Launching a Loss

An inventory of government support for British Columbia liquefied natural gas

IISD REPORT

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September 2025

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Acknowledgements

The authors are grateful to the following individuals for their helpful comments and contributions to the report: Tara Laan, Angela Picciariello, Philip Gass, and Deepak Sharma (International Institute for Sustainable Development); John Young (Climate Action Network Canada); Kathryn Harrison (University of British Columbia); Claire O'Manique (Oil Change International); Thomas Gunton (Simon Fraser University). We would also like to thank Nicholas Pearce for his valuable assistance on this project.

Executive Summary

On June 30, 2025, the first exports of Canadian liquefied natural gas (LNG) left the LNG Canada facility in Kitimat, British Columbia. Despite concerns about the LNG sector's economic viability and environmental cost, the governments of Canada and British Columbia (BC) have directed billions of dollars in public money toward expanding fossil fuel exports through this industry.

This report offers the most recent and comprehensive estimates of the extensive financial support for LNG exports provided by the Government of British Columbia (BC) and the Government of Canada. It quantifies existing and forthcoming public financial support of LNG facilities and the pipelines directly feeding them. Because several annual subsidies apply only once projects are operational, the report includes a projection of cumulative financial support to the end of 2030. LNG sector support from the federal government includes CAD 1.62 billion in public finance and CAD 151.95 million in infrastructure funding. By 2031, the Government of British Columbia will have provided around CAD 2.16 billion in support to the LNG sector through foregone revenue, reduced electricity rates, and enabling infrastructure. Government support for LNG has been provided via public financing, direct transfers, favourable tax rules, preferential electricity rates, infrastructure development, carbon tax exemptions, and a project-specific waiver on anti-dumping steel tariffs meant to protect Canadian manufacturing. If current policies remain unchanged, by 2031, total federal and provincial support for the sector will amount to CAD 3.93 billion.

LNG development in BC was first proposed as a gateway to Asian energy markets to provide relief from declining U.S. demand and low North American prices. Current trade tensions have given new life to these arguments, but the actual public benefit of expanding LNG production demands greater scrutiny. A projected glut of LNG supply over the coming decade is expected to drive down global prices. Comparatively expensive Canadian LNG may struggle to compete, raising the risk of projects becoming unviable stranded assets. A closer look is vital due to the scale of government financial support, the uncertainty of LNG markets, and the questionable long-term economic viability of Canadian LNG in a world transitioning away from fossil fuels.

Rather than foster Canadian economic development and independence from American markets, there is a risk that faltering project economics will instead lead to further demands to subsidize LNG exports at the expense of Canada's energy transition. Increasing tariffs and counter-tariffs may also translate to additional requests for public subsidy of uneconomical projects at the expense of Canadian workers—like the exemption to anti-dumping steel tariffs granted to LNG Canada and Woodfibre LNG in 2019.

LNG exports also come at great environmental cost. LNG Canada alone is already one of BC's largest single sources of greenhouse gas emissions. LNG production leads to increased emissions throughout its supply chain—from energy-intensive gas extraction and liquefaction to transportation and end-use combustion. Support for this sector severely undermines

BC's ability to meet its legislated emissions targets. Due to the scale of electricity demand from planned LNG facilities, increased LNG production may also increase the costs and compromise opportunities for decarbonization in other sectors of the provincial economy.

To better understand the full costs and benefits of the planned LNG expansion, it is critical to take stock of the public financial support that has backed the emerging industry. With approvals pending for new projects and anticipated requests for additional financial supports, governments need to carefully consider the value and opportunity costs of continued support for LNG development.

Support for uneconomical projects shifts risks from the private sector to the public. A lack of transparent reporting limits accountability for the risks taken in the public's name. Assessment of public financial support for LNG is a necessary first step to reforming fossil fuel subsidies and redirecting public investment toward the clean industries of the future.

Key Findings

Government support for the BC LNG sector identified in this inventory includes:

- **CAD 1,620 million** in public finance from the federal government, distributed through Export Development Canada and the Strategic Innovation Fund.
- **CAD 103.35 million** per year in benefits to the LNG Canada Project from provincial government measures introduced through the LNG Canada Agreement. This government support package, excepting the deferral of PST on construction costs, is also available to and benefits other LNG projects.
- **A portion of the CAD 1,083 million** in infrastructure funding from the federal and provincial governments to enable LNG development. Of this, CAD 778 million is dedicated to the new electricity infrastructure needed for the LNG sector to meet its emission targets.
- **CAD 655.95 million** in potential provincial revenue foregone by 2031 through carbon tax exemptions, a total that does not include exemptions on fugitive emissions from pipelines. Beyond failing to uphold the polluter pays principle, tax-related subsidies represent a significant amount of foregone revenue for government.

These totals consist of CAD 1.77 billion in federal support, including CAD 151.95 million in infrastructure funding and CAD 1.62 billion in public financing (see Table ES1). By 2031, the Government of BC will have provided at least CAD 2.16 billion in support, including both foregone revenue, reduced electricity rates, and enabling infrastructure (see Table ES2).

LNG Canada Phase 1, the only operating facility, has received the most government support to date. If current measures remain in place, the facility is on track to receive at least CAD 1.36 billion in public support by the end of 2030.

Coastal Gaslink, the pipeline feeding LNG Canada Phase 1, has received CAD 700 million in federal government support in the form of public finance.

Table ES1. Summary of federal government support for the LNG sector

Measure	**Type of support**	**Amount of support** (CAD million)
Strategic Innovation Fund (SIF)	Public finance	420.0
Export Development Canada (EDC) Loans	Public finance	1,200.0
Western Diversification Program, Haisla Bridge Replacement	Enabling infrastructure	55.0
Prince George to Terrace Capacitors Project	Enabling infrastructure	96.95
Waiver of steel tariff	Project-specific suspension of anti-dumping tariffs	Unknown value
Total public finance		**1,620.0**
Total infrastructure funding		**151.95**

Table ES2. Summary of BC government support for the LNG sector

Measure	**Types of support**	**Annual support in 2026** (CAD million)	**Value of Support by 2031** (CAD million)
LNG Canada Agreement	Government revenue foregone, enabling infrastructure	103.35	568.41
Carbon Tax Exemptions	Government revenue foregone	239.62	655.95
Electricity Infrastructure	Enabling infrastructure	N/A	681.0
Northwest BC Resource Benefits Alliance Agreement	Enabling infrastructure	N/A	250.0
BC Energy Regulator Financial Security for Pipeline Construction over Crownland	Government assumption of risk	N/A	Unknown value
Total		**342.97**	**2,155.36**

Recommendations

The Canadian and BC governments should ensure proponents, not the public, are responsible for the full cost of LNG expansion. The longer governments continue to subsidize and financially support such projects, the greater the risk to the public. We recommend that the BC and Canadian governments undertake the following actions.

Federal Government

- **Implement the 2022 commitment to eliminate all domestic finance for fossil fuels and update the Inefficient Fossil Fuel Subsidies Framework** to exclude funding for LNG infrastructure. The policies should prohibit any public finance, direct subsidies, or infrastructure support—whether direct or indirect—to LNG projects. This includes funding through Crown agencies, grants, tax incentives, funding for decarbonization, and enabling infrastructure.
    - If any support is provided, ensure that it is offered only on fully repayable commercial terms, with transparent conditions, strict emissions performance requirements, and no implicit or explicit subsidy. Repayable contributions should not be classified as grants or contributions in budget reporting.

Provincial Government

Uphold the polluter pays principle. Project approvals should be contingent on full compliance with existing and planned climate policies.

