

## SUMMARY

# The (Public) Cost of Pollution:

## Ontario's fossil fuel subsidies

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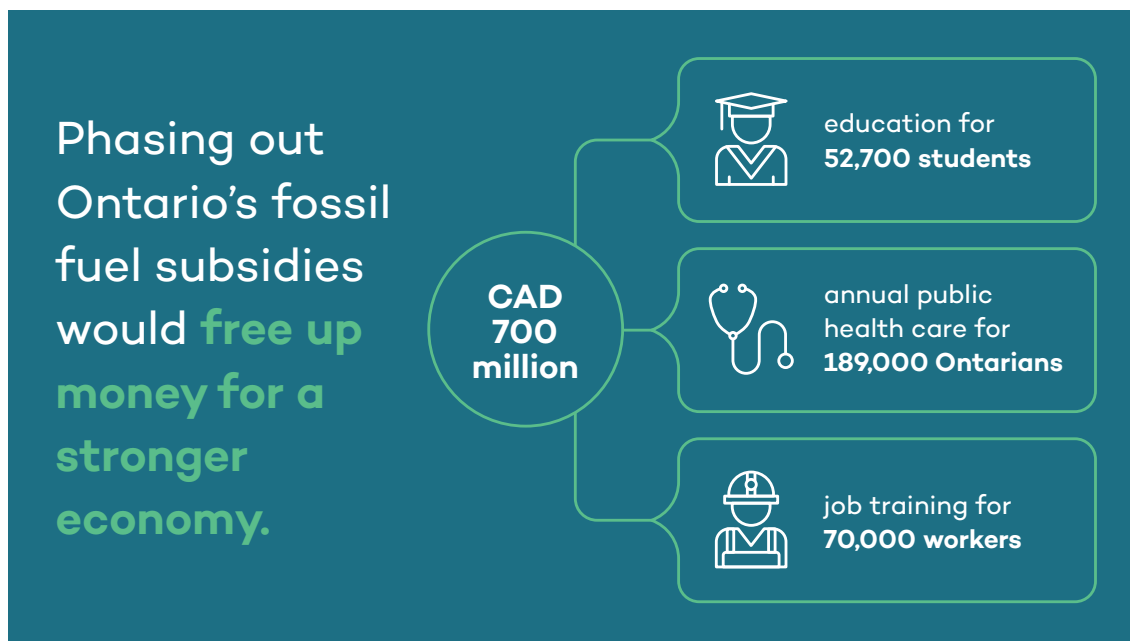
The International Institute for Sustainable Development has documented the [billions of public dollars](#) in Canadian government subsidies that support fossil fuel production and consumption. But provinces and territories also provide large subsidies to support fossil fuels.

**In our new report, we show how, last year, Ontario provided nearly CAD 700 million in public subsidies for fossil fuel consumption.**

These subsidies represent large amounts of foregone public revenue that could be invested in everything from good jobs to education and healthcare. **Spending money on fossil fuel encourages their use, increases pollution and hinders efforts to transition to a clean economy.**

The highest subsidies in Ontario fall into three categories:

1. Tax exemptions for fuels used by the **aviation and rail industries**: CAD 320 million in 2018/19  
Both aviation and rail fuel tax breaks are common across provinces, meaning province-to-province collaboration is likely needed for reform. Nevertheless, there is significant opportunity to reallocate funding to better areas, and individual provinces can take a leadership role by being proactive on reforms.
2. Tax exemptions for **coloured fuel, commonly used in agriculture**: CAD 225 million in 2018/19  
Farmers often face difficult profit margins and competitiveness challenges that are well known, and they need fuel to conduct their operations. But it is worth understanding just how much revenue is being provided in these subsidies. Ontario should look at ways to support the farming community apart from incentivizing fossil fuel consumption, for example, by supporting increased energy efficiency to reduce reliance on fossil fuel use in agriculture.
3. Government spending on **natural gas expansion**: CAD 100 million promised in Budget 2018  
Making sure that energy is affordable for all Ontarians is essential. However, a thorough analysis of the long-term potential for lower-carbon alternatives to fossil fuels (such as renewables) is crucial to avoiding locking communities into energy infrastructure with high carbon footprints that will last for decades, especially when such large subsidies are being provided for fossil fuel expansion.



## What can Ontario do?

Ontario has an opportunity to lead the charge on provincial fossil fuel subsidy reform. Here are some of the next steps the province could take:

- Undertake a self-review of all fossil fuel subsidies and identify potential areas for improved policy efficiency from economic, environmental and social perspectives. This review should be published to enhance transparency on public spending.
- Develop an action plan to phase out subsidies to ensure responsible budgetary management, increased support for sustainable energy and support for affordable energy access for Ontarians.
- Establish clear guidelines to make sure that no new fossil fuel consumption or production subsidies are introduced without a thorough analysis, to ensure that they are absolutely essential, time limited and consistent with a long-term low-carbon economy—and that they are the only way to ensure goals such as lowest-cost energy access.
- Proactively engage with the Government of Canada as they complete their [G20 peer review](#) of fossil fuel subsidies, to make sure that federal reform is considerate of provincial impacts.

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