



Government
of Canada

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Guidelines for Canada's International Support for the Clean Energy Transition

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Canada 

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Canada à la transition vers l'énergie propre*

Guidelines for Canada's International Support for the Clean Energy Transition

OVERVIEW

On November 4, 2021, at the United Nations Framework Convention on Climate Change (UNFCCC) meeting in Glasgow, Scotland, Canada signed onto the [Statement on International Public Support for the Clean Energy Transition](#) (the “Glasgow Statement”), along with 38 other countries and institutions, including several of Canada’s closest allies.

Specifically, the Glasgow Statement commits signatories to:

1. *Prioritise [international public] support fully towards the clean energy transition, using our resources to enhance what can be delivered by the private sector. This support should strive to “do no significant harm” to the goals of the Paris Agreement, local communities and local environments.*
2. *End new direct public support for the international unabated fossil fuel energy sector by the end of 2022, except in limited and clearly defined circumstances that are consistent with the 1.5°C warming limit and the goals of the Paris Agreement.*
3. *Encourage further governments, their official export credit agencies and public finance institutions to implement similar commitments into COP27 and beyond. This includes driving multilateral negotiations in international bodies, in particular in the OECD, to review, update and strengthen their governance frameworks to align with the Paris Agreement goals. For government signatories, this will also guide our approach on the boards of multilateral development banks (MDBs).*

Signing the Glasgow Statement further aligns Canada with the goals of the [Paris Agreement](#) under the UNFCCC, and is an important step towards the clean energy transition.

Policy Scope

This policy (“the Guidelines”) will guide implicated federal departments and agencies as well as Crown corporations in implementing the Glasgow Statement in their respective operations.

Part A of these Guidelines outlines how the Government of Canada will implement the Glasgow Statement, effective from January 1, 2023.

The Government of Canada is taking a suite of actions to achieve Canada’s climate goals. These include accelerating our G20 commitment “to phase out and rationalize inefficient fossil fuel subsidies” from 2025 to 2023, and to develop a plan to phase out public financing of the fossil fuel sector, including by federal Crown corporations, in accordance with the December 2021 Ministerial mandate letter commitments.

These Guidelines relate specifically to the Glasgow Statement, which comprises the **international dimension** of the Government of Canada’s policy agenda on phasing out public financing of the fossil fuel sector. They cover “new direct support for the international unabated fossil fuel energy sector” only, as defined in Part A. The Guidelines apply to all federal organizations, including Export Development Canada and the Canadian Commercial Corporation.

Part B of these Guidelines outlines the limited exemptions to the policy, such as for mitigation technology and humanitarian and emergency response.

To qualify for an exemption and be eligible for Government of Canada support, a project must generally meet the due diligence criteria specified in this section.

This guidance does not pre-empt or prejudice the Assessment Framework for inefficient fossil fuel subsidies domestically.

PART A: Policy Scope

In signing the Glasgow Statement, the Government of Canada committed to align its international public support with the goals of the [Paris Agreement](#), which calls on nations to hold the increase in global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

To do this, the Government has established the following parameters to set the scope of Canada's policy.

1. **“New”**

“New” refers to any direct public support for international unabated fossil fuel energy projects provided on or after January 1, 2023. New support for existing commitments is within scope; delivery of existing commitments would not be within scope.

2. **“New direct public support”**

“New direct public support” in the form of financial (including commercial or concessional), advocacy, export finance, and any other direct financial or promotional support provided by Government of Canada and Crown entities will be ended for all projects that fall within the scope of “international unabated fossil fuel energy sector”, as defined below, as of January 1, 2023.

3. **“International”**

“International” in the context of “international unabated fossil fuel energy sector” refers to operations outside of Canada's jurisdiction in the fossil fuel energy sector regardless of owner domicile.

4. **“Unabated”**

“Unabated” refers to the absence of effective (leading to significant emissions reductions), operational carbon capture and storage (CCS)/carbon capture, utilization and storage (CCUS) or equivalent technologies in the power generation sector.

5. **“International unabated fossil fuel energy sector”**

The “international unabated fossil fuel energy sector” refers to the extraction, production, transportation, refining and marketing of crude oil, natural gas or thermal coal, as well as any unabated fossil fuel power generation projects, with the exception of natural gas power generation projects under the conditions set out in these Guidelines (see Part B).

Application

These Guidelines will apply to all federal departments, agencies, and Crown corporations that provide, or may provide, support that would be in scope of the commitment. These Guidelines will also apply to federal support programs, guide Canada's voting on the boards of MDBs, and guide Canada's multilateral positions.

The Government will also update the Guidelines as necessary, to validate their performance against the goals of the Glasgow Statement, and to address potential implementation challenges, including but not limited to:

- Canada's evolving international commitments and policies;
- Advancements in available science and technology; and
- Coherence with Canada's other climate commitments and policies, including Canada's G20 commitment to eliminate inefficient fossil fuel subsidies.

PART B: POLICY EXEMPTIONS AND CONDITIONS

The Government of Canada may continue to provide support in certain limited and clearly defined circumstances should a project qualify based on the 12 exemptions and conditions specified here. These exemptions are consistent with the 1.5°C warming limit and the goals of the Paris Agreement.