- **Enforce the requirement for LNG facilities to be fully net-zero by 2030**, regardless of the availability of grid electricity. Emissions from "net-zero ready" facilities are not compatible with the province's own net-zero commitments.
- **Exclude LNG facilities from receiving funding under the Clean BC Industry Fund**, especially through the new Industrial Electrification funding stream.
- **Strengthen the provincial output-based pricing system, removing exemptions for new entrants and fugitive emissions**.
- **Charge LNG projects the full cost of grid electricity**, at a rate that accounts for the additional supply and transmission upgrades required to meet the LNG industry's needs.
- Going forward, **all projects under consideration should undergo a robust economic analysis** ensuring economic viability under provincial and federal climate policy-compliant scenarios. Assessments of project economic viability should not be contingent on public subsidy.

Phase out tax subsidies to ensure government revenue collection and maximize public benefits derived from LNG operations going forward.

- **Do not extend PST deferral on construction costs** to proponents of LNG projects under development.
- **Phase out the Natural Gas Tax Credit** available to producers who ship natural gas to LNG facilities.

Federal and Provincial

- **Increase transparency of reporting on government funding** to enable full accounting of the economic costs of LNG development.
    - For Export Development Canada, publish transaction-level data, including company, project name, description and location, exact financial volumes (not a range), instrument type, co-investors, other activities or supports provided (e.g., advising or research support), and any performance or impact expectations.
    - For Strategic Innovation Fund Contribution Agreements, publish details, including repayment timelines and rates, the presence and value of any grant components, and any performance or impact conditions.
- **Require public disclosure of the terms of government support measures extended to corporate recipients**, including
    - whether support is repayable or non-repayable;
    - conditions and timelines for repayment;
    - how repayments are reflected in government financial documents.

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Abbreviations and Acronyms

BCER	BC Energy Regulator
Btu	British thermal units
CIF	CleanBC Industry Fund
CIIP	CleanBC Industrial Incentive Program
CO_2e	carbon dioxide equivalent
EDC	Export Development Canada
FID	final investment decision
GHG	greenhouse gas
LNG	liquefied natural gas
MMBtu	million British thermal units
MT	million tonnes
Mt	megatonne
MTPA	million tonnes per annum
MWh	megawatt hour
OBPS	Output-Based Pricing System
PST	provincial sales tax
RBA	Northwest BC Resource Benefits Alliance
SIF	Strategic Innovation Fund
WTO	World Trade Organization

1.0 Introduction

LNG Canada, Canada's first liquefied natural gas (LNG) export facility, began shipping from Kitimat, BC, in June 2025. This marked a milestone for an industry that has been in development for a decade and a half. In that time, dozens of projects have been proposed, with the majority in BC aimed at selling western Canadian gas to Asian markets. In addition to LNG Canada Phase 1 and the Coastal Gaslink pipeline that feeds it, five export facilities and one pipeline are at various stages of development in the province.

Early studies commissioned by the BC government suggested high public revenue from LNG exports (Government of British Columbia, 2019a; Ministries of Finance and Energy, Mines and Petroleum Resources, 2019). Anticipating a booming industry, policy-makers created a tax and regulatory structure with the stated goal of ensuring a fair return for the public, as resource owners (Government of British Columbia, 2014a; Lee, 2014b). However, as market conditions changed and proposed projects stalled, the incentive structure shifted. In 2019, the BC government signed an agreement with proponents of LNG Canada, committing to tax breaks and lowering electricity rates for LNG projects to support a positive final investment decision for Phase 1 of the project. This set the stage for future subsidies, as most benefits of the agreement are available to subsequent projects. In turn, the federal government has financed the nascent industry with loans and grants, as well as providing tariff relief and funding for enabling infrastructure.

The scale of public investment in LNG, amounting to billions of dollars, is of concern for two reasons. First, there are the questionable benefits and economic returns of public investment. Canada's LNG industry is launching into an uncertain market environment that is projected to be oversupplied for the next decade under a current-policies scenario. (International Energy Agency [IEA], 2024). This is expected to lower prices and make it more difficult for Canada's relatively high-cost LNG to compete (O'Connor, 2024). Acceleration of the global energy transition may mean that projects now under construction become stranded before the end of their planned lifespan (IEA 2024). If project economics falter, governments supporting the industry could face pressure to increase financial supports while revenues decline—further socializing the risk and eroding the public benefits from the industry.

The second point of concern is that the emissions-intensive LNG industry appears unwilling to pay the costs of reducing emissions to fit within the existing climate policy regime. The public burden of subsidizing LNG emissions, paying both for decarbonization and carbon pricing carveouts, is a failure of the polluter pays principle.

To better understand the full costs and benefits of the planned LNG expansion, it is critical to take stock of the public support—during development and already committed decades into the future—that has backed the emerging industry. With approvals pending for new projects and anticipated requests for additional financial supports, governments need to carefully consider the value and opportunity costs of continued support for LNG development.

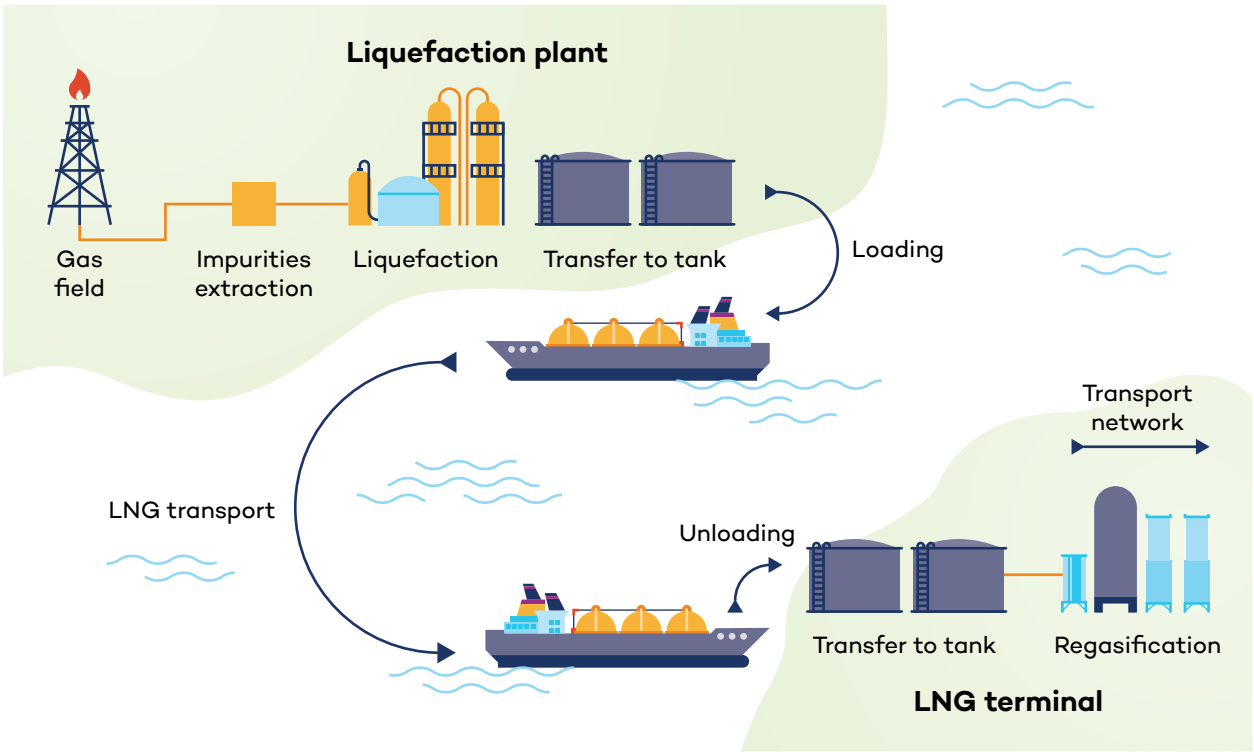
To support full and transparent accounting, this report provides an inventory of the public subsidies and financing provided by the Government of British Columbia and the Government of Canada for LNG export, focusing on the facilities themselves and pipelines feeding the facilities. Section 1 provides context on the LNG industry in British Columbia and outlines the methodology. Sections 2 to 7 quantify public support in the form of public financing and direct support, provisions in the LNG Canada Agreement, infrastructure development, carbon tax exemptions, and other support, such as reducing upfront security requirements for pipeline infrastructure. The report concludes with a discussion and recommendations to uphold the polluter pays principle, minimize public risk, and ensure that government investments are not at odds with climate change obligations.

