country, we can't have good unionized jobs without strong industry. We have to work together.

What we have to look at is the path we're going to take for sustainable employment going down the line. The message we are trying to get across is that we understand investor concerns and we understand profitability concerns. We get all of that. What we need to make sure is that we understand that we just cannot, based on that, turn around and say, “Well, the workers...whatever.” We have to make sure that we plan, going forward, on sustainability not only for energy but for employment as well.

I'm going to ask Tara to comment on carbon capture in a moment.

As far as the building trades are concerned, I'm going to tell you one thing: Absolutely we want more jobs, not fewer jobs. Whatever we can do to make sure that happens, as I said, we have to make sure it happens in a sustainable way.

Tara.

**The Chair:** Unfortunately, we're out of time.

We'll go to Madame Pauzé now, please, for two and a half minutes.

[*Translation*]

**Ms. Monique Pauzé:** Thank you, Mr. Chair.

I will continue on with the subject we were discussing, carbon capture and storage.

My question is for you, Mr. Mousseau.

In its report, the Global CCS Institute points out that there are 29 such facilities around the world, of which only five are devoted to storage. All other facilities are being used to scrape the bottom of oil wells for the last drops of oil.

I would like to talk about the status of this technology and relate it to what you told us earlier, that we need to reduce greenhouse gases as quickly as possible.

● (1150)

**Mr. Larry Rousseau:** Indeed. Thank you for your question.

**Ms. Monique Pauzé:** I apologize. My question was for Mr. Mousseau. Your names are very similar. One starts with M and the other one starts with R.

**Mr. Larry Rousseau:** Ha ha! I'd also like to hear from Mr. Mousseau.

**Prof. Normand Mousseau:** It's true, we have very little infrastructure for simply storing carbon dioxide. Most facilities reuse it for funding purposes. Basically, it helps fund facilities. Furthermore, none of these facilities achieve the over 90% reduction they committed to once they have gone through the entire life cycle.

We still need to address some issues. It's not impossible, but we need to invest in technology development and meet the targets.

These uncertainties mean that we can't focus on oil alone. First, we first need to stop using oil and gas anywhere we can. We will need to invest in capturing and storing carbon. We will also need to put an end to other subsidies for using oil so that we don't get trapped into using oil elsewhere in the Canadian economy.

**Ms. Monique Pauzé:** Mr. Rousseau, since you had something to say, would you like to add anything?

**The Chair:** In 30 seconds, please.

**Mr. Larry Rousseau:** I have nothing to add. Mr. Mousseau explained it very well.

Thank you very much.

**Ms. Monique Pauzé:** Perfect.

I have one last quick question.

**The Chair:** Perhaps you could make a comment instead.

**Ms. Monique Pauzé:** Earlier, I asked Mr. Mousseau about the dangers of carbon burial. Now I would like to hear about the dangers of transporting carbon.

**Prof. Normand Mousseau:** It can be transported by pipeline and that's how we will have to do it. That will involve quite heavy infrastructure, and if we want to do it economically, we will need very localized sites to transport the $CO_2$ before we bury it. $CO_2$ is heavy and it will stay close to the ground. Using it like that carries health and safety risks, but we have no choice.

**The Chair:** Thank you, Mr. Mousseau.

Ms. Collins, you have the floor.

[*English*]

**Ms. Laurel Collins:** Thank you, Mr. Chair.

To follow up with Mr. Mousseau on what he was just talking about, 80% of captured carbon is used for enhanced oil recovery. The only proven market for CCUS right now is enhanced oil recovery. I'm going to quote from the letter written by 400 academics and experts:

> Effective solutions to achieve deep emission reductions in the next decade along a pathway to zero emissions are already at hand, including renewable energy, electrification and energy efficiency. Funding CCUS diverts resources from these proven, more cost effective solutions that are available on the timeframes required to mitigate climate change.
>
> Despite decades of research, CCUS is neither economically sound nor proven at scale, with a terrible track record and limited potential to deliver significant, cost-effective emissions reductions.

I'm curious if you agree with those words.

[*Translation*]

**Prof. Normand Mousseau:** Yes, I agree with that.

Moreover, according to our modelling and analysis, we can't get by without it. We absolutely have to implement all reduction measures, but we're also going to have to invest in capture and storage. I'm not talking about utilization, I mean storage. Otherwise, we won't be able to achieve net zero.

[*English*]

**Ms. Laurel Collins:** Given our track record is that Canada has invested 14 times more in the oil and gas sector than in renewables, do you see an opportunity right now to switch and invest in some of those more proven pathways?

[*Translation*]

**Prof. Normand Mousseau:** We absolutely must invest in the electrification of many processes, such as heating and transportation, wherever we are able to do so, to try to reduce emissions as much as possible. Right now, we need to redouble our efforts in this area, rather than supporting new developments in the oil and gas sector.

[*English*]

**Ms. Laurel Collins:** I have a quick last question to the Canadian Labour Congress about making sure that workers are at the table.

We know the government has met with oil and gas lobbyists 6,000 times. Is it concerning to you, the overrepresentation and the say that the oil and gas lobby has with the current government? Would you like to see more representation for workers and a voice for workers at the table?

**The Chair:** That's more or less a yes or a no. That's what we have time for.

Go ahead, Mr. Rousseau.

● (1155)

**Mr. Larry Rousseau:** Yes, yes and yes.

**The Chair:** Good. I like those answers. Thank you very much. I apologize for that, but we have time constraints.

Go ahead, Mr. Lewis.

**Mr. Chris Lewis (Essex, CPC):** Thank you, Mr. Chair.

Do I have five minutes? Is that correct?

**The Chair:** Yes, you do.

**Mr. Chris Lewis:** Thank you very much.

Committee, thank you for the honour of being here today. It's my first time at the environment committee, so it's pretty cool.

My first question is to Mr. Rousseau. You mentioned a couple times.... In my capacity or portfolio as shadow minister for labour for the Conservative Party of Canada, I'm listening with very keen interest to all of your remarks. I think they're fantastic, so I thank you for your remarks.

You mentioned a few minutes ago that it doesn't seem as though the government has really come to the table. I introduced a private member's bill last Wednesday, Bill C-241, specifically for tradespersons. In your last remarks, you mentioned tradespersons and what they need. It's a deduction of travel expenses for tradespersons.

You mentioned you'll do whatever you can do to help out our trades folks. Would you be open and willing to putting a letter of support forward for this bill?

**Mr. Larry Rousseau:** As I mentioned earlier, the CLC is not arguing against subsidies. You're talking about a tax deduction, so I'm very interested in seeing the draft of your bill, sir.

