Spring 2019

Reports of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada

Independent Auditor's Report

REPORT 4

Non-Tax Subsidies for Fossil Fuels—
Environment and Climate Change Canada

Office of the Auditor General of Canada

Bureau du vérificateur général du Canada

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Introduction

Background

Fossil fuel subsidies

4.1 Fossil fuels, such as coal, natural gas, and oil, are a non-renewable source of energy. They have an impact on Canada's economy; for example, in 2017, their extraction contributed to approximately 9% of Canada's gross domestic product (GDP). They also have an impact on the environment, because when burned, they produce carbon dioxide, a significant greenhouse gas that contributes to climate change.

4.2 The two largest contributors to Canada's total greenhouse gas emissions in 2016 were the oil and gas sector and the transportation sector. They constituted about half of Canada's total greenhouse gas emissions.

4.3 These sectors are also among those that receive government subsidies. Subsidies are a tool that governments can use to promote economic activity or to pursue environmental or social goals, such as reducing pollution or helping vulnerable communities.

4.4 Subsidies can include

- grants and contributions,
- government loans or loan guarantees at favourable rates,
- resources sold by government at below-market rates,
- research and development funding,
- government intervention in markets to lower prices, and
- **tax expenditures**.

Non-tax subsidies can be all of these except for tax expenditures.

4.5 Subsidies, both in general and for the energy sector, are defined differently in international agreements and by international organizations of which Canada is a member (Exhibit 4.1). The definitions do, however, contain a common concept that a subsidy provides an advantage.

Tax expenditure—A type of **tax measure**, such as a preferential tax rate, exemption, deduction, deferral, or credit, with which the government aims to achieve public policy objectives through the tax system.

Tax measures—Provisions of the *Income Tax Act* applicable to all or certain taxpayers.

Exhibit 4.1 How various international organizations define "subsidy"

Definition	Source
A subsidy has "three basic elements: (i) a financial contribution (ii) by a government or any public body within the territory of a Member (iii) which confers a benefit. All three of these elements must be satisfied in order for a subsidy to exist."	World Trade Organization
An energy subsidy is "any government action that lowers the cost of energy production, raises the revenues of energy producers or lowers the price paid by energy consumers."	International Energy Agency
Consumer subsidies exist "when energy consumers pay prices that are below the costs incurred to supply them with this energy." Producer subsidies exist "when producers receive either direct or indirect support that increases their profitability above what it otherwise would be."	International Monetary Fund
A subsidy for fossil fuels is a deliberate policy action by the government that specifically targets fossil fuels, or electricity or heat generated from fossil fuels, and has one or more of the following effects: A. Reducing the net cost of energy purchased B. Reducing the cost of production or delivery of fuels, electricity, or heat C. Increasing revenues retained by resource owners, or suppliers of fuel, electricity, or heat The definition excludes policy actions that achieve these effects through promotion of efficiency improvement along the supply chain, greater competition in the market, or other improvements in market conditions.	World Bank

G20 commitment to phase out inefficient fossil fuel subsidies

4.6 The governments of Canada and other countries have made commitments to phase out and **rationalize** fossil fuel subsidies that they consider to be "inefficient":

- In September 2009, at the **Group of 20 (G20)** leaders' summit, leaders from the world's major economies committed to "phase out and rationalize over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest." The G20 leaders stated that fossil fuel subsidies that are inefficient "encourage

Rationalization—The elimination of the subsidy element of government support; for example, increasing the interest rate on a loan so it is at the market rate.

Group of 20 (G20)—Twenty partners with advanced or emerging economies whose leaders meet every year to discuss the global economy and promote economic cooperation. The G20 members are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, the Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States of America, and the European Union.

wasteful consumption, reduce our energy security, impede investment in clean energy sources and undermine efforts to deal with the threat of climate change."

- In November 2015, the Prime Minister instructed the Minister of Environment and Climate Change to "work with the Minister of Finance to fulfill our G20 commitment and phase out subsidies for the fossil fuel industry over the medium-term."
- At the June 2016 North American Leaders' Summit, Canada, the United States, and Mexico committed to phasing out inefficient fossil fuel subsidies by 2025.

4.7 The leaders' statement of the 2009 G20 summit and subsequent statements did not define the term "inefficient fossil fuel subsidy."