This work builds on a series of subsidy inventories conducted by the International Institute for Sustainable Development that track and analyze fossil fuel subsidies across Canada.

1.1 Current Status of LNG Export Projects in BC

Producing LNG for export is capital intensive. It requires gas extraction, pipelines to send gas to liquefaction facilities, and transportation on specialized tankers to import facilities. Additional infrastructure is needed at the import destination, including regasification facilities and pipelines to move the gas to its end-use destinations.

Figure 1. LNG life cycle



Source: Toft Christensen & Dusyk, 2022.

LNG is also energy-intensive due to the need to cool the gas to -162°C and the additional transportation requirements that consume energy. A longer value chain also results in additional methane venting or leakage. Emissions reductions on the producer side can come from technology choice (e.g., energy-efficient compressors), electrification of liquefaction facilities or pipeline compressors, or by reducing fugitive emissions.

LNG Canada Phase 1, the country's first LNG export facility, began operation in June 2025. Two LNG export facilities, Woodfibre LNG and Cedar LNG, are under construction in BC, with expected online dates of 2027 and late 2028, respectively. Three more facilities in earlier stages of development, LNG Canada Phase 2, Ksi Lisims, and Tilbury Phase 2, await government approvals or final investment decisions.

Table 1. Overview of LNG Projects

Project	Terminal emissions in 2030*(Mt CO_2e)	Final investment decision (FID)	Status (date operational)	LNG export volumes in million tonnes per annum (MTPA)	Export licence
LNG Canada phase 1	2.1	Yes	Operational (July 2025)	14	40 years
LNG Canada phase 2	2.1	No	Approved, awaiting FID	14	40 years
Woodfibre LNG	0.08	Yes	Under construction (expected 2027)	2.1	40 years
Cedar LNG	0.3	Yes	Under construction (expected late 2028)	3.3	25 years
Ksi Lisims	1.9[a]	No	Awaiting regulatory assessment & FID	12	40 years
Tilbury Phase 2	0.3[a]	No	Awaiting regulatory assessment & FID	2.5	25 years

[a]Projected emissions are taken from approved project plans or, where approvals are ongoing, from proposed plans.

Sources: Cedar LNG, 2025; Gorski & Lam, 2023; Government of British Columbia, 2025a; Government of Canada, 2024; Ksi Lisims LNG, 2025; LNG Canada, 2025; Woodfibre LNG, 2025.

The Coastal Gaslink pipeline, intended to serve both LNG Canada and Cedar LNG, was completed in 2024. One additional pipeline, the Prince Rupert Gas Transmission Project, is in the early stages of construction.

Table 2. Overview of LNG pipeline projects

Project	Serviced facilities	Start/ Terminus	Length (km)	Status	Capacity (billion cubic feet/day)
Coastal GasLink	LNG Canada Cedar LNG	Dawson Creek/ Kitimat	670	Commercial in-service June 2024	2.1 (current) 5 (possible expansion)
Prince Rupert Gas Transmission Project	Ksi Lisims	Chetwynd/ Pearce Island	800	Early construction	2–3.6

Source: British Columbia Energy Regulator 2024; 2025.

1.2 LNG in the Context of Climate Change

Canada and British Columbia both have ambitious climate objectives and are working to decarbonize their economies. Canada has a 2030 target of reducing greenhouse gas emissions 40%–45% below 2005 levels, allowing for 403–440 Mt of emissions. British Columbia has a 2030 goal of reducing emissions 40% below 2007 levels, which translates to 39.3 Mt. The province also has a target of reducing emissions from the oil and gas sector by 33%–38% (to 8.6-9.3 Mt) in 2030.

These objectives are compromised by growing emissions in the oil and gas sector. Increasing LNG production will increase Canada's domestic emissions, further contributing to climate change and potentially putting climate targets out of reach. Natural gas is comprised mainly of methane, a potent greenhouse gas when leaked or vented into the atmosphere, which also results in CO_2 emissions when burned. As such, producing and transporting LNG creates greenhouse gas emissions at all stages of the value chain. The six export facilities operating or under development in BC are projected to produce 6.78 Mt CO_2e, not including upstream emissions from gas extraction and transportation. Based on a 2023 current-policies scenario with all six facilities, the Pembina Institute estimates 30.3 Mt CO_2e in 2030, from oil and gas activities in the province (Gorski & Lam, 2023). This is more than double the 13.3 Mt the sector produced in 2022 (Government of British Columbia, 2025a).

Supporters of LNG development, including government officials, argue that replacing coal power with imported LNG will reduce global emissions. These potential emissions reductions are not guaranteed. Although natural gas burns cleaner than coal, the under-reporting of methane

emissions, the crowding out of renewables, and a multitude of end-uses other than coal-to-gas switching call into question if increased LNG supply will reduce global emissions (Howarth, 2024). A recent study from the U.S. Department of Energy concluded that additional LNG exports from the United States would lead to an increase in global emissions in all scenarios (U.S. Department of Energy, 2024).

At the same time, it is clear that adding multiple new LNG facilities will increase oil and gas emissions enough to jeopardize BC climate objectives. To manage emissions while still growing the industry, BC created the 2023 Energy Action Framework. As part of the Framework, future approvals included a requirement that LNG export facilities be net-zero by 2030 (Office of the Premier, 2023). However, commitments rely on the provision of grid electricity, including subsidized transmission infrastructure and supply, to electrify the main compressor load. The province recently softened net-zero by 2030 requirements to be only "net-zero ready" by 2030 (Dix, 2025). This waives the net-zero requirement if sufficient grid electricity is unavailable. In this scenario, the projected emissions of facilities would increase substantially since most are assumed to have electricity-powered compressors and, therefore, low facility-related emissions. Indeed, BC is beginning to face serious trade-offs between reducing emissions at LNG facilities and continuing to provide clean, low-cost electricity for other uses in the province, including decarbonizing transportation and other sectors (Lee, 2025).

In an attempt to manage the anticipated emissions from LNG, governments are committing additional public resources, including CAD 200 million in July 2025, to support the electrification of Cedar LNG, even though full facility electrification was part of the approved final project design. Reducing the emissions of LNG production is proving difficult in practice. Rather than insisting that the polluter pays, the burden of decarbonizing the industry is increasingly falling to the public.

1.3 Our Approach

The fledgling LNG export industry has received a variety of supports from the BC and Canadian governments. This report offers a comprehensive picture of these supports.

Government support for fossil fuel production and consumption takes many forms. To the extent possible with available data, this inventory tracks the following forms of government support:

- direct budget transfers
- government revenue foregone through tax-related subsidies
- public finance (e.g., loans, guarantees, equity, grants), at both market and below-market value
- investment from Crown corporations, at both market and below-market value
- investment in directly enabling infrastructure.

1.3.1 Subsidies

In the World Trade Organization's (WTO's) Agreement on Subsidies and Countervailing Measures, a subsidy is defined as any financial contribution by a government, or agent of a government, that confers a benefit on its recipients in comparison to other market participants (Agreement on Subsidies and Countervailing Measures 1994, Sec. 1.1). This definition has been accepted by the 166 WTO member states, including all G20 countries. Price support, direct budget transfers, and government revenue foregone all fall under the WTO definition of a subsidy.