If you could flip that to us.... I'll ask Tara Peel to reach out to you so that we can see it. The devil is always in the details, as they say, but from what you're saying, we are keenly interested to see what that is all about.

**Mr. Chris Lewis:** Let's make that happen.

**Mr. Larry Rousseau:** If it is what I think it is, let's make it happen, absolutely. We're willing to work with everyone, as long as it's in the interests of the workers.

Thank you very much.

**Mr. Chris Lewis:** Thank you.

Through you, Mr. Chair, back to the same witness, what will, or what potentially could, phasing out fossil fuel subsidies do to workers and jobs if the transition to other types of energy happens too quickly?

**The Chair:** Whom was that addressed to?

**Mr. Chris Lewis:** I'm sorry, Mr. Chair. That was through you to Mr. Rousseau.

**Mr. Larry Rousseau:** Could you repeat that question one more time, please?

**Mr. Chris Lewis:** What will phasing out fossil fuel subsidies do to workers and jobs if the transition to other types of energy happens too quickly?

**Mr. Larry Rousseau:** Your guess is as good as mine. We'd certainly be concerned about it. That's a very good question. I don't have the answer to that question right now. It's certainly something that should be taken into consideration by all parties—government, industry and labour—because that could very well happen.

I think it's an excellent question. We should talk more.

**Mr. Chris Lewis:** Thank you, Mr. Rousseau. Let's do that, for sure.

Mr. Chair, through you to Mr. Agnew, we talk a lot with regard to Russia and Ukraine. What impact will the Russia-Ukraine conflict have on the strategy of phasing out fossil fuel subsidies now that international fossil fuels will be in higher demand?

**Mr. Mark Agnew:** Without sounding too cute about it, I don't think it is an either-or equation. We are going to have global demand for oil and gas products for many years to come. Russia-Ukraine I think has only reduced the sources by which we are going to find those products and get them to market in certain countries. Not everyone has sanctioned Russia, but for those that have sanctioned, I think Canada looks like an increasingly attractive offer.

In some ways that only further underscores the point of using technologies like CCUS. Given that we will be producing these products for some time to come, we want to ensure that we have the technologies in place to reduce the emissions profile from that sector as we supply products to the world.

**Mr. Chris Lewis:** Thank you, Mr. Agnew.

I know I'm down to 40 seconds here. All I'll say is that Russia will sanction Canadian oil perhaps and also sanctioned me, so I'm good with that.

With that, Mr. Chair, I will concede the rest of my time. Thank you.

**The Chair:** Thank you, Mr. Lewis.

We'll go to Mr. Weiler for the last question of this round.

**Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.):** Thank you, Mr. Chair.

I'd also like to thank our witnesses for joining us for the important study that we're doing right now.

My first question is for you, Mr. Rousseau. You mentioned that, as we're looking to eliminate inefficient fossil fuel subsidies, we want to make sure that this doesn't come at the expense of workers. I was hoping you might be able to identify a fossil fuel subsidy that will benefit workers.

● (1200)

**Mr. Larry Rousseau:** I'll kick this one over to my colleague Tara Peel.

**Ms. Tara Peel:** As I said, the way you target government spending to support workers through the transition from fossil fuels to a net-zero economy.... We know that it's happening. We know that it isn't going to happen overnight. We need direct supports to ensure that workers have the training they need so that they can succeed and thrive in a net-zero economy. Make sure that if workers need to move to follow the work, they have the supports they need to do that. Make sure that the new jobs we are creating as we invest in greening the grid, invest in renewables and invest in those things are good jobs.

Workers are not afraid of hard work. It is workers' hard work that has built this economy. We are ready to step up and do the work that is needed to build a net-zero economy to protect us from the worst impacts of climate change, but we need those supports to be targeted towards making sure that workers and communities can thrive in net zero and not go into CEO bonuses and share payouts and those kinds of things.

We know the kinds of efficient supports that will put workers on the path to succeeding. When workers succeed, the country succeeds. We're ready to step up and do this work together, but we need to be at the table.

**Mr. Patrick Weiler:** Thank you very much for that answer.

Through you, Mr. Chair, my next question is for Mr. Goodman.

I was hoping you could explain to our committee what effect the total elimination of efficient subsidies would have on the decarbonization of our energy sector. Is it possible that it would in fact actually slow the move to net zero?

**Mr. Tristan Goodman:** Assuming by efficient subsidization you're actually targeting the application of renewables or clean technology into the oil and gas sector, yes, it would distinctly slow that, whether that be hydrogen, electrification, CCUS and others.

There are certainly debates over the specifics of those, where they apply and where they don't, but to think that without government supports companies would undertake that simply on their own, investors are probably unwilling to do that, and investors largely sit outside the country.

The key here is that I think we're talking about hundreds of millions or hundreds of billions of dollars when really you need international investment in the trillions of dollars to move through the changing energy use, the energy transition. The reality is that you're going to have to ensure that governments can do their part, but you do need international investment to come into all of these sectors, including my own.

**Mr. Patrick Weiler:** Thank you for that answer.

The next question I have is for Mr. Mousseau. You mentioned in some of your answers earlier that carbon capture, utilization and storage will play a critical part. I think 10% was the amount that was mentioned as part of Canada's emissions reductions.

You also mentioned the importance of blue hydrogen as one of the pathways for reducing emissions in Canada. I was hoping you could speak a little bit more to that point and where the government policies are best placed to be able to assist in that type of a decarbonization pathway.

[*Translation*]

**The Chair:** Mr. Mousseau, you have 45 seconds.

**Prof. Normand Mousseau:** First, we're not talking about utilization, but storage. You have to take out the word “utilization”.

In the case of blue hydrogen, it is a way to get energy that will balance electricity. In some parts of Canada, especially, it could play a role in terms of transportation, for example. It certainly could in the industrial sector and it could potentially in the construction sector. We're going to have to use that energy to try to balance the energy sources that will be required.

**The Chair:** Thank you very much.

We have now reached the end of our time with our first panel, who helped us launch our study on fossil fuel subsidies.

I want to thank all the witnesses for their testimony. We will surely take it into account when we draft our report.

We will now take a short break so that the witnesses in the second group can join the meeting. Then we will begin the second half of the meeting.

I'd like to thank the witnesses very much for attending the meeting today.

● (1205)

_____(Pause)_____

● (1205)

[*English*]

**The Chair:** We'll resume.

We'll now move on to our second panel. Each witness will have three minutes for opening remarks. I'm assuming that for CAPP it is Mr. Brunnen who will be speaking for three minutes.