United Nations' sustainable development goals

4.8 In September 2015, Canada committed to achieving the United Nations' 2030 Agenda for Sustainable Development. This audit supports the goal of responsible consumption and production (Goal 12 of the **United Nations' sustainable development goals**), which sets a target to "rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances . . . to reflect their environmental impacts."

Environment and Climate Change Canada

4.9 Environment and Climate Change Canada is responsible for providing analysis and advice on identifying which **non-tax measures** across the federal government are considered subsidies because they support or encourage the consumption or production of fossil fuels, and which of those subsidies are inefficient. It also provides advice and recommendations to responsible ministers on meeting Canada's G20 commitment to phase out and rationalize inefficient fossil fuel subsidies.

United Nations' sustainable development goals—A list of 17 aspirational goals for achieving social, economic, and environmental **sustainable development** worldwide, as part of the United Nations' 2030 Agenda for Sustainable Development.

Sustainable development—Development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It includes a long-term perspective and the integration of economic, social, and environmental sustainability to ensure future needs are met.

Non-tax measures—Government support to businesses and individuals, such as grants and contributions or loans and loan guarantees at favourable rates.

Focus of the audit

4.10 This audit focused on whether Environment and Climate Change Canada provided advice to support decision making on inefficient non-tax subsidies for fossil fuels that was based on analysis of all relevant and reliable information.

4.11 This audit is important because inefficient fossil fuel subsidies encourage wasteful consumption, undermine efforts to address climate change, and discourage investment in clean energy sources. Without providing decision makers with advice that is based on complete assessments, Environment and Climate Change Canada cannot ensure that it is providing the support needed by ministers for Canada to meet its G20 commitment by 2025.

4.12 The audit follows up on the 2017 Spring Reports of the Auditor General of Canada, Report 7—Fossil Fuel Subsidies.

4.13 We also separately examined tax subsidies for fossil fuels. See the 2019 Spring Reports of the Commissioner of the Environment and Sustainable Development, Report 3—Tax Subsidies for Fossil Fuels—Department of Finance Canada.

4.14 More details about the audit objective, scope, approach, and criteria are in **About the Audit** at the end of this report (see pages 11–13).

Findings, Recommendations, and Responses

Overall message ➔

4.15 Overall, we found that Environment and Climate Change Canada's work to identify inefficient non-tax subsidies for fossil fuels was incomplete and not rigorous. In our view, this is partially because the Department used unclear definitions.

4.16 To identify non-tax subsidies for the fossil fuel sector, Environment and Climate Change Canada considered 23 of approximately 200 government organizations and identified 36 ongoing potential non-tax subsidies that supported the consumption or production of fossil fuels. We found that the Department missed some potential subsidies that in our opinion it should have considered. Of the 36 potential non-tax subsidies identified, it determined that 4 were subsidies for the fossil fuel sector.

4.17 Once Environment and Climate Change Canada identified non-tax subsidies for the fossil fuel sector, it assessed whether these were inefficient. We found that the Department identified no inefficient non-tax subsidies. However, it had not defined "inefficient" to guide its determinations.

4.18 We also found that in its assessments, the Department did not consider the economic, social, and environmental sustainability of subsidizing the fossil fuel sector. The Department informed us that its assessments were only preliminary.

Identification of inefficient non-tax subsidies

Context

4.19 Environment and Climate Change Canada was tasked with coordinating with relevant federal organizations and supporting the work to identify all inefficient non-tax subsidies for fossil fuels for all federal departments, agencies, and Crown corporations.

4.20 The Department's approach to determine whether non-tax subsidies for fossil fuels were inefficient had two main stages:

- The first stage was to identify which federal non-tax measures were potential fossil fuel subsidies. The Department then assessed potential subsidies to determine whether they were actual subsidies. The Department defined non-tax subsidies for fossil fuels as those non-tax measures that provided preferential treatment that specifically supported the consumption or production of fossil fuels.
- The second stage was for the Department to assess the non-tax subsidies it had identified in the first stage to determine whether these were inefficient. The Department then provided advice to relevant ministers for deciding on whether these were inefficient and should be phased out or rationalized.