1.3.2 Public Finance and Crown Corporation Investment

Public finance can take the form of grants, loans, equity, bonds, insurance, guarantees, and technical assistance, often at below-market value (i.e., concessional rates). Even when not offering concessional rates, however, public finance from publicly owned financial institutions reduces risk to parallel private investors, driving private investment that would not otherwise occur (Tucker & DeAngelis, 2020). Four key mechanisms through which public finance drives private investment include

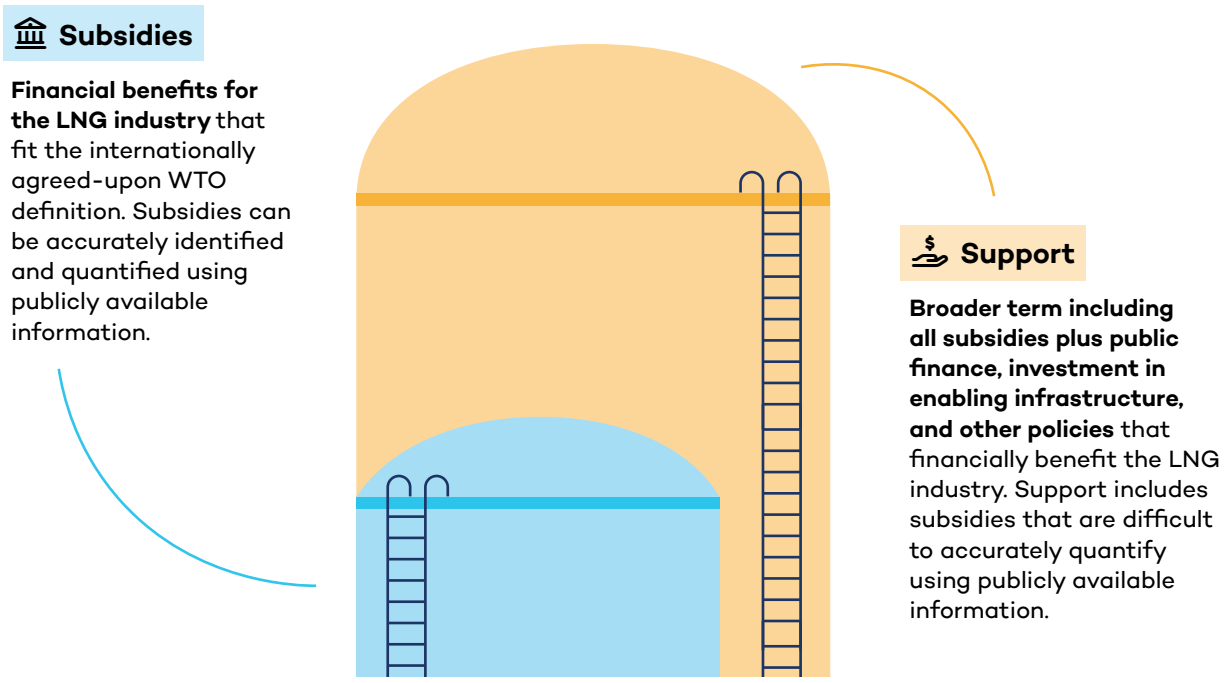
- **providing concessional, de-risked finance**. Public finance is often given at concessional rates, with longer rates of return, lower interest rates, and grant components when compared to private lending. These preferential conditions act as a subsidy and transfer risk that the private sector considers unprofitable onto public institutions, allowing private investors to join on with less risk. Even when rates are not concessional, the typically high credit ratings of public finance institutions reduce the risk for private investors.
- **leveraging of governments' political and economic influence**. Government involvement in a project through public finance can help reduce private investors' concerns around stable political and regulatory environments, a particular concern in the case of multi-billion-dollar "mega-projects." This risk reduction also includes using public institutions' reputations to reduce concerns related to environmental, social, and governance factors.
- **signalling government priorities and intentions toward an industry**. Beyond the impact on individual projects, support from public finance institutions signals government priority industries, shaping norms and expectations in the private financial sector.
- **public research and advisory capacity**. Many public finance institutions have high capacity and expertise to evaluate projects, which can increase private investor confidence in projects they choose to finance (Tucker & DeAngelis 2020, pp. 8–9).

Most public finance institutions at the federal and provincial level in Canada are state-owned enterprises, known in Canada as Crown corporations (Crowns). The main financial institution offering support to the LNG industry is Export Development Canada (EDC). Other Crowns, such as utility providers or regulators, may also support industry directly or indirectly through

their operations, for example, by reducing rates or levies or, in the case of a utility, by providing transmission infrastructure.

Public finance and Crown investment have both non-subsidy and subsidy components. Public finance is a subsidy when it constitutes a "direct transfer of funds" or "potential direct transfer of funds or liabilities" (Agreement on Subsidies and Countervailing Measures, 1994). However, the information needed to separate and quantify subsidy and non-subsidy components of the public finance reported on in this inventory is not publicly available, making it difficult to quantify subsidy components of government support offered through public finance.

Figure 2. Government support versus subsidies



Source: Authors' diagram.

Public finance acts to shift the energy markets in favour of chosen industries. In the context of support for LNG, it acts to encourage further fossil fuel expansion by subsidizing, de-risking, providing market signals, and assuming liabilities.

1.3.3 Scope of Analysis

Due to the various forms of support offered to the LNG industry, this report will refer to both government subsidies and government support. Government support refers to subsidies, public finance, and other sources of partial subsidies, which may be difficult to separate from the non-subsidy component. We use the term to identify where subsidies are present but cannot reasonably be quantified with available information. In these cases, the gross value of government support will be listed.

Subsidies in the form of direct budget transfers and government revenue foregone have been identified using government-published data. This report has also reviewed support from public finance institutions owned outright by governments, such as EDC and the Business Development Bank of Canada. Due to the lack of transparency from these public finance institutions and the difficulty in separating out the subsidy components of public finance using publicly available information, we categorize public finance mobilized through these institutions as government support and report the gross value rather than estimating subsidy values.

The scope of this report is limited to

- support offered by the Government of Canada and the Government of BC. Provincial analysis is limited to BC as the location of all LNG projects either in operation or actively in development (awaiting final investment decisions or government approval). Support for LNG that has been offered or provided by other provincial or territorial governments is not included.
- support for liquefaction facilities, including related infrastructure, and to pipelines directly servicing liquefaction facilities. Although upstream gas production is part of the LNG life cycle, this inventory does not include support for upstream activities (e.g., tax credits, royalty credits, support for upstream methane reduction) due to the difficulty in disaggregating subsidies that would ultimately flow to LNG producers.
- support for LNG production. Since LNG production is intended for export, support for domestic gas consumption (e.g., price support) is not included.

Some supports will only come into effect once facilities are operating. Where possible, we include these future subsidies to the end of 2030, including value estimates based on available information and industry projections.

2.0 Public Financing and Direct Support

Government support for the LNG sector includes direct transfers of funds in the form of public finance and grants. The Strategic Innovation Fund (SIF) and EDC are the largest sources of federal public money directed to the LNG sector. The lack of clear transparency from these two sources complicates our ability to offer a clear accounting of the full subsidy value of their support. Loans may have been offered at concessional (i.e., below-market) rates, and, in the case of SIF funding, may include undisclosed amounts of non-repayable grants.

Table 3. Summary of public financing and direct support for the LNG sector

Measure Source of support	**Type of support**	**Amount of support** (CAD million)	**Does this qualify as a subsidy?**
SIF Federal government			
SIF investment in LNG Canada (2019)	Public finance	220	Yes, contains subsidy components
SIF investment in Cedar LNG (2025)	Public finance	200	Yes, contains subsidy components
Subtotal		**420**	
EDC Federal government			
EDC loan for Coastal GasLink (2020)	Public finance	500	Yes, contains subsidy components
EDC loan for Coastal GasLink (2024)	Public finance	200	Yes, contains subsidy components
EDC loan for Cedar LNG (2024)	Public finance	500	Yes, contains subsidy components
Subtotal		**1,200**[a]	
CleanBC Industry Fund (CIF) Government of BC			
	Direct transfer	N/A[b]	Yes, a potential future direct subsidy
Total		**1,620**	

[a]EDC reports the value of individual transactions as a range rather than a precise amount, making it impossible to quantify exact values. The amounts listed here represent the upper band of ranges given for individual transactions.