Is that correct?

**Mr. Ben Brunnen (Vice-President, Oil Sands, Fiscal and Economic Policy, Canadian Association of Petroleum Producers):** Yes.

**The Chair:** Okay.

Go ahead, please.

**Mr. Ben Brunnen:** Good afternoon. Thank you for having us today.

My name is Ben Brunnen. I'm vice-president of oil sands and fiscal policy at CAPP, and I'm joined by my colleague Shannon Joseph, VP government relations and indigenous affairs.

We support the Government of Canada's desire to achieve international climate objectives, which will require innovation, major investment, a healthy industry and good public policy.

Our industry is not subsidized. I say this with confidence, especially when we look at our original G20 commitment.

Does Canada encourage wasteful consumption? No, we heavily tax production and consumption.

Do we impede investment in clean energy sources? No, incentives for renewables are at least as attractive as, if not more attractive, than oil and gas.

Do we undermine efforts to fight the threat of climate change? No, the current federal approach drives strategic and targeted investments aimed at reducing GHG emissions. Since 2009, Canada has eliminated eight tax measures deemed to be industry subsidies. In 2019, Environment Canada reviewed 36 programs across 24 departments that benefit oil and gas. None were deemed to be inefficient subsidies. Minister McKenna stated in June 2020 that her government had “eliminated” oil subsidies in the federal tax system.

According to Finance Canada in the 2017 Auditor General's Report, “remaining oil and gas measures are a ”part of the benchmark income tax system and that they would not generally be considered subsidies”.

However, there is targeted support for all sectors to invest in emissions reduction technology in partnership with government. Canada's emissions reduction efforts are incenting all sectors towards emissions reduction investments that are not otherwise economic, but this is not a subsidy. It is government policy to encourage behaviour that would otherwise not occur for all industries, not just oil and gas, and we are seeing the results.

Natural gas emissions intensity has decreased 33% since 2009. Oil sands emissions intensity has decreased 8% for in situ and 14% for mining. The oil sands pathways alliance declared an ambition to work together and with governments to achieve net-zero emissions by 2050.

It is because of this approach and the efforts of our industry that Canada is making meaningful progress to achieving our global climate commitments while preserving economic prosperity.

Minister Guilbeault has quoted a study saying that “the domestic oil patch is the largest spender on clean technology in Canada, accounting for 75% of the $1.4 billion spent annually.” We employ 400,000 Canadians and procure $4 billion in supply chain outside of Alberta. Total government revenues for our industry could be as high as $20 billion this year, including $5 billion in unanticipated incremental federal revenue.

I know there are proposals to increase industry taxes or limit capital, but Canadian governments are currently benefiting from higher taxes and royalties. Limiting access to capital or increasing taxes will only have negative effects on Canada's economy, energy affordability, emissions reduction progress and global energy security.

The crisis seizing Europe emphasizes the importance of energy security and environmental performance. The IEA forecasts that global oil and gas—

● (1210)

**The Chair:** I'm sorry, Mr. Brunnen, but we're out of time. There will be time to raise these points in answers to questions.

Now we have Ms. Tucker for three minutes.

Go ahead, please.

**Ms. Bronwen Tucker (Public Finance Campaign Co-Manager, Oil Change International):** Good morning. My name is Bronwen Tucker. I co-lead the public finance program at Oil Change International, a research and advocacy organization focused on securing a just energy transition in line with a livable future. My work is focused on public finance and subsidies for fossil fuels across G20 countries.

First, I think it's important that this conversation is rooted in the context of the pace and the kind of energy transition that we need, so on this, last fall, the International Energy Agency published its first scenario aligned with net-zero emissions by 2050. It found, like many other previous studies, that there is no room for new oil and gas fields to be developed after 2021 and that oil and gas production must decline by about 3% to 4% per year after this.

This can be considered a minimum guideline for private finance. In terms of how governments are structuring their policies and subsidies, they should go far beyond this. It's also a global estimate, so Canada should be going much more quickly if it's doing its fair share. I think the bottom line is that the cost of not having a just and orderly transition away from fossil fuels is much more expensive in terms of dollars, in terms of good jobs and in terms of human lives and suffering. Not acting is much more expensive.

In this context it's clear that the definition of an inefficient fossil fuel subsidy is any fossil fuel subsidy, so this does not include support directly to fossil fuel workers and communities to transition, which is desperately needed. The most egregious subsidies are production-based, so these are ones that promote carbon lock-in, meaning that they commit us to infrastructure that is legally and financially designed to operate for decades to come. Subsidies are production subsidies even if they're given to a company to encourage marginally cleaner production, because they still ultimately free up fiscal space elsewhere.

We've seen this play out with the federal government's orphan well support as well as the 45Q CCS tax credits in the U.S., among a ton of other examples.

These kinds of emission reductions through CCS are incredibly expensive and not aligned with net zero by 2050 goals, because even perfectly functioning CCS, which does not yet exist, leaves behind 70% to 80% of life-cycle emissions of Canadian oil and gas.

The most egregious federal production subsidy in Canada is Export Development Canada's $13.6 billion a year, on average, in government-backed and often preferential support for oil and gas. EDC's activities mean that Canada gives the most trade and development finance to fossil fuels of any country in the G20. This EDC money also contributes heavily to Canada's worst ranking score among OECD G20 countries for all oil and gas production subsidies. Ultimately, it means that more oil and gas projects go forward than would otherwise be possible.

● (1215)

**The Chair:** We'll have to stop there, unfortunately, but there will be time for answering questions.

Last but not least, we have Dr. Kim, please.

**Dr. Joy Aeree Kim (Lead, Fiscal Policy, United Nations Environment Programme):** Thank you very much, Mr. Chair.

As a UN technical expert, I would speak on this topic in a global context.

In 2020 globally governments spent $423 billion U.S. subsidizing fossil fuel production and consumption. To put this in perspective, when tracking public spending of 87 countries around the world during the pandemic, green recovery spending amounts to only $970 billion U.S. out of total spending of over $18 trillion U.S.

We believe that the reform of these inefficient fossil fuel subsidies can address the triple planetary crises of climate, nature and pollution, and we know very well that the reform of fossil fuel subsidies can help us to meet the Paris Agreement and climate goals. On the nature front, for instance, a study shows that a 10% increase in per capita fossil fuel subsidies increases the ecological footprint up to 1.5%.

