



SUMMARY

Locked In and Losing Out: British Columbia's fossil fuel subsidies

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British Columbia (BC) has long been regarded as an environmental leader. Last year, the province unveiled its CleanBC policy to increase climate change action, and it has had an effective carbon pricing policy in place for years. However, the province has yet to meet its emission reduction targets.

While the province tries to ramp up policy ambition to address climate change, fossil fuel subsidies remain unaddressed.

Each year, BC provides hundreds of millions of dollars in subsidies for fossil fuels. In 2017–18, the year for which the most data is available, total subsidies were at least CAD 830 million.

There is no getting around it: fossil fuel subsidies promote the production and consumption of fuels that cause climate change. They encourage increases in the same pollution that other policies aim to reduce.

The majority of BC's fossil fuel subsidies go to fossil fuel producers.

BC's subsidies include provincial tax exemptions, royalty reductions and direct investments. When fossil fuel producers receive hundreds of millions of subsidies each year, vital government resources are pulled away from important sectors such as renewable energy and social services. This means that other sectors of the economy must compensate for the vast amounts of government revenue spent on subsidies—which is neither fair nor efficient.

BC has at least CAD 2.6 billion in outstanding royalty credits from fossil fuel producers.

Royalty payments from oil and gas producers are supposed to provide benefits to BC residents, for example by funding social services like health care and education. However, each year, fossil fuel producers claim millions of dollars in credits to reduce the amounts of royalties they pay. In 2018-19 alone, fossil fuel producers claimed over CAD 631 million in deep well credits. These billions in outstanding credits is money that fossil fuel producers will not have to pay in future years and that BC's citizens will not see put toward social services.



New subsidies continue to be created, including significant support for the liquefied natural gas (LNG) industry. These subsidies tip the scales in favour of fossil fuels, rather than the sustainable energy that's required for the future.

Recently, BC has been making new moves to provide long-term support to the LNG sector by establishing new subsidies and increasing access to existing ones. This includes the BC-LNG Canada Agreement, which sets a precedent for similar subsidies for other fossil fuel producers and will lock in high-carbon infrastructure for decades. Support for this new wave of fossil fuel production comes at the expense of cleaner—and more affordable—renewable energy.

By reforming fossil fuel subsidies, BC can create a future that is economically sound and climate-safe.

For BC's climate change and economic policies to be effective, the province must identify and reform policies that undermine climate change action. The longer BC waits to act, the more it loses out on the benefits of transitioning to a low-carbon economy. We recommend that the province:

- **Figure out the size of the problem.** BC should publicly release all data related to government spending on fossil fuel subsidies each year since currently very little data is available. They should also complete a self-review of all provincial fossil fuel subsidies with an independent expert panel of advisers.
- **Create and implement an action plan to phase out subsidies** and shift to different policies that achieve economic, environmental and social goals without promoting the fuels that cause climate change.
- **Coordinate with the federal government** as it completes its G20 peer review of fossil fuel subsidies. This is an excellent opportunity for provinces to step up and undertake subsidy reform while making sure the federal process considers the provinces.
- **Avoid creating new subsidies.** Establish clear guidelines to ensure that no fossil fuel subsidies are created that jeopardize the transition to a low-carbon economy.

BC is on the front lines of climate change. The past few years have been record years for wildfires, and the province is already seeing the impacts of coastal erosion and sea level rise. The urgent need for effective climate policy continues to grow, and the costs of climate change continue to grow.

BC has a clear choice to make for its future: bold action to spur a low-carbon transition that works for its residents, or support for a costly fossil fuel sector that worsens the effects of climate change. Which one will it be?

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