[b]Funding through the CIF is available only to high-emitting facilities that have been operating in BC for at least 2 years, meaning no LNG facility has yet received funding under the program. LNG Canada will be eligible for CIF funding in 2027.

Sources: EDC, 2020, 2024; Government of BC, 2024b; Innovation, Science and Economic Development Canada, 2019; 2025b.

SIF

The federal government has directly invested in LNG projects through SIF, including

- up to CAD 220 million for LNG Canada Development Inc., announced June 2019 (Innovation, Science and Economic Development Canada, 2019; Treasury Board of Canada Secretariat, 2019);
- up to CAD 200 million for Cedar LNG, announced March 2025 (Innovation, Science and Economic Development Canada, 2025b; Treasury Board of Canada Secretariat, 2025).

SIF funding for LNG Canada has already been allocated, with nearly the entire amount disbursed. Allocations for Cedar LNG can be expected to be reflected in federal expenditure tables beginning in the 2025–2026 fiscal year.

Funding granted through the SIF is repayable by default, but non-repayable funds may be offered in conjunction with repayable funds to projects that offer "significant benefits for Canadians" (Innovation, Science and Economic Development Canada, 2025a). Using publicly available information, it cannot be determined whether or to what proportion SIF funding for Cedar LNG and LNG Canada includes non-repayable funds. The amount, timing, and conditions for repayment are specified in project contribution agreements, the full versions of which are not publicly available. The fund is claims-based, with companies reimbursed for eligible costs up to the full funding amount. As information on project claims is also not public, it is unclear how much of the potential funds have been or will be provided to individual projects in a given year. While ongoing reporting is required, updated financials are not publicly available (Innovation, Science and Economic Development Canada, 2025a).

Any non-repayable funds included in the SIF agreement constitute a direct subsidy. The repayable contributions, meanwhile, are a form of public financing. While the financial benefits of public financing are a subsidy to industry, the exact monetary value of that subsidy cannot be quantified, especially given the lack of public information on annual project claims, amounts disbursed, and terms of repayment.

EDC

Canada's export credit agency, EDC, provides government-backed loans, guarantees, and insurance for international operations of Canadian companies. Since 2008, EDC has supported Canadian companies for domestic and international projects, making it one of the largest sources

of federal public financing for fossil fuels.[1] EDC provides support for LNG exports through the Corporate Account.

EDC has provided loans to both Coastal GasLink and Cedar LNG:

- In 2020, the federal government announced an EDC loan of up to CAD 500 million for Coastal GasLink.
- In 2024, the federal government announced an EDC loan of up to CAD 500 million for Cedar LNG.
- In 2024, the EDC provided CAD 200 million in additional financing for Coastal GasLink.

These EDC loans constitute a subsidy for industry as direct transfers of de-risked funds, regardless of whether they have been offered at concessional rates. However, the transparency of individual transactions from EDC is low. The information needed to calculate the value of the subsidy components of these loans is not publicly available. EDC reports the values of individual transactions as a range, rather than reporting precise values, and the terms of loans are not made public. This opacity is not typical among G7 export credit agencies; the United States, United Kingdom, France, and Italy all offer more transparent transaction-level reporting, including exact transaction values (Geddes et al., 2024).

CIF

Established in 2019, the CIF provides provincial government funding to support industrial operations in transitioning to clean energy sources and reducing emissions. Funding to reduce emissions provides a benefit to the sector and is, therefore, a subsidy. They also contravene the polluter pay principle by socializing the cost of pollution reduction.

CIF funding is available only to the largest industrial emitters in BC. Eligible recipients must run industrial operations that have been active for more than 2 years[2] and that have annual GHG emissions exceeding 10,000 tonnes of CO_2e (Government of BC, 2024b). Between 2019 and 2023, CAD 244.8 million in CIF project funding was allocated to BC industrial operations along three funding streams:

1. **Emissions Performance projects**, CAD 191.8 million in funding, used to implement commercially available technologies.

[1] The atypical use of an export credit agency to support domestic projects is the result of a temporary response to the global recession in 2008 that was never reversed. Canada's COVID-19 response further broadened EDCs mandate for domestic activities, as seen in the creation of the policy-driven "Canada Account," spending decisions for which are made by the Finance Minister.

[2] An industrial operation that emits more than 10,000 tonnes of CO_2e annually is considered a new entrant for the first two calendar years after its first shipment. As a new entrant, industrial operations have the same reporting and verification obligations as other regulated operations, but do not owe for excess emissions, earn carbon credits under the BC Output-Based Pricing System (OBPS), and are not eligible for CIF funding (CleanBC, 2025, p. 9).

2. **Innovation Accelerator projects**, CAD 46.4 million in funding, used to pilot or trial new technologies with emission-reducing potential.
3. **Feasibility Studies projects**, CAD 6.56 million in funding, used to develop, scope, and identify projects eligible for funding under other CIF funding streams (Government of BC, 2024b).

LNG Canada owners PETRONAS Energy Canada Ltd. and Shell Canada Ltd received CAD 26.24 million in CIF program funding for their upstream natural gas operations between 2019 and 2023, accounting for more than 10% of CIF funds distributed along all funding streams.

The most recent 2024 request for proposals includes a fourth Industrial Electrification funding stream (CleanBC and BC Hydro 2024). The Industrial Electrification Program, administered jointly by CleanBC and BC Hydro, the provincial Crown electricity utility, will fund industrial electrification projects that require new or upgraded connections to the BC Hydro Integrated Grid.

No CIF funding has been allocated to LNG facilities, as no LNG facilities have been operating and eligible. However, if the CIF program continues using current eligibility restrictions, LNG Canada Phase 1 would be eligible for CIF funding in June 2027 (Government of BC, 2024a). LNG facilities in earlier stages of development and construction would also be eligible for future funding rounds.

3.0 LNG Canada Agreement

The start of LNG Canada Phase 1 exports in late June 2025 marked the beginning of the BC LNG export industry. The Government of BC, as part of efforts to launch a provincial LNG sector, has provided extensive support to this first operating facility. A notable portion of provincial government support is tied to the 2019 LNG Canada Agreement between the Government of BC and LNG Canada. With BC seeking to encourage a final investment decision, the signing of the LNG Canada Agreement formalized provincial government support for the project, committing the provincial government to a subsidies package decades into the future (Government of BC, 2019a; Province of British Columbia and LNG Canada Development Inc., 2019). The following section provides an overview of the subsidies committed to through the LNG Canada Agreement.

Table 4. Summary of support for the LNG Canada Project resulting from the LNG Canada Agreement measures

Measure	**Type of support**	**Annual value, 2030** (CAD million)	**Cumulative value, 2025–2030**	**Does this qualify as a subsidy?**
LNG Income Tax measures[a]	Government revenue foregone	39.0	214.49	Yes, future subsidy, effective once operations begin
Provincial sales tax (PST) deferral	Government revenue foregone	45.82	252.03	Yes, existing subsidy
Access to standard industrial electricity rates	Crown investment, enabling infrastructure	18.53	101.88	Yes, existing indirect subsidy
Total		**103.35**	**568.41**	

[a]Includes both the introduction of the Natural Gas Tax Credit and the repeal of the LNG Income Tax Act.
Sources: Province of British Columbia & LNG Canada Development Inc., 2019.