The fossil fuel subsidy reform can also support financing green recovery and sustainable developmental goals. Globally, countries are facing very severe fiscal constraints right now to simultaneously respond to the pandemic, build resilience to climate change and get back on track to achieve sustainable developmental goals. The reform of fossil fuel subsidies represents a large potential source for social and green investment. Literature shows that just 10% to 30% of global fossil fuel subsidies could pay for the transition to a clean economy at the global level.

We believe that the first step toward the reform of fossil fuel subsidies is to improve transparency by measuring subsidies and tracking progress. UNEP is a custodian to the SDG indicator 12.c.1 on measuring fossil fuel subsidies and is approaching countries on measuring and reporting fossil fuel subsidies as an amount of fossil fuel subsidies per unit of GDP in a partnership in many countries.

Globally, countries are increasingly taking actions to reform fossil fuel subsidies. Between 2015 and 2020, at least 53 countries reformed their fossil fuel subsidies.

Overall, the successes and failures of past subsidy reforms illustrate economic and political complexity and underscore the need for tailored and effectively designed reforms. The current context of rapid increase in energy prices may make it all more politically challenging to address fossil fuel subsidy reform; however, it is important to note that the fiscal burden they bring is also swelling, and countries that fail to address the issue early on will pay a costly price later on.

We highly encourage Canada to continue its commitment to undertake the G20 peer review and advance internal reform efforts as committed under G7 to phase out by 2025 and encourage and enable others to follow suit.

Thank you very much.

**The Chair:** Thank you very much.

Mr. Mazier, you have the floor.

**Mr. Dan Mazier (Dauphin—Swan River—Neepawa, CPC):** Thank you, Mr. Chair.

Thank you to the panel for coming out this afternoon.

As we start this study, I would like to say that I support Canada's energy industry. It is critically important to our nation and to the world. I remember a previous witness at this committee stated that we should not demonize or idolize any source of energy, and I think that is a very important statement to remember as we work through these discussions.

To Mr. Brunnen or Ms. Joseph, if the oil and gas industry is limited to the access of capital, what kind of impact would this have on Canada, whether it be our economic status, energy security or global emissions?

● (1220)

**Mr. Ben Brunnen:** Thank you for the question.

Limiting access to capital for oil and gas would be detrimental to the Canadian economy for a number of reasons. First, I'd start with global emissions. We see Canadian oil and gas companies as some of the most responsibly developed oil and gas globally. Substantive and meaningful efforts are under way right now to reduce emissions, both in the oil sands and the conventional oil and natural gas side of things. Notably, there's the commitment to net zero by 2050.

Recognizing that the global economy is going to demand energy under any forecasted scenario and is going to grow, Canadian oil and gas should be the preferred choice. In fact, we estimate that we would displace higher carbon-intensive fuels globally with Canadian oil and gas. If we were to eliminate financing for Canadian oil and gas, it would actually be a detriment to global emissions reductions.

Secondly, we would be challenged in terms of security of supply. As we can see through the crisis in Ukraine, security of supply is such a key issue. Enabling us as Canadians and as the oil and gas industry to support our allies by providing safe, secure and reliable sources of oil and gas over the foreseeable future will help displace foreign and more hostile sources of energy.

Thirdly, if we were to limit access to capital for the oil and gas industry in Canada, it would have a substantial detrimental impact on the Canadian economy. It will likely lead to significant issues with respect to energy affordability and compound our inflation challenges that we currently see.

Overall, those are the challenges we see. We see a significant benefit in Canadian oil and gas being able to meet energy needs for all of those reasons that I've just described.

**Mr. Dan Mazier:** Excellent. Thank you.

Again, this is for you two.

Do you believe that the purchase of the Trans Mountain pipeline is a subsidy and can you explain why?

**Mr. Ben Brunnen:** On that one, we defer to the ECCC review and analysis of subsidy. They did not identify it as a subsidy, largely because they see it as generating return for the government. This is merely an investment for the government that generates a return. They're going to be selling the asset to the private sector.

Purchasing this asset was a short-term need in the face of a short-term market failure with respect to the lack of support for the pipeline that was occurring, despite the interest that was in play from a national perspective.

**Mr. Dan Mazier:** Okay.

Again, this is for you two.

All sectors in Canada are being asked to reduce their emissions. There are many government incentives to do so. Can you explain why these are necessary to reach Canada's climate ambitions in your sector and others?

**Mr. Ben Brunnen:** Investing in emissions reduction technology is often unproven and can be substantially costly. From a private sector perspective, I think for all aspects of the economy we would be looking for incremental costs that would be borne that would be difficult to support for investors, particularly investors who are looking at investing on a global basis. If we can't provide the returns to these investors, they'll simply invest in other jurisdictions or globally.

There is a market failure here. That's where the role of the government comes into play for all industries. If they could incent activity and technology that will help reduce emissions while maintaining competitiveness and economic prosperity, that's where there's that achievement of a mutual benefit in terms of government policy objectives as well as economic prosperity.

**Ms. Shannon Joseph (Vice-President, Government Relations and Indigenous Affairs, Canadian Association of Petroleum Producers):** Can I add one point?

It is that Canada is really beyond low-hanging fruit in terms of emissions reduction ambition. To go beyond that low-hanging fruit is going to require innovation by all sectors and an investment.

**Mr. Dan Mazier:** Excellent.

This is for you two as well.

If Canada were to shut down our oil and gas industry or cancel every so-called subsidy that would be referenced in this study, how risk-prone are we to an energy crisis in this country?

**Mr. Ben Brunnen:** That's a great question.

I think we can see from the current crisis that it was building over time. Prior to the Russian invasion of Ukraine, this was building. Underinvestment was occurring globally in oil and gas, largely as a result of the focus on transition. It's illustrative of the duration that will be necessary to transition our economies.

We expect that we're probably going to be 30 million barrels per day short by 2030 in terms of global demand. If we were to starve or cut off any sort of financial, equitable support for the industry—and this isn't a subsidy; this is the benchmark tax framework—it would diminish investment and only create an additional energy crisis.

● (1225)

**The Chair:** Thank you.

**Mr. Ben Brunnen:** You're welcome.

**The Chair:** Mr. Longfield.

**Mr. Lloyd Longfield (Guelph, Lib.):** Thank you, Mr. Chair.

I'd like to continue on that line of questioning with Mr. Brunnen and Ms. Joseph.

When we're looking at innovation in this sector, carbon capture and storage being one of the largely Canadian innovations that's coming forward, that's also impacting the concrete industry. Some high emissions are coming out of industries that are not oil and gas related. Could you comment on the funding going into new technology? It's a non-efficient subsidy when it's not going into innovation. Could you comment on how this could not be looked at as an inefficient subsidy?