A project must meet all of the conditions set out in the General Exemptions Conditions section below to qualify for an exemption, except in the cases of the national security and humanitarian and emergency response exemptions. The natural gas power generation exemption must additionally meet the second set of conditions below, as well as the General Exemption Conditions.

Exemption conditions

General Exemption Conditions

For all exemptions, except those on national security and humanitarian and emergency response, in deciding whether to provide public support to a project, implementing federal organizations must undergo all of the following due diligence steps:

- Rigorously assess and manage stranded asset and carbon lock-in risks;
- Conduct a credible alternatives analysis;
- Ensure that the project under consideration is compliant with the goals of the Paris Agreement;
- Prove that the support will not delay or diminish the transition to renewables, where the development of renewables would be an available and affordable option;
- Ensure that the project under consideration has best practices in environmental and social standards, including the integration of carbon capture and storage technologies and measures to abate negative environmental impacts, such as methane leakage; and
- Establish that the project will be coherent with the [Nationally Determined Contribution \(NDC\)](#) and a 1.5°C pathway and long-term decarbonization pathway to net-zero by 2050, in line with the Paris Agreement, of the country where the project will be located.

Natural Gas Power Generation Exemption Conditions

The Government of Canada has adopted the following strict criteria for supporting natural gas power generation projects. In addition to meeting all of the General Exemption Conditions (above), it must be further demonstrated that an unabated natural gas power generation project meets all of the below criteria in order to be supported:

- The project is absent of any viable renewable alternative to the project, both from a climate impact (emissions reduction) perspective and a cost perspective over the project lifetime;
- The project demonstrably displaces a higher-emitting fossil fuel energy source, and is part of a plan to progressively decrease the carbon intensity of the country's energy mix where the project will be located; and
- If the role of natural gas is not established in an NDC and a 2030 emissions reductions pathway aligned with 1.5°C, the project must meet all of the following three conditions:
 - contribute to domestic energy security in a developing country or in a country facing significant energy insecurity;
 - contribute to the [UN Sustainable Development Goals](#), especially “to ensure access to affordable, reliable, sustainable and modern energy for all” and “to take urgent action to combat climate change and its impacts”; and
 - contain a realistic transition plan to net-zero by 2050 that is aligned with a 1.5°C pathway, including demonstrating that mitigation measures have been considered, preferably at asset level.

Exemptions

1. Mitigation technologies in the power generation sector

In addition to the support for power sector projects that abate emissions using CCS/CCUS, this exemption allows support for power sector projects that seek to decarbonize power generation primarily by other mitigation methods, such as methane abatement, insofar as the mitigation does not extend the facility life and has a transition plan to hydrogen or another clean energy source.

2. Mitigation technologies in the fossil fuel energy sector

Support would be permitted for projects that seek primarily to decarbonize existing facilities in the fossil fuel energy sector, insofar as the mitigation does not extend the facility life and there is a transition plan to hydrogen or another clean source.

3. **Decommissioning and conversion**

Allows support for decommissioning existing fossil fuel energy assets or converting them to clean uses (e.g., gas to hydrogen applications), where these actions would lead to meaningful emissions reductions.

4. **Other emissions mitigation projects**

Allows for support for other emissions mitigation projects that do not fall under (1) or (2) above.

5. **Transitioning existing non-power infrastructure**

Allows for natural gas and related infrastructure projects beyond the power generation sector to be converted to use for other lower-emitting energy sources, such as hydrogen.

6. **Natural gas power generation**

Exceptional support for an unabated natural gas power generation project may be provided, on condition that all due diligence criteria indicated above are met. Such support is exclusive of any related upstream, midstream, or downstream activities that are not power generation (such as distribution infrastructure).

7. **Production, distribution and use of low carbon intensity fuels (e.g. hydrogen)**

Permits the production, distribution and use of low carbon intensity fuels that are produced with carbon abatement or mitigation (including, for example, hydrogen produced from natural gas or petroleum with carbon abatement, or mitigation).

8. **Advocacy**

Advocacy will be provided to Canadian entities participating in operations abroad, as a direct function of these operations being scoped out or exempted from these Guidelines. (Domestic projects are out of scope of the Glasgow Statement commitment, and as such, advocacy for them is as well.)

9. **Technical assistance**

Technical assistance can be provided to countries and other entities that can benefit from Canadian expertise across the energy sector with respect to decarbonization and mitigation technologies (e.g., methane abatement in oil production), fossil fuel industry regulation, and sector adoption of best practices for carbon pricing, data consistency and transparency.

10. **National security**

Allows for support for projects on national security grounds, including ensuring the energy security requirements of Canada, an ally, or other recipient country deemed important to Canada's national interests, on a case-by-case basis.

11. **Humanitarian and emergency response**

Allows support for time-bound humanitarian and emergency response, on a case-by-case basis.

12. **Cooking and temperature regulation in private homes**

Canada recognizes the importance of access to clean cooking and temperature regulation, as well as the time-saving and health advantages and relatively low emissions of Liquid Petroleum Gas (LPG) when compared with solid biomass and coal. Therefore, if no cleaner options are feasible, support is allowed for standalone generators (and their fuel) and LPG for cooking, cooling and heating, as well as for the use of natural gas and oil products for household temperature regulation and clean cooking projects.