The government supports committed to in the LNG Canada Agreement include the following:[3]

1. **introduction of the Natural Gas Income Tax credit**. This tax credit grants corporate tax credits for natural gas delivered to any major LNG project, allowing corporations to reduce their corporate income tax rate by up to 3%, from 12% to 9% (BC Ministry of Finance, 2025).
2. **repeal of the Liquefied Natural Gas Income Tax Act**. An LNG Income Tax rate of 3.5% had been put in place in 2014.
3. **provision of electricity at the standard industrial rate**. This measure removed existing LNG-specific electricity rates[4] introduced in 2014 to ensure that rates paid by LNG facilities would accurately reflect the costs of extensive new electricity transmission and generation infrastructure required by the projects without passing on costs to existing ratepayers (Government of British Columbia, 2014b).
4. **deferral from PST owed on LNG Canada facility construction costs**. Under this measure, PST owed on construction costs does not need to be paid in full until the project has been operating for 20 years. No interest will be charged on the deferred tax.

The LNG Canada Agreement's Joint Economic Model estimates that these measures would reduce LNG Canada's production costs by USD 0.11 (CAD 0.14) per million British thermal units (MMBtu) (Province of British Columbia & LNG Canada Development Inc. 2019, p. 55).[5] As the full model and methodology are not publicly available, the estimated cost reductions cannot be independently verified.[6] Still, the estimates from the Joint Economic Model

[3] The agreement also included a provision for LNG facilities to reduce carbon tax owed, up to 100%, under the former carbon pricing system through the CleanBC Industrial Incentive Program (CIIP). The CIIP allowed industrial operations to reduce carbon tax owed, with the chance to pay no carbon tax, by demonstrating facility emissions were below global benchmarks for their industry. The LNG Canada Agreement included a measure guaranteeing: 1. LNG Canada would be eligible to participate in the CIIP, and 2) emissions benchmarks for the LNG industry would be set to levels that LNG Canada expected to easily meet, allowing the facility to avoid paying any carbon tax. However, BC transitioned to the BC OBPS as of April 2024, phasing out the CIIP, meaning this provision did not apply to any active LNG facility. LNG facilities are eligible to participate in the new BC OBPS, however, and the industry benchmarks allowing LNG facilities to avoid paying carbon tax are retained in the new system.

[4] In 2014, when the LNG electricity rate was introduced, the combined energy and demand charge for LNG customers was set at CAD 83.02 per megawatt hour (MWh). In the same year, the average rate paid by other BC industrial customers was CAD 54.34/MWh (BC Ministry of Energy and Climate Solutions, 2014).

[5] All LNG Canada Agreement measures, including the measure allowing LNG Canada to drastically reduce carbon tax owed under the previous carbon pricing system, are estimated to reduce LNG Canada's production costs by USD 0.129/MMBtu (CAD 0.168/MMBtu) (Province of British Columbia & LNG Canada Development Inc. 2019, p. 55).

[6] Only the results of the final 2019 joint model are publicly available. An earlier joint model created by LNG Canada and the BC government in 2018, based on earlier versions of the final measures, modelled a reduction of USD 0.019 per MMBtu of production cost. The 2018 model calculated on a net present value basis using a 10% discount rate, used an exchange rate of CAD 1.30 to 1 USD, and assumed a 2% rate of inflation over the term of the model. Each stage in the project value chain was assumed to earn 10% rate of return on equity, with the holder to title to the natural gas receiving 2% markup on cost (Province of British Columbia & LNG Canada Development Inc., 2019, p. 28).

(see Appendix A) represent the value of the LNG Canada Agreement subsidy package and of each subsidizing measure as understood by the Government of BC and LNG Canada.

Of the provisions included in the LNG Canada Agreement, only the PST deferral is exclusive to the LNG Canada Project. All other measures were enacted through changes to legislation (Government of BC, 2019a, 2019b), meaning they also apply to, and benefit, future LNG projects.

Income Tax Measures

This section discusses LNG Agreement measures related to corporate income tax, including the introduction of the Natural Gas Tax Credit and the repeal of the LNG Income Tax Rate.

The LNG Canada Agreement estimates income tax cost reductions, including both the repeal of the LNG Income Tax Act and the introduction of the Natural Gas Tax Credit, to be CAD 2.79 million per MT LNG of LNG Canada production cost (Province of British Columbia & LNG Canada Development Inc. 2019, p. 54). Based on annual LNG production of 14 MTPA for LNG Canada Phase 1, the yearly value of this subsidy for LNG Canada would be approximately CAD 39 million.

Natural Gas Tax Credit

The Natural Gas Tax Credit, in place since January 2020, allows oil and gas corporations to earn tax credits for natural gas delivered to a major LNG facility (Income Tax Act 1996). The tax credit is calculated at 3% of the **cost** of natural gas[7] that passes through the inlet meter of a major LNG facility.[8] Corporations can use the credit to reduce their BC corporate income tax rate to 9%, a reduction of 3% from the general BC corporate income tax rate of 12%. Any unused credits can be carried forward to be used in future years (BC Ministry of Finance, 2025).

Tax credits will be granted once LNG facilities begin operations.

LNG Income Tax Rate

In 2014, the Government of BC established an LNG Income Tax rate of 3.5%. Intending to secure a greater portion of the economic rent from development and sale of public natural gas resources, the provincial government stated revenue would be used to build a CAD 100 billion

[7] Cost of natural gas is determined according to the following formula: Energy Content x Fuel and losses adjustment x Reference Price + Transportation cost. Reference price is the fair market price of natural gas. Eligible transportation costs include, notably, carbon tax and motor fuel tax paid on natural gas consumed along the feedstock pipeline. (BC Ministry of Finance, 2024b).

[8] Major LNG facilities are defined, for this tax credit, as facilities designed and built to produce at least 2 million tonnes of LNG per year (BC Ministry of Finance, 2025). At the time of writing, all BC LNG facilities under development would eventually qualify for this tax credit.

Prosperity Fund, lower provincial debt and taxes, and strengthen public services (Government of BC, 2014a; Gunton et al., 2021). Commentators expressed skepticism at high expectations for government revenue, with analysis questioning whether the provincial government's targets would be met even at the initially proposed LNG Income Tax rate of 7% (Gunton et al., 2021; Lee, 2014a, 2014b).

The LNG Income Tax Act was repealed in 2019 as part of the income tax measures committed to in the LNG Canada Agreement and, therefore, never applied to any operating LNG facility.

PST Deferral

PST owed on construction costs related to the LNG Canada Project does not need to be paid in full until the project has been operating for 20 years. No interest will be charged on the deferred tax, estimated to total CAD 596 million (Province of British Columbia & LNG Canada Development Inc. 2019, p. 23). The LNG Canada Agreement estimated the value of this tax-related subsidy to be CAD 3.27 million/MT of LNG Canada production. At the LNG Canada Phase 1 expected production of 14 MTPA, the annual value of this subsidy would be about CAD 45.8 million.

Functionally an interest-free loan, this deferral also transfers private risk to public accounts. Annual repayments for the deferred tax are capped at CAD 0.5 million for the first 18 years of operation, with the final CAD 587 million due only in the 19th and 20th years of operation (CAD 208 million and CAD 379 million due respectively) (Province of British Columbia & LNG Canada Development Inc., 2019, Appendix D). In the case of a permanent project shutdown before full repayment, LNG Canada would be required to pay only what is owed for the current and prior fiscal years, plus a termination payment of 1% the value of future payments (Province of British Columbia & LNG Canada Development Inc. 2019, 18). For example, if the LNG Canada facility were permanently decommissioned in the 10th fiscal year of operations, it would only be required to repay CAD 10.91 million, slightly less than 2% of the CAD 596 million in owed taxes.