**Mr. Ben Brunnen:** Absolutely.

There are absolutely no production subsidies for oil and gas whatsoever. In terms of inefficient fossil fuel subsidies, the framing is to what extent the supports are effective at achieving or delivering government policy objectives. That's the opening frame. It's the frame that both ECCC and federal finance have looked at.

In conclusion, they've identified that the clean-tech investment supports such as CCUS and discussions such as the net-zero accelerator are efficient in the sense that they are working towards achieving investment in technologies that will reduce emissions.

The other piece to keep in mind when we look at the definition and approach to subsidies is to what extent these tools or levers are available across the entire economy and are not specific to oil and gas. That is the case with CCUS, and that is the case with any of the clean-tech funding the federal government is undertaking—

**Mr. Lloyd Longfield:** Thank you. That's the key point I was looking for. I have to interrupt because of time, but you've hit on my key point: It's not just oil and gas. Thank you for that testimony.

Dr. Kim, I'd like to shift over to you in terms of what we're doing internationally through our G20 commitments. Could you comment on the definition of “non-efficient subsidies” and the work that is going on globally in that area and where Canada is committed to that work through the G20? How are we working with Argentina on providing a global definition of “non-efficient subsidies”?

Could you comment on where we're are in terms of that work that's going on internationally?

**Dr. Joy Aeree Kim:** Thank you very much for the question.

I do understand that there has been a difference of opinion among countries, at least within the G20, about the definition of "inefficient subsidies". If you look at the latest review done by Italy, for instance, where there actually have been a lot of recommendations to share, Italy defined any subsidy that goes to fossil fuels as inefficient.

**Mr. Lloyd Longfield:** Thank you.

Wrestling with the definition is something we've been hearing a lot about so far this morning, and we're just getting started. There is context internationally that there isn't a broad consensus. Italy has one definition, but I think we'd also see that the World Trade Organization has a different definition of "inefficient subsidy".

**Dr. Joy Aeree Kim:** Let me just clarify that, because you were actually questioning about the G20, and I just mentioned the difference of opinion within the G20 context. However, as UNEP, which is custodian of the SDG indicator, which is supposed to, as a mandate that actually was agreed upon by the head of all countries, remove inefficient fossil fuel subsidies, and, as an indicator, to measure and report on fossil fuel subsidies, we as a custodian agency developed the definitions, the scope and how to measure—basically the methodology of that—together with the OECD. It was an internationally agreed upon definition and methodology that was actually recommended to all of the member countries to follow and, based on the methodology, to measure and to report.

I would say that there is, indeed, an internationally agreed upon methodology that also includes a definition of what constitutes a fossil fuel and what constitutes a subsidy. There are more details in our report about the reasoning behind why we actually proposed to use this definition and so on. I cannot go into detail at the moment, but I would just emphasize there is, indeed, an internationally agreed upon methodology, which was adopted by the UN Interagency and Expert Group on SDGs.

● (1230)

**Mr. Lloyd Longfield:** Thank you.

You mentioned SDG 12.C.1 and the measurement. When was that report adopted? Could you send that report to our committee clerk, so that we can include that in our study?

**Dr. Joy Aeree Kim:** Yes, of course.

It was adopted in 2019. There is an inter-agency export group under the UN statistical division, which basically represents all countries by regional representative. They provide the guidance on how the SDG will be measured, which will be reported in the UN Secretary General's report on SDGs.

**Mr. Lloyd Longfield:** That's something Canada and Argentina is working on. Do I have that right?

**Dr. Joy Aeree Kim:** They are aware of that. I think the G20 track is a bit unique, if you like, in that they have a peer review process that actually started before the last [*Technical Difficulty—Editor*] was adopted.

The methodology report is available. I shared the link, but, unfortunately, it is only available in English. I'll be happy to share the link again.

Thank you.

**The Chair:** Thank you so much.

We'll move on now to Madame Pauzé.

[*Translation*]

**Ms. Monique Pauzé:** Thank you, Mr. Chair.

I'd like to thank all the witnesses for freeing up their time to attend this meeting.

My first question is for Ms. Brownen Tucker.

You filed a report last year. It shows that, on average, the G20 countries as a whole have provided 2.5 times more support for fossil fuels than for renewable energy. In Canada, it's been 14.5 times more support for fossil fuels than for renewables.

The International Energy Agency has estimated that Canada's public budget for research and development funding was US$1.1 billion in 2020 alone.

If we apply your support formula, that is, 2.5 times instead of 14.5 times, it would mean that, of that amount, only $7.6 million would go to renewable energy and what's left of the $1.1 billion would go to fossil fuels.

Given the objective to reduce emissions, don't we need to review the share of the budget going to renewables?

[*English*]

**Ms. Bronwen Tucker:** The report you're referring to was comparing the trade and development finance of G20 countries. Through Export Development Canada, the amount of public finance we're giving to oil and gas is 14 times higher than for renewables, so that public finance absolutely needs to be phased out on the fossil fuel side.

This is a commitment that Canada made at COP26, alongside 38 other countries and institutions; to phase out international public finance for fossil fuels by the end of this year.

On the renewable energy side, to differing ratios, this trend is seen across different government Crown corporations, as well as in our tax and non-tax subsidies. Basically, the finance for renewables should be scaled up.

[*Translation*]

**Ms. Monique Pauzé:** You mentioned Crown corporations. So let's talk about Export Development Canada. Most of the assistance provided is, of course, related to EDC's finance structure, also known as Canada Account. Can you comment on EDC's role in the "success" of this commitment by the government?

[*English*]

**Ms. Bronwen Tucker:** Yes, definitely. Export Development Canada is very anomalous compared with such agencies in any of our peer countries in the way that its export finance is structured. There's the Canada account, which acts, often, as a government slush fund: $3 billion of that $13.6 billion a year in finance for oil and gas over the last three years has been for the Trans Mountain pipeline. We also see from its corporate account there are both loans and insurance, and a variety of financial products basically that are going to oil and gas.

We basically see, time and time again, that Canada's own federal reviews have shown there's fairly poor transparency of EDC compared with other export credit agencies in other countries. The terms of this finance on the transaction level are often not known, but we know on the whole that these are often more preferential than what private institutions can give. Beyond that, because it's using the Government of Canada's triple-A credit rating and it is also ultimately backed by the government, this allows EDC to assume risks that private banks would deem unacceptably high and basically on the margin. It helps fossil fuel projects that wouldn't otherwise be able to go forward to go forward and attract more private financing.