Environment and Climate Change Canada did not compile a complete inventory of potential non-tax subsidies for fossil fuels

What we found

4.21 We found that Environment and Climate Change Canada identified 36 ongoing potential non-tax subsidies for fossil fuels across the whole Government of Canada and determined that 4 of them were actual subsidies. In our opinion, the Department missed federal organizations it should have looked at and did not compile a complete inventory of potential fossil fuel subsidies. In addition, the Department did not rigorously assess this inventory of potential non-tax subsidies to determine whether they were actual subsidies.

4.22 Our analysis supporting this finding presents what we examined and discusses the following topics:

- Identification of potential non-tax subsidies
- Assessment to identify actual non-tax subsidies

Why this finding matters

4.23 This finding matters because a rigorous assessment of all potential non-tax subsidies would provide confidence to decision makers that Environment and Climate Change Canada's advice related to the identification of fossil fuel subsidies is valid.

Recommendations

4.24 Our recommendations in this area of examination appear at paragraphs 4.28 and 4.33.

Analysis to support this finding

4.25 **What we examined.** We examined whether Environment and Climate Change Canada used a sound approach to identify all federal non-tax measures that were potential fossil fuel subsidies. We also examined whether it then conducted rigorous analyses of potential non-tax subsidies to determine whether they were actual subsidies.

4.26 **Identification of potential non-tax subsidies.** We found that Environment and Climate Change Canada compiled an inventory of 36 ongoing potential non-tax subsidies among 23 federal organizations that could support the consumption or production of fossil fuels. Environment and Climate Change Canada requested these 23 relevant government organizations to assess which of its non-tax measures were potential subsidies. In addition, it convened a working group on potential non-tax subsidies and included departments such as Natural Resources Canada and Transport Canada. However, in our view, the resulting inventory was not sufficient, for the following reasons:

- The Department considered only a fraction of the approximately 200 federal organizations, mainly those whose activities it felt were involved in the natural resources sector. The Department did not include some regulatory organizations with mandates in the fossil fuel sector, although related departments were consulted. We also found that it included some research granting organizations, but not others.
- To compile its inventory, the Department started with publicly available information, such as departmental results reports and reports on plans and priorities, and third-party reports, including reports from the Commissioner of the Environment and Sustainable Development. The Department provided the information to the working group and asked it to add any additional measures that could benefit the fossil fuel sector.

4.27 The Department's approach to creating the inventory of potential non-tax subsidies for fossil fuels excluded several projects that in our opinion should have been on the list. For example, we found projects in the public grants and contributions database that were designed to increase production of fossil fuels and manage waste from oil sands

production (also known as tailings). In addition, after the period covered by our audit, the government purchased the Trans Mountain Pipeline, and the Department did not consider assessments related to its expansion or purchase.

4.28 **Recommendation.** Environment and Climate Change Canada should develop guidance that clearly defines the non-tax measures that are potential subsidies to be reviewed.

The Department's response. *Agreed. Environment and Climate Change Canada worked with a number of federal departments and agencies and developed guidance and criteria that clearly define the basis for the Department's framework to identify programs as fossil fuel subsidies. To further the review, the Department will conduct consultations to solicit feedback on the framework. The Government of Canada will submit its review of inefficient fossil fuel subsidies to a panel of experts as part of the international G20 peer review process with Argentina.*

4.29 **Assessment to identify actual non-tax subsidies.** We found that Environment and Climate Change Canada did not perform a rigorous assessment of its inventory of potential non-tax subsidies to identify which ones were subsidies because they specifically benefited the consumption or production of fossil fuels.

4.30 The Department identified some fossil fuel projects as non-tax subsidies but excluded them from the list of subsidies. It determined that these projects were parts of programs that were not specific to the fossil fuel sector. The Department decided that to specifically support the consumption or production of fossil fuels, a program had to "disproportionately" benefit the fossil fuel sector. However, we found that the Department did not define key terms of its assessment, including "disproportionate." As a result, the Department's conclusions on some comparable programs were not the same.

4.31 We also found that in a number of cases, Environment and Climate Change Canada determined whether potential non-tax subsidies were subsidies even though the responsible departments had provided incomplete information. For example, in some cases, the Department did not have the financial information needed to determine whether that potential subsidy disproportionately benefited the fossil fuel sector.