Access to Standard Industrial Electricity Rates

In 2014, the BC government established an LNG electricity rate, set at a level sufficient to ensure "existing ratepayers do not pay for the costs of infrastructure and new energy supplies required to serve LNG customers" (Government of BC, 2014b). The high electricity needs of the LNG sector require extensive buildout of electricity generation and transmission infrastructure, especially if LNG facilities are to meet emissions-reducing electrification requirements (see Box 1 for more information). The LNG rate policy was eliminated through the LNG Canada Agreement, with LNG projects instead granted access to lower standard industrial rates (Office of the Premier, 2018). Responsibility for costs related to some upgrades and reinforcements to the BC Hydro transmission system was transferred from the LNG sector to BC Hydro. Previously, the LNG project requiring the upgrade would have been directly responsible for associated costs (Province of British Columbia & LNG Canada Development Inc., 2019, p. 52).

Access to standard industrial rates is estimated in the LNG Canada Agreement to reduce LNG Canada production costs by around CAD 1.32 million per MT of LNG. The annual value of this subsidy would be around CAD 18.5 million for LNG Canada Phase 1. Electricity rates charged to the LNG sector are insufficient to recoup the capital costs of upgrades and reinforcements to the BC Hydro system required by the industry (Lee, 2019, 2025b; Parfitt, 2019). As a result, BC Hydro ratepayers pay higher rates to cross-subsidize energy infrastructure required by the LNG sector.

Box 1. LNG Projects and Electrification

Increased electricity needs associated with LNG projects are primarily a result of electrifying power processes at LNG terminals and upstream natural gas production facilities. Power processes at LNG terminals can be divided into two categories. The first is the non-compression load, or the power needed for pumps, air coolers, lighting, and space heating. The second is the main gas compression load, or the power needed for the main liquefaction process. Of the two, compression load has a much larger power draw and, if powered using natural gas, is a larger source of greenhouse gas emissions. Typically, gas processing LNG facilities require 15–50 megawatts (MW), while electrified LNG facilities require well over 100 MW (BC Hydro, 2021, p. 14).

As of March 2023, the BC government's energy action framework requires future LNG terminals to have a credible plan to achieve net-zero by 2030 to proceed through the BC environmental assessment process (Government of BC, 2023). This requirement is functionally impossible without facilities being fully electrified (both non-compression and compression load). This requirement does not apply to projects that were fully approved prior to this requirement, namely LNG Canada Phases 1 and 2.[9] LNG Canada plans to use natural gas to meet the compression load power draw for LNG Canada Phase 1. LNG Canada's stated long-term intention for Phase 2 of the project is to fully electrify the terminal. However, current plans are to initially build Phase 2 with natural gas-powered turbines and switch to electric motors as more grid electricity becomes available (Nickel & Williams, 2023). The facility's commitment to using renewable energy remains uncertain at this stage.

All other active LNG projects had been expected to fully electrify their LNG terminals. However, a March 2025 letter from the BC Minister of Energy and Climate Solutions stated that proponents of LNG facilities will be considered compliant with net-zero requirements if the proponents provide a credible plan to be "net-zero ready" by 2030, even if the grid electricity required by the plan is not available when operations begin (Dix, 2025).

[9] Cedar LNG and Woodfibre LNG were also approved prior to the net-zero requirement. However, both projects were approved with plans for electrification and, barring an extensive amendment and reapproval process, must adhere to approved plans.

Table 5. Planned power sources by LNG project

Project	Planned power source	
	Compression load	**Non-compression load**
LNG Canada		
LNG Canada Phase 1	Natural gas	Grid electricity
LNG Canada Phase 2	Natural gas	Grid electricity
Woodfibre LNG		
	Grid electricity	Grid electricity
Cedar LNG		
	Grid electricity	Grid electricity
Ksi Lisims		
	Grid electricity[a]	Grid electricity[a]
Tilbury LNG facility		
Tilbury Phase 1 Expansion	Grid electricity	Grid electricity
Tilbury Phase 2 Expansion	Grid electricity	Grid electricity

[a]If BC Hydro grid power is not available at the onset of operation, the Ksi Lisims project plans to temporarily generate electricity on site using power barges and natural gas (Ksi Lisims LNG, 2022, p. 59).
Source: Government of BC, 2023; Nickel & Williams, 2023.

4.0 Infrastructure Funding

The BC and federal governments have subsidized the LNG sector by funding infrastructure projects that enable LNG project development and electrification. While infrastructure projects may also benefit recipient communities, this investment subsidizes industry infrastructure costs and makes government support for community well-being contingent on industry activity. In the case of electrification infrastructure, government investment relieves industry of responsibility for costs associated with essential emissions reductions. This section provides an overview of public money used to build the physical enabling infrastructure for LNG projects. We consider public investment in these projects to be indirect partial subsidies because, even where the LNG sector is the primary beneficiary and receives clear financial benefit from infrastructure investment, the sector is not the sole beneficiary of any identified project.

Electricity Infrastructure

Developing an LNG sector in BC requires an extensive buildout of provincial electricity generation and transmission infrastructure, particularly if the Government of BC hopes to meet provincial emissions reduction targets. The bulk of LNG Canada's power needs will be met by burning natural gas. However, all future LNG terminals are, at least nominally, expected to be fully electrified, greatly reducing terminal emissions at the cost of more than doubling each facility's electricity demand (see Box 1 for more detail). In theory, LNG projects are required to pay for the required infrastructure for which they are directly responsible (e.g., direct transmission lines). Following the rate changes of the LNG Canada Agreement, BC Hydro bears the brunt of the costs for system reinforcement and new energy generation (BC Hydro, 2025b). Commenters have also noted that the per megawatt hour (MWh) cost of new electricity generation and transmission[10] exceeds the CAD 10–17 per MWh rate that LNG facilities need for electrification to be cost-competitive with natural gas as a power source (Lee, 2025, p. 4).

BC Hydro has made statements linking two of the largest infrastructure projects currently underway, the Site C Dam and North Coast Transmission Line, to electricity demands from the LNG sector. The gross cost of the Prince George to Terrace Capacitors Project, an initial stage in the planned buildout of the North Coast Transmission Line, is projected at CAD 582 million. This includes a BC Hydro investment of CAD 481 million, a federal government contribution of CAD 96.95 million, and a customer contribution of CAD 4 million (BC Hydro 2025a, p. 33; Housing, Infrastructure and Communities Canada, 2025).

The Site C Dam is the largest energy infrastructure project underway in BC. The most expensive publicly funded project in the province's history, it is expected to cost CAD 16 billion, nearly double the initial price tag of CAD 8 billion (BC Hydro, 2025a, p. 27). Provincial and federal governments have lauded the Site C Dam as a clean energy project that will increase access to

[10] Costs are estimated at CAD 74–90 per MWh for the 2024 clean power call, and CAD 80–120 per MWh for Site C.

hydroelectricity in Northern BC. However, critics argue that power generated from the dam will be used primarily for oil and gas development and production (Lee, 2025; Parfitt, 2019). In 2030, the terminal electricity needs of LNG Canada Phase 1 and Woodfibre LNG alone would require more than 35% of annual generation from Site C, even with only partial electrification of LNG Canada Phase 1 (Gorski & Lam, 2023, p. 11).

Table 6. Summary of infrastructure funding in support of the LNG sector

Measure Source of support	**Type of support**	**Value** (CAD million)	**Does this qualify as a subsidy?**
Electricity infrastructure			
Prince George to Terrace Capacitors Project[a]			
Federal government	Enabling infrastructure; Crown investment	96.95	Yes, indirect partial subsidy (share of total investment benefiting LNG is unknown).
BC Hydro		481.00	
Cedar LNG Electrification Contribution Agreement			
BC government	Enabling infrastructure	200.00	Yes, indirect partial subsidy (share of total investment benefiting LNG is unknown).
Subtotal		**777.95**	
Northwest BC Resource Benefits Alliance (RBA)			
BC government	Enabling infrastructure	250.00	Yes, indirect partial subsidy (share of total investment benefiting LNG is unknown).
Subtotal		**250.00**	
Western Diversification Program, Haisla Bridge Replacement			
Federal government	Enabling infrastructure	55.00	Yes, an indirect subsidy.
Subtotal		**55.00**	
Total		**1,082.95**	

[a]The gross cost of the Prince George to Terrace Capacitors Project is projected at CAD 582 million. The total given here includes investment from the federal government and BC Hydro, but excludes an unknown customer's contribution of CAD 4 million (BC Hydro, 2025a, p. 33).