It's projects like the Coastal GasLink pipeline. Moreover, Enbridge has received $300 million over the last few years. Its LNG projects. I'm happy to give other examples, but it's a good summary.

● (1235)

[*Translation*]

**Ms. Monique Pauzé:** Could you send us a page with a few examples, please? It doesn't have to be an 800-page report.

Do I have any time left, Mr. Chair?

**The Chair:** You have about 45 seconds left.

**Ms. Monique Pauzé:** Ms. May, do you have any questions to ask?

**Ms. Elizabeth May (Saanich—Gulf Islands, GP):** Thank you, colleague.

[*English*]

How much time would I have, Mr. Chair?

**The Chair:** You'd have about 40 seconds.

**Ms. Elizabeth May:** I would like to ask the representative, Mr. Brunnen, from the Canadian Association of Petroleum Producers about this. When he says that his organization hasn't done anything to promote fossil fuels or fight against climate change, is he unaware of the efforts made in the media, particularly the signed agreement with the newspaper chain that includes the National Post, that that organization editorially supports and promotes fossil fuels and works against climate change information?

Are you unaware of that agreement? It was covered in The Globe and Mail a couple of years ago.

**Ms. Shannon Joseph:** We are unaware of that agreement.

**The Chair:** Okay. Well, that takes us to six minutes.

We'll go now to Ms. Collins.

**Ms. Laurel Collins:** Thank you, Mr. Chair.

First, to Oil Change International, Canada gives out more money to big oil than any other country in the G20. At COP26 Canada adopted the Glasgow Climate Pact to accelerate efforts to phase out fossil fuel subsidies. From your perspective, where does Canada stand with regard to our international peers on this commitment?

**Ms. Bronwen Tucker:** It's ranked last in the G20 based on, basically, 2018-20 finance. That is consistent across previous reports as well. EDC for a long time has given really outsized amounts to the oil and gas sector.

It's by far the largest financier of oil and gas that signed this agreement at COP26. We have seen the U.K, as well as the U.S., already put in policies to amend how they give their export finance to rule out almost all oil and gas. Basically, in looking at comments from EDC as well as from ministers and MPs as Canada looks to implement this agreement, I think there are definitely concerns. We've seen EDC itself state it's difficult to separate out what of its finance is international versus domestic.

In terms of the climate or economic impact, there's no trend along geographic lines. Our clear recommendation here, which is aligned with climate science, is that implementing this commitment means phasing out all federal public finance fully and without loopholes for CCS, gas or blue hydrogen. Both the U.S. and the U.K. policies, as well as other public finance policies like that of the European Investment Bank, are really good templates that Canada is now well behind.

**Ms. Laurel Collins:** Thanks so much.

You spoke a lot about Export Development Canada and the billions of dollars they're giving out in public financing. If the government is going to make good on their promise to end public financing of fossil fuels, including through Crown corporations like EDC, we need to support this policy change quickly.

What are your recommendations for changes that the government should make to the Export Development Act to stop funding fossil fuels and align with the 1.5$^{o}$ future?

● (1240)

**Ms. Bronwen Tucker:** Definitely those three policies that I just mentioned are kind of excellent policies. For the UK and the U.S., they're whole-of-government approaches, so, for us, EDC is by far the largest source of public finance, but there are other agencies that give smaller amounts.

A whole-of-government approach that fires that going forward is needed, as are exclusions of future government-backed finance for fossil fuels, including oil and gas, CCS gas and hydrogen. Alongside that, there should also be, I think, scope for alignment with Canada's overall net-zero alignment. Therefore, for EDC, the priority should be having a portfolio approach aligned with 1.5°, looking at preventing carbon lock-in at the production level. Beyond that, there's lots of scope for these Crown corporations to instead support transition, so we should look at cross-support portfolios across all sectors to see how our public finances support a just transition that protects workers and communities rather than locking in climate chaos.

**Ms. Laurel Collins:** You mentioned that transparency is a big issue. What changes would be necessary to ensure that we have true accounting of how much money is going to fossil fuels and how the money is being spent?

**Ms. Bronwen Tucker:** Export Development Canada is supposed to undergo a legislative review every 10 years, and the one in 2018 was never completed. There was a report that was tabled under Jim Carr in 2018 that never went to a parliamentary committee, with strong recommendations for transparency of reporting, which EDC is not meeting. It's at the project and transaction level. The details on companies or amounts missing and the kinds of finance or financial products that are being given are often missing.

On the climate side, there's definitely a need to look at peers. We're also behind in looking at the carbon footprinting of energy investments, for sure, but across the board for the whole portfolio as well. That piece is also needed. We're seeing Canada fall rapidly behind its peers on that front as well.

Last, I think that for large investments with potentially major indigenous rights, human rights or environmental impact, the notice period is often at the OECD minimum rather than having that proper notice for real consultation with the communities that are potentially impacted and giving space for civil society, companies or others to comment.

**The Chair:** Thank you very much.

We'll now go to a second round. I'm going to have to shave about 25% of everyone's time so that we can arrive on time. Arriving on time always makes all passengers happy, so that's what we'll have to do.

Mr. Dreeshen, you have four minutes, please.

**Mr. Earl Dreeshen:** Thank you very much, Mr. Chair.

I have a couple of points.

Perhaps, Dr. Kim, I would go to you first.

You mentioned your concern about the cost in terms of human lives and so on. Of course, this is a strong narrative of people at this point in time as they talk about climate change, but if we look at the metrics, the number of lives lost in the last 200 years that has to do with weather-related issues has dropped drastically. I'm just wondering if this is being calculated as an offset when you speak about human lives and human suffering because of climate change.

I would preface that with this situation. If you start taking away jobs and you want to look at human suffering, I would point out that indigenous business leaders are onside with natural resource sectors. The discussion around this table in many ways today is what we can do to stop that. We also have to understand that we're talking about human lives there. Has there been any calculation done from your organization in this regard?

**Dr. Joy Aeree Kim:** If I may clarify, when I was talking about the lives that were lost, I was talking in the context of air pollution. There are a lot of hidden costs associated with fossil fuels, and then the fossil fuel subsidies, which are not very well known, and this was based on the study done by the IMF on fossil fuel subsidies and the impact of removing those subsidies—

● (1245)

**Mr. Earl Dreeshen:** Thank you very much. I appreciate that.

I would like to talk to Mr. Brunnen right now.

How committed are indigenous invertors to our oil and gas industry in western Canada?

