SUMMARY

The Québec Government has just announced the most ambitious GHG emissions reduction target in Canada – a reduction of 37.5% below 1990 levels by 2030. Québec has also adopted an Energy Policy with a 2030 time horizon; it envisages a low-carbon economy and a transition in the types of energy used. The province would like to reduce the amount of petroleum-based products used by 40% between now and 2030 and increase the total amount of renewable energy being produced by 25% above the current figure during that same period.

These ambitious commitments imply a progressive reduction in the amount of hydrocarbons used, but has Québec actually begun this process and is it on track to achieving the targets that it has set for itself?

It is precisely in response to these questions that this report has been prepared. One good way to determine whether the Québec Government is effectively relying less and less on hydrocarbons is to look at how subsidies tied to hydrocarbons have evolved. Given the lack of compiled data that would provide an overall picture of the amounts paid out to support these industries and these types of energy, we decided to undertake this research and compilation project. So while these results are certainly incomplete, they are still the most exhaustive available on the subject to date and are being presented here.

Based on our in-depth research, it has become obvious that the Québec Government continues to incentivize the use of hydrocarbons in a number of economic areas by providing exemptions or tax relief and is taking steps that run counter to its GHG reduction commitments for the periods leading up to 2030 and 2050. Between 2011-12 and 2016-17, the Québec Government paid out on average a minimum of **300 million dollars per year** in fuel-tax relief, actions that belie a reduction in the use of hydrocarbons. Added to this are budgetary transfers and one-time direct investments that directly support the use of hydrocarbons in Québec.

In order to better understand how and where these amounts were directed, this report lists five major categories of subsidies and other types of financial support provided between 2011-12 and 2016-17, either directly by the Province or its agents:

1. Tax Expenditures (consumption) (11 programs and expenditures listed);
2. Budget Transfers (13 programs and expenditures listed);
3. Investments and joint ventures (11 programs and expenditures listed);
4. Stocks and bonds purchased by the Caisse de dépôt et placement du Québec;
5. Expenditures related to the production of electricity and heating (8 programs and expenditures listed).

Table 1 – Québec's Total Financial Involvement in Hydrocarbons

Programs and Expenditures	Estimates ($M Canadian)						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2011-17
Tax Expenditures (consumption)							
Fuel-Tax reductions in certain regions	**96**	**92**	**96**	**95**	**108**	**108**	**595**
Fuel-tax reductions for aircraft and railway locomotives	**87**	**98**	**98**	**98**	**96**	**97**	**574**
Fuel-Tax exemptions and rebates for farmers and fishers	**< 2**	**< 2**	**< 2**	**< 2**	**< 2**	**< 2**	**<12**
Fuel-tax exemptions and rebates for the industrial sector	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fuel-tax exemptions and rebates for the aviation sector	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fuel-tax exemptions and rebates for commercial vessels	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fuel-tax exemptions on propane gas	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fuel-tax rebates for farming, forestry and mining companies	**33**	**39**	**46**	**48**	**47**	**48**	**261**
Fuel-tax rebates for public carriers	**24**	**26**	**27**	**27**	**27**	**27**	**158**
Fuel-tax rebates on fuel used in non-propulsive vehicle equipment engines	**19**	**22**	**22**	**21**	**19**	**19**	**122**
Total (consumption-related tax expenditures)	**261**	**279**	**291**	**291**	**299**	**301**	**1,722**

Green Fund							
Support for carbon-capture research – Valorisation carbone Québec consortium						**5**	**5**
ArcelorMittal						**4.5**	**4.5**
Extension of Gaz Métro's (Énergir) Distribution Network							
Extension of gas pipeline from Lévis to Sainte-Claire					**0.75**	**14.3**	**15.1**
ÉcoPerformance							
Canadoil Forge					**0.347**		**0.347**
Demix Béton					**0.109**		**0.109**
Suncor Energy Products					**1.7**		**1.7**