4.32 Environment and Climate Change Canada identified 4 fossil fuel subsidies among the 36 ongoing potential non-tax subsidies it considered. However, in 12 cases, we found that the assessments were inconsistent or did not have complete information. The Department informed us that these were only preliminary assessments.

4.33 **Recommendation.** Environment and Climate Change Canada should conduct a complete and rigorous assessment of potential non-tax subsidies for fossil fuels.

The Department's response. *Agreed. Environment and Climate Change Canada is leading a thorough review of federal non-tax measures that could be considered inefficient fossil fuel subsidies, focusing on departments and agencies with relevant mandates and examining programs under each department's portfolio. To further the review, the Department will conduct consultations to solicit feedback. The Government of Canada will submit its review of inefficient fossil fuel subsidies to a panel of experts as part of the international G20 peer review process with Argentina.*

Environment and Climate Change Canada did not define inefficient non-tax subsidy for fossil fuels but still determined that there were none

What we found

4.34 We found that Environment and Climate Change Canada did not define what Canada considers to be an inefficient non-tax subsidy for fossil fuels and performed weak assessments. The Department did not use all the necessary information and determined that there were no inefficient federal non-tax subsidies for fossil fuels.

4.35 Our analysis supporting this finding presents what we examined and discusses the following topics:

- Definition of "inefficient"
- Rigour and completeness of assessment
- Advice provided to decision makers

Why this finding matters

4.36 This finding matters because without including clear definitions and ensuring that its assessments are rigorous and based on all of the necessary information, Environment and Climate Change Canada cannot be confident that it has determined all the non-tax subsidies for fossil fuels that are inefficient.

Context

4.37 To determine whether a non-tax subsidy for fossil fuels was inefficient, Environment and Climate Change Canada had to assess subsidies managed by other departments. To support the Minister in fulfilling her mandate, officials from Environment and Climate Change Canada coordinated with and provided support to these departments.

Recommendation

4.38 Our recommendation in this area of examination appears at paragraph 4.43.

Analysis to support this finding

4.39 **What we examined.** We examined whether Environment and Climate Change Canada had clear definitions to determine inefficiency and whether advice provided to the Minister was based on all relevant and reliable statistics, data, or qualitative information.

4.40 **Definition of "inefficient."** We found that Environment and Climate Change Canada did not clearly define criteria for inefficient non-tax subsidies for fossil fuels and that there was no detailed guidance for responsible federal organizations on how to decide whether a non-tax subsidy was inefficient. Instead, the Department established a list of broad considerations that could be used to guide the assessment of whether a non-tax subsidy was inefficient (Exhibit 4.2). In our opinion, the list of considerations was not sufficient to be a definition and did not have clear criteria for the Department and relevant organizations. Therefore, there was a risk that the Department had not identified all inefficient non-tax subsidies for fossil fuels.

Exhibit 4.2 The considerations that Environment and Climate Change Canada could use for determining inefficiency were too broad

The following considerations, and others, could be used when assessing whether measures were inefficient:

- the need for policy intervention and consideration of alternative delivery mechanisms;
- policy objectives that the measures intend to achieve, including social, economic, and environmental objectives;
- a fossil fuel subsidy that is also achieving a social or economic objective may not necessarily be an inefficient one;
- whether or not the measures achieved their intended policy objectives; and
- other considerations relevant to policy assessment, such as its effectiveness; simplicity; equity considerations; fiscal implications; provincial impacts; and administrative, compliance, and legislative costs.

Source: Environment and Climate Change Canada

4.41 We also found that these considerations did not take into account the economic, social, and environmental sustainability of subsidizing the fossil fuel sector, in line with the basic principles of sustainable development. Considering only the economic, social, and environmental objectives of a measure did not ensure that the sustainability of these three dimensions would be considered on an equal basis or over the long term.

4.42 **Rigour and completeness of assessment.** We found that Environment and Climate Change Canada did not conduct rigorous and complete assessments for three of the four non-tax subsidies it had identified. The Department did not consistently assess each non-tax subsidy and did not consider all relevant and reliable statistics, data, or qualitative information to support its assessments. In our opinion, the Department had insufficient information to determine whether these three subsidies were inefficient fossil fuel subsidies.