**Ms. Shannon Joseph:** I'll take that for CAPP.

Today the oil and gas industry is a significant partner with many indigenous-owned businesses across our operating areas. Our oil sands alone do about $2.4 billion in business with those indigenous-owned businesses and, of course, many of these nations and communities are now seeking equity stakes in projects. Most recently, a 10% stake was acquired by 10 first nations in the Coastal Gaslink pipeline.

This is an important part of the Canadian economy and the indigenous economy. I guess I would point out as well that this is going to be very impactful, and not all of these things can be easily transitioned away.

**Mr. Earl Dreeshen:** Thank you. I think I'll just leave it at that.

I have a minute or so left.

When we hear a lot about making sure that we tax these people because they are making money, I assume that those who are going to invest in solar panels and windmills and so on plan on making money as well in the future. We talked earlier about long-term commitment and about governments actually sticking with a plan so that people will know and investors will know.

I'm just curious. Who is going to be paying for the added costs when we have to recycle and repurpose products that come from solar panels and windmills? Is it going to be those investors who are engaged with that or is it going to be the taxpayer?

Perhaps, Ms. Tucker, you could weigh in on that.

**The Chair:** You have 30 seconds, please.

**Ms. Bronwen Tucker:** We can see across all jurisdictions that for the least cost of energy across the life cycle, renewables are cheaper to build, even from scratch, than fossil fuels at this point. That's in Bloomberg models. It's in IEA. The costs for cleanup for oil and gas are considerably higher, and as we're seeing right now, you can go back to the Parliamentary Budget Officer's reports of those—

**The Chair:** Thank you.

**Ms. Bronwen Tucker:** —costs escalating.

**The Chair:** Thanks very much.

Mr. Baker, you have four minutes.

**Mr. Yvan Baker (Etobicoke Centre, Lib.):** Thanks very much, Mr. Chair. It's great to be back at the environment committee with my colleagues.

Thank you to the witnesses who are here today.

I'd like to start with you, Ms. Kim, if I may.

One of the things I'm interested in is how the climate change fight is a global fight. I'm curious as to how Canada's work compares with that of some of our comparable countries or other countries around the world in terms of eliminating subsidies. Can you speak to that a bit?

**Dr. Joy Aeree Kim:** Globally, I mentioned that between 2015 and 2020, there were 53 countries that reformed their fossil fuel subsidies. Some were very successful and some were not very successful, but there were a lot of lessons learned about how to design them better without having too much impact on those on the ground.

We have seen recently, unfortunately, some cases of failure in France, for instance, though they were not necessarily related to the fossil fuel subsidy. They had to do with the taxes on fossil fuels or carbon. What I want to emphasize is that the European Union has a very strict rule to stick to the commitments it made in the Paris Agreement, and that fossil fuel subsidy reform is included as a part of its plan.

I would say that in many countries other than in the European Union, which covers many countries in Europe, in the discussions going they have undertaken the peer review—like Italy—as part of the G20. They have also made the commitment in terms of implementing...fossil fuel subsidies, and they are undertaking a series of preparatory analyses of the mitigation measures and the distributional impact when they remove fossil fuel subsidies and what the impact on the environment and pollution will be when they remove those fossil fuel subsidies.

There are many examples where a number of countries are taking action, starting with the preparatory process, but also going into the implementation of removing fossil fuel subsidies. I would say the G7 and the G20 countries are taking a lead. The peer-review process accelerates countries to start looking at how much they're providing in subsidies and what needs to be put in place for them to take actions to remove fossil fuel subsidies.

Thank you.

● (1250)

**Mr. Yvan Baker:** Thank you.

I think I have about a minute left, if I'm not mistaken.

**The Chair:** Yes.

**Mr. Yvan Baker:** I want to ask Ms. Kim briefly in that time whether there are major oil-producing countries that have eliminated subsidies.

**Dr. Joy Aeree Kim:** There are some. I would say that they're not major oil producers, but they are oil-producing countries.

They have attempted to remove fossil fuel subsidies; unfortunately, they were not always successful. They made several attempts, but timing is important. When the energy price goes up, it is much more challenging to try to remove fossil fuel subsidies. When the timing is right, and when there is enough groundwork done.... This includes communication strategies and communicating with the public about what is going to take place and why is it going to take place. That is a very critical step, I would say, for countries to succeed in reforming fossil fuel subsidies.

**Mr. Yvan Baker:** Yes. I'm hearing that none have eliminated them completely.

Thank you.

**The Chair:** Thank you.

[*Translation*]

Ms. Pauzé, you have two minutes.

**Ms. Monique Pauzé:** Thank you, Mr. Chair.

Canada's greenhouse gas emissions increased between 2015 and 2019, while Japan, Italy, Germany, France and the United Kingdom reduced theirs. We know that, compared to all those countries, Canada has the highest fossil fuel subsidies. Is there a correlation between the two?

My question is for Ms. Kim.

[*English*]

**Dr. Joy Aeree Kim:** I'm sorry. Could you repeat the essence of the question?

[*Translation*]

**Ms. Monique Pauzé:** Canada's greenhouse gas emissions increased between 2015 and 2019, while Japan, Italy, Germany, France and the United Kingdom reduced theirs. We know that, compared to all those countries, Canada has the highest fossil fuel subsidies. Is there a correlation between the two?

[*English*]

**Dr. Joy Aeree Kim:** I cannot speak based on any study that shows the correlation. I would say that if you look at the indices across countries, for instance, we see that many countries included removing fossil fuel subsidies as part of their action points to meet their climate change goals and commitments.

I can only speak based on that information. The countries made a strong commitment on the—

[*Translation*]

**Ms. Monique Pauzé:** Ms. Kim, I'm sorry to interrupt you, but I don't have a lot of time. You provided part of the answer, thank you.

[*English*]

**Dr. Joy Aeree Kim:** Sure.

[*Translation*]

**Ms. Monique Pauzé:** My final question is for Mr. Brunnen.

The Global CCS Institute has released a report indicating that, of the 29 carbon capture facilities in the world, eight receive government subsidies. Of those eight facilities, four are in Canada.

I am tying that in with the fact that you have paid out billions of dollars to your shareholders. You received a huge wave of government assistance funnelled through the pandemic. The massive lockdowns in March 2020 had barely been announced and already you had a document prepared to claim more assistance.

How can you justify continuing to take public funds, given all the work that has to be done for the environment, the future of society and generations to come?

[*English*]

**The Chair:** Unfortunately, there won't be time to answer the question unless someone else brings up the question for you to answer.

We'll go to Ms. Collins, please.