Fonderie Horne						**0.054**	**0.054**
Edelweiss Quarries						**0.63**	**0.63**
Olympic Installations Board						**2.6**	**2.6**
American Biltrite						**0.528**	**0.528**
La Frissonnante						**0.4**	**0.4**
Residual Forest Biomass Program							
Uniboard Canada inc.						**4.5**	**4.5**
Technoclimat Program							
J. M. Bastille Transport inc.						**0.334**	**0.334**
Green Fund Total					***2.9***	***32.8***	***35.8***
Total – subsidies	**261**	**279**	**291**	**291**	**301.9**	**333.8**	**1,757.8**

Investissement Québec							
Bourque Project							
Pétrolia inc., common shares		**10**					**10**
Pétrolia inc., common shares (Ressources Québec through CMH fund)					**2.88**		**2.88**
Coentreprise Pétrolia inc. / TUGLIQ / Ressources Québec, stake (through CMH fund)					**4.7**	**4.7**	**9.4**
Galt Project							
Junex inc., common shares (Ressources Québec through CMH fund)		**5**					**5**
Junex inc., common shares (Ressources Québec through CMH fund)					**5**		**5**
Hydrocarbures Anticosti S.E.C.							
Acquisition of stake (through CMH Fund)				**8.1**			**8.1**
Corridor Resources Inc., acquisition of stake (through CMH fund)				**13.3**			**13.3**
Project exploration and development expenses (through CMH fund)				**2,125**	**2,125**	**2,125**	**6.4**
Gaz Métro LNG							
Gaz Métro LNG, common shares (Plan Nord)				**50**			**50**
Other Investments							
Refined petroleum, coal and chemical-industry products		**26.2**	**9.5**	**128.2**	**12.1**	**34.4**	**210.4**
Total Québec investments		**41.2**	**9.5**	**201.7**	**26.8**	**41.2**	**320.5**

Therefore, between fiscal years 2011-12 and 2016-17, the Québec Government contributed over a one and a half billion dollars to the consumption of hydrocarbons, either in the form of tax expenditures or budgetary transfers. Some of these subsidies, such as the $45 million announced or paid to Énergir in connection with the expansion of that company's natural gas distribution network, were even taken from the Green Fund.

The Government has also shown itself to be a partner in the area of hydrocarbons through its direct investments in the Galt and Bourque projects, in the Gaspé, and in the Anticosti Project and the expansion of the Liquefied Natural Gas (LNG) network in Northern Québec. In total, then, 320 million dollars have been invested in hydrocarbons by Investissement Québec and its Ressources Québec subsidiary once the investments in refined petroleum, coal and chemical-industry products are included; details of some of these transactions have not been made public.

It should also be noted that it is clearly within the intention of the Québec Government to continue its support for the development of hydrocarbons in Québec. For example, Bill 150 and the changes to the Capital Mines Énergie Fund (CMÉ) will allow Ressources Québec to become a financing partner, not only in the exploration and development of hydrocarbon deposits, but also in the production of hydrocarbons in Québec. These investments can be made out of funds previously earmarked for the hydrocarbon sector. In addition, there is a new tax policy designed to encourage the processing of natural gas in the form of the accelerated capital cost allowance (LNG). The Québec Government estimates that this natural gas processing subsidy will amount to approximately $4 million in 2019-20.

This funding that is intended for hydrocarbon development but not yet paid out will simply serve to worsen the situation of already increased hydrocarbon development by raising the level of direct investments from the Québec Government in this area over the years to come.

Consequently, even though at first sight the publicly stated commitments of the Québec Government leave the impression that it wants to focus first and foremost on renewable forms of energy in order to provide for the future energy needs of Quebeckers, this report shines a light on public strategies that are very much the opposite. By positioning itself as a partner in hydrocarbon development in Québec, the government is undermining the fulfilment of its own commitments in the areas of GHG reduction and the transition to new forms of energy.