4.43 **Recommendation.** Environment and Climate Change Canada should develop guidance that clearly defines the criteria for determining the inefficiency of non-tax subsidies for fossil fuels, taking into account relevant and reliable evidence that integrates on an equal basis economic, social, and environmental sustainability over the long term.

The Department's response. *Disagreed. Environment and Climate Change Canada has worked with a number of federal departments and agencies to develop a comprehensive framework and guidance to assess whether a non-tax measure may constitute an "inefficient fossil fuel subsidy."*

The Department recognizes that the issues of economic, social, and environmental sustainability are important considerations, and the framework and guidance includes them. However, we disagree that a uniform approach that systematically integrates on an equal basis economic, social, and environmental sustainability is required in all instances.

The Department will conduct consultations to solicit feedback. The Government of Canada will submit its review of inefficient fossil fuel subsidies to a panel of experts as part of its international G20 peer review process with Argentina.

4.44 **Advice provided to decision makers.** In response to the 2017 Spring Reports of the Auditor General of Canada, Report 7—Fossil Fuel Subsidies, Environment and Climate Change Canada created an action plan to provide advice to the Minister by fall 2017. We found that the Department provided preliminary advice and information to decision makers on non-tax subsidies for fossil fuels in April 2018. However, the assessments supporting the advice were incomplete. The Department did not provide us with a date for completion.

Conclusion

4.45 We concluded that Environment and Climate Change Canada provided some advice to support decision making on inefficient non-tax subsidies for fossil fuels that was based on the Department's assessments. However, the assessments did not include all relevant and reliable statistics, data, or qualitative information.

About the Audit

This independent assurance report was prepared by the Office of the Auditor General of Canada on non-tax subsidies for fossil fuels. Our responsibility was to provide objective information, advice, and assurance to assist Parliament in its scrutiny of the government's management of resources and programs, and to conclude on whether the actions of Environment and Climate Change Canada when assessing inefficient non-tax subsidies for fossil fuels complied in all significant respects with the applicable criteria.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard for Assurance Engagements (CSAE) 3001—Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the relevant rules of professional conduct applicable to the practice of public accounting in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from entity management:

- confirmation of management's responsibility for the subject under audit;
- acknowledgement of the suitability of the criteria used in the audit;
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided; and
- confirmation that the audit report is factually accurate.

Audit objective

The objective of this audit was to determine whether Environment and Climate Change Canada provided advice to support decision making on inefficient non-tax subsidies for fossil fuels that was based on analysis of all relevant and reliable statistics, data, or qualitative information.

Scope and approach

We examined the following aspects of the work performed by Environment and Climate Change Canada:

- the framework used for identifying inefficient non-tax subsidies for fossil fuels, and
- the provision of assessment and advice to support informed decision making.

This audit contributed to Canada's actions in relation to the United Nations' Sustainable Development Goal 16, which is to "promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels."

We also separately examined advice provided to support decision making on inefficient tax subsidies for fossil fuels, which is the responsibility of the Department of Finance Canada. The findings from that audit can be found in the 2019 Spring Reports of the Commissioner of the Environment and Sustainable Development, Report 3—Tax Subsidies for Fossil Fuels—Department of Finance Canada.

Criteria

Criteria	Sources
To determine whether Environment and Climate Change Canada provided advice to support decision making on inefficient non-tax subsidies for fossil fuels that was based on analysis of all relevant and reliable statistics, data, or qualitative information, we used the following criteria:	
Environment and Climate Change Canada has an assessment framework for identifying inefficient non-tax subsidies that support or encourage the production or consumption of fossil fuels, which takes into account the linkages between economic, social, and environmental sustainability.	• G20 Leaders' Statement: The Pittsburgh Summit, 2009 • Environment and Climate Change Canada Detailed Action Plan to the recommendations of the Report 7: Fossil Fuel Subsidies of the Spring 2017 Reports of the Auditor General of Canada, 2017 • Transforming Our World: The 2030 Agenda for Sustainable Development, United Nations, 2015 • 2017–2020 Departmental Sustainable Development Strategy, Environment and Climate Change Canada
Environment and Climate Change Canada uses the assessment framework to identify inefficient non-tax fossil fuel subsidies based on analysis of all relevant and reliable statistics, data, or qualitative information.	• G20 Leaders' Statement: The Pittsburgh Summit, 2009 • Environment and Climate Change Canada Detailed Action Plan to the recommendations of the Report 7: Fossil Fuel Subsidies of the Spring 2017 Reports of the Auditor General of Canada, 2017 • Transforming Our World: The 2030 Agenda for Sustainable Development, United Nations, 2015 • 2017–2020 Departmental Sustainable Development Strategy, Environment and Climate Change Canada