● (1255)

**Ms. Laurel Collins:** Thank you, Mr. Chair.

Ms. Tucker, it's been mentioned that the U.K. and Italy have recently concluded that no fossil fuel subsidies are efficient. What can we learn from these countries?

**Ms. Bronwen Tucker:** Yes, this one's actually very recent, but I think the really important example is that Italy in the last few weeks, in response to the current invasion of Ukraine by Russia, has introduced a windfall tax on oil and gas. I think that's a really important measure, given how oil companies are giving record-breaking profits directly to shareholders at a time when we're in a global crisis and have urgent transition needs. But on the studies done by the U.K. and Italy specifically, this is about really looking at where we need to be going with our energy system. We need to be seeing a phase-out of oil and gas and it needs to be one that's just in terms of impacts, and actually orderly.

If we fail to act, what happens is that workers will be hurt more because we're expecting to see more and more volatility in oil and gas, and so—

**Ms. Laurel Collins:** Just because I have a very short time, very quickly, why is it important for countries to use standardized reporting metrics?

**Ms. Bronwen Tucker:** We know it's a global crisis—

**The Chair:** Thirty seconds, please.

**Ms. Bronwen Tucker:** —and so being able to compare impacts and actually have emissions reductions work across borders as we trade goods and have that harmony is really important, not to just see unintended consequences of a spillover or extra production abroad.

**The Chair:** Thank you.

Mr. Lewis.

**Mr. Chris Lewis:** Thank you, Mr. Chair, and I would like to go back to the really good question by the member from the Bloc Québécois. Perhaps I would cede my time to allow her to ask her question, sir.

**The Chair:** So, Mr. Brunnen, this is your opportunity to respond, I think.

**Mr. Ben Brunnen:** Chair, thank you.

First let's look at the term “subsidy”. There are no production subsidies for our industry, but in terms of investment in emissions-reducing technologies, that's a necessary requirement to move the technology forward in a commercial way that will generate the investment. What we see is a joint collaborative investment with industry and government to achieve the governmental and societal objectives of reducing emissions.

That's the founding rationale for it, and in the absence of joint government investment, the private sector simply doesn't have the means to make those levels of investments. And it's also a function of the dynamics with global energy demand, which will continue to increase in the future. There has been substantial under-investment in the last couple of years, which has created the crisis we see today.

From a public policy perspective, we need to think long term, very similar to what we saw with the federal government's emissions reduction plan today, where there are incremental measures to focus on achieving reductions over time. This is one mechanism to do that, to share the investment in a way that's competitive and comparable with other jurisdictions.

**Mr. Chris Lewis:** Thank you, Mr. Brunnen.

**Mr. Ben Brunnen:** Canada is by no means a leader in CCUS and we need to be comparable with other jurisdictions. Thank you.

**Mr. Chris Lewis:** Thank you, Mr. Brunnen, sir.

Mr. Chair, how much time do I have left, please, sir?

**The Chair:** You have about two minutes, Mr. Lewis.

**Mr. Chris Lewis:** Excellent. I just have one more question then in the interests of time.

Again, I'll go back to Mr. Brunnen, the witness.

Some countries, such as the United States, have recently taken steps to reduce their reliance on oil, gas and coal produced in Russia and to find alternative sources. Could Canada's efforts to reduce fossil fuel subsidies interfere with our ability to respond in this situation?

**Mr. Ben Brunnen:** Potentially it could, depending on how they approach it. If we look at this in a way where we're treating the oil and gas industry from a tax perspective like any other industry in terms of how it's taxed and financed, then that's neutral. That should enable the industry to compete on a level playing field with any other jurisdiction.

If we look at it in terms of the scope of global emissions that can be displaced as a result of the responsibly produced energy, as well as the emissions reduction increment that we bring to the table, combined with the security of supply, that's where we can see that Canada should have an advantage. It's not an advantage necessarily that we're looking for government to support. It's merely one where we're looking to recognize the role that we can play on the international stage to help displace foreign sources and alleviate the energy crisis that we see globally.

● (1300)

**Ms. Shannon Joseph:** Perhaps I could add one more point. During the pandemic, oil demand dropped to 95 million barrels a day. It's back at 100 million barrels a day, and aviation is not fully back online. It's going to go up when it does.

All of this is very connected to people's standard of living, to global supply chains, and to the tractors that run every farm in the world. If there is no substitute—I appreciate Ms. Tucker's comments—that is going to replace all of that, when you cut off supply....

When you talk about stopping lending, you're talking about preventing businesses from providing a product that people need to operate the things that people need.

**The Chair:** Thank you.

**Mr. Chris Lewis:** Thank you, Mr. Chair.

**The Chair:** We'll go to Ms. Thompson for the final questions.

**Ms. Joanne Thompson:** Thank you. I will try to be quick with this.

Ms. Joseph, I suspect that you might be the better one to answer this. It concerns fossil fuels in Canada not being restricted to support from just the federal government. Provinces and territories have jurisdiction over policy and regulation. How does the federal government coordinate and engage with other levels of government to facilitate the reduction and elimination of subsidies in accordance with international commitments?

**Ms. Shannon Joseph:** On the production side, again, it's our view that there are no production subsidies in Canada. I think there's work that the federal government can do with the provinces to create the best policies possible to enable producers to reduce their emissions.

I can give an example from methane emissions. The offset systems that are available in the TIER system in Alberta, which the federal government agreed was equivalent, has allowed many of our producers to meet their targets early, the initial federal targets, and to look to go beyond them. That's not public money. That's them reducing their carbon tax load by taking the actions that we want to see and then being able to benefit by selling those offsets. That's creating a virtuous circle to get the technology and innovation that we want.

**Ms. Joanne Thompson:** I may get another little question in. What should the role of the federal government be in reducing or eliminating fossil fuel subsidies?

**Ms. Shannon Joseph:** Well, I think as my colleague said, the federal government should take stock of what is a subsidy and what isn't. We do rely on the G20 definition for that.

If the federal government has policy goals that go beyond what industry's able to do economically, because we don't want to have our emissions reduction goals as a country be achieved through economic harm, then the government will have to take measures that enable those things to happen. It could be an ITC, for example, for CCUS.

**Ms. Joanne Thompson:** Thank you.

[*Translation*]

**The Chair:** Ms. Thompson, thank you for helping us finish the first part of the meeting more or less on time.

I want to thank all the witnesses. Their testimony has added value to our study. This will surely be reflected in the report we will table at the end of our study.

The meeting will now continue in camera.

Committee members need to disconnect and reconnect to transfer to committee business in camera. I ask that you do so very quickly.

We stand suspended.

[*Proceedings continue in camera*]