Sources: BC Hydro, 2025a; Government of BC, 2025b; Housing, Infrastructure and Communities Canada, 2025; RBA, 2024; Treasury Board of Canada Secretariat, 2021.

Since Site C will supply the provincial electricity grid, it is difficult to assess to what degree investments in the Site C Dam constitute an LNG subsidy. We have not included the cost of Site C in our analysis. However, there is a high risk that the electricity rates charged to the LNG sector will be insufficient to recoup the capital costs of the Site C Dam infrastructure and related transmission expansion, meaning other ratepayers risk cross-subsidizing LNG projects with their power bills (Lee, 2025).

In late July 2025, the Government of BC signed a CAD 200 million contribution agreement with the Haisla Nation to support the electrification of Cedar LNG. This agreement is counter to BC Hydro policy and statements from the Government of BC requiring LNG projects to pay for at least the infrastructure under their responsibility (BC Hydro, 2025b, Section 8–1). The CAD 200 million will be used to construct the infrastructure needed to connect Cedar LNG to the BC Hydro grid: a new 287-kilovolt transmission line, substation, distribution lines, and nearshore electrification infrastructure (Government of BC, 2025b).

Northwest BC Resource Benefits Alliance

In July 2024, the Government of BC announced a funding agreement with the RBA, a coalition of 21 local governments in Northwest BC, for CAD 250 million additional infrastructure funding over 5 years (Northwest BC Resource Benefits Alliance 2024). Beginning in BC Budget 2024, this additional funding is intended to support RBA members in meeting the municipal infrastructure needs of an anticipated influx of workers, industrial development, and resource extraction projects in Northwest BC (BC Ministry of Finance 2024a, 21), without "impos[ing] additional costs on business in the region" (Northwest BC Resource Benefits Alliance 2023, 2).

While this municipal infrastructure is intended to support major projects and industrial development across multiple industries,[11] LNG facilities, pipelines, and increased natural gas extraction are significant contributors to greater industrial activity, numbers of workers, and corresponding strains on municipal infrastructure. The RBA has named Cedar LNG, Ksi Lisims, and LNG Canada as major projects expected to overwhelm local municipal infrastructure ("RESOURCE DEVELOPMENT," n.d.).

Because the funding is intended to support industrial development in multiple communities and various sectors, it cannot be reasonably determined what subsidy amount could be attributed to the LNG sector alone. The Kitimat-Stikine Regional District, the location of the LNG Canada facility and planned location of Cedar LNG and Ksi Lisims, received CAD 11.9 million. Kitimat, the community that hosts LNG Canada and Cedar LNG, received CAD 19.6 million (BC Ministry of Municipal Affairs 2024).

[11] Major projects contributing to the anticipated infrastructure need include projects related to mining, oil and gas, wood manufacturing, wind energy, and petrochemical manufacturing (RBA, n.d.).

Haisla Bridge Replacement

In June 2019, the federal government announced CAD 55 million in funding through the federal Western Diversification Program to replace the Haisla Bridge in the District of Kitimat. While the aging bridge was operating beyond its intended life cycle, the funding for its replacement was motivated primarily by support for the LNG Canada Project rather than community need (Pacific Economic Development Canada 2021). The funding was announced alongside CAD 220 million in SIF funding as part of a package of federal support for LNG Canada (Innovation, Science and Economic Development Canada 2019).

The intention of support for the LNG sector is also explicit in Pacific Economic Development Canada's news release upon the bridge's completion in 2023:

> The new [Haida Bridge] will support the Government of Canada's commitment to grow the LNG industry and increase exports to foreign markets. The updated bridge infrastructure will support the increased traffic related to the LNG Canada facility and projected increase in population of the District of Kitimat. (Pacific Economic Development Canada 2021)

5.0 Carbon Tax Exemptions

The province of BC uses a carbon pricing system known as an OBPS to incentivize industrial emissions reductions and penalize excessive emissions. The OBPS applies to facilities emitting over 10,000 tonnes of CO_2e annually, including all currently planned LNG facilities. The various OBPS exemptions available to the LNG sector, described in this section, are a subsidy in the form of foregone government revenue.

Table 7. Summary of support for the LNG sector in carbon tax exemptions, cumulative to 2030

Measure	Type of support	Amount of support, cumulative to 2030 (CAD million)	Does this qualify as a subsidy?
BC OBPS New Entrant Exemption			
LNG Canada Phase 1	Government revenue foregone	462.00	Yes, future subsidy
Woodfibre LNG	Government revenue foregone	22.40	Yes, future subsidy
Cedar LNG	Government revenue foregone	97.50	Yes, future subsidy
Subtotal		**581.90**	
Fugitive Emissions Exemption, LNG Facilities[a]			
	Government revenue foregone	74.05	Yes, future subsidy
Subtotal		**74.05**	
Fugitive Emissions Exemption, Pipelines[a]			
	Government revenue foregone	Cannot be quantified	Yes, future subsidy
Subtotal		**Cannot be quantified**	
Total		**655.95**	

[a]See Appendix C for more information on methodology and data sources used to calculate this subsidy.
Source: CleanBC, 2025.

The OBPS aims to reduce industrial emissions using a performance-based system, setting an annual facility-specific emission limit for large emitters. Sectoral emissions-intensity benchmarks used to set facility emission limits will become more stringent over time (Government of BC, 2024d). Industrial emitters that emit less than their annual emissions limits will earn credits, which they can either sell or save for future use. Those who exceed their limits must purchase credits or make a direct payment for their excess emissions at the current price per tonne (e.g., CAD 95/t CO_2e as of April 1, 2025, increasing to CAD 170/t CO_2e in 2030) (CleanBC 2025).

BC OBPS Exemption for New Entrants

A qualifying industrial operation is considered a new entrant for the first two calendar years following its first shipment. As a new entrant, industrial operations have the same reporting and verification obligations as other regulated operations, but do not owe taxes for excess emissions or earn credits under the BC OBPS system (CleanBC 2025, 9). With estimated annual emissions of 2.1 Mt CO_2e, the value of this subsidy for the first 2 years of LNG Canada Phase 1 production[12] would be around CAD 462 million. The approximate value of the new entrant subsidy for Woodfibre LNG (0.08 Mt/year in CO_2e) and Cedar LNG (0.3 Mt/year in CO_2e) would be CAD 22.4 million and CAD 97.5 million, respectively.[13] The full methodology used to calculate these approximate subsidy values can be found in Appendix B.

While the new entrant exemption is available to all new high-emitting facilities, LNG facilities, which have higher and more inconsistent emissions in the first years of operations, stand to benefit more than many other industrial facilities. Notably, the inclusion of a New Entrant Provision in the provincial carbon pricing system[14] was among the measures offered by the Government of BC to LNG Canada through the LNG Canada Agreement (Province of British Columbia and LNG Canada Development Inc. 2019, 45).

Fugitive Emissions Exemption

As noted in previous subsidies inventories (Corkal and Gass, 2019), fugitive emissions, despite being a significant source of BC GHG emissions, are exempt from carbon pricing under the BC OBPS system. In LNG facilities, fugitive emissions during liquefaction and storage result from equipment leaks, evaporation, and minor operational inefficiencies. Although fugitive emissions are unmetered, emissions rates can be estimated based on the technology used. Fully electrified facilities have lower rates of fugitive emissions. If fugitive emissions were fully taxed, the LNG industry in BC would pay an estimated CAD 23.93 million in annual carbon taxes on fugitive emissions by 2031 (see Table 8 and