Criteria	Sources
To determine whether Environment and Climate Change Canada provided advice to support decision making on inefficient non-tax subsidies for fossil fuels that was based on analysis of all relevant and reliable statistics, data, or qualitative information, we used the following criteria: (continued)	
Environment and Climate Change Canada has provided advice to support decision making on inefficient non-tax fossil fuel subsidies that is based on the analysis developed for that purpose.	• G20 Leaders' Statement: The Pittsburgh Summit, 2009 • Environment and Climate Change Canada Detailed Action Plan to the recommendations of the Report 7: Fossil Fuel Subsidies of the Spring 2017 Reports of the Auditor General of Canada, 2017 • Transforming Our World: The 2030 Agenda for Sustainable Development, United Nations, 2015 • 2017–2020 Departmental Sustainable Development Strategy, Environment and Climate Change Canada

Period covered by the audit

The audit covered the period between 1 March 2017 and 30 June 2018. This is the period to which the audit conclusion applies.

Date of the report

We obtained sufficient and appropriate audit evidence on which to base our conclusion on 1 March 2019, in Ottawa, Canada.

Audit team

Principal: Heather Miller
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List of Recommendations

The following table lists the recommendations and responses found in this report. The paragraph number preceding the recommendation indicates the location of the recommendation in the report, and the numbers in parentheses indicate the location of the related discussion.

Recommendation	Response
Identification of inefficient non-tax subsidies	
4.28 Environment and Climate Change Canada should develop guidance that clearly defines the non-tax measures that are potential subsidies to be reviewed. **(4.26–4.27)**	**The Department's response.** Agreed. Environment and Climate Change Canada worked with a number of federal departments and agencies and developed guidance and criteria that clearly define the basis for the Department's framework to identify programs as fossil fuel subsidies. To further the review, the Department will conduct consultations to solicit feedback on the framework. The Government of Canada will submit its review of inefficient fossil fuel subsidies to a panel of experts as part of the international G20 peer review process with Argentina.
4.33 Environment and Climate Change Canada should conduct a complete and rigorous assessment of potential non-tax subsidies for fossil fuels. **(4.29–4.32)**	**The Department's response.** Agreed. Environment and Climate Change Canada is leading a thorough review of federal non-tax measures that could be considered inefficient fossil fuel subsidies, focusing on departments and agencies with relevant mandates and examining programs under each department's portfolio. To further the review, the Department will conduct consultations to solicit feedback. The Government of Canada will submit its review of inefficient fossil fuel subsidies to a panel of experts as part of the international G20 peer review process with Argentina.
4.43 Environment and Climate Change Canada should develop guidance that clearly defines the criteria for determining the inefficiency of non-tax subsidies for fossil fuels, taking into account relevant and reliable evidence that integrates on an equal basis economic, social, and environmental sustainability over the long term. **(4.40–4.42)**	**The Department's response.** Disagreed. Environment and Climate Change Canada has worked with a number of federal departments and agencies to develop a comprehensive framework and guidance to assess whether a non-tax measure may constitute an "inefficient fossil fuel subsidy." The Department recognizes that the issues of economic, social, and environmental sustainability are important considerations, and the framework and guidance includes them. However, we disagree that a uniform approach that systematically integrates on an equal basis economic, social, and environmental sustainability is required in all instances. The Department will conduct consultations to solicit feedback. The Government of Canada will submit its review of inefficient fossil fuel subsidies to a panel of experts as part of its international G20 peer review process with Argentina.

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Reports of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada

The Commissioner's Perspective

1. Aquatic Invasive Species
2. Protecting Fish From Mining Effluent
3. Tax Subsidies for Fossil Fuels—Department of Finance Canada
4. Non-Tax Subsidies for Fossil Fuels—Environment and Climate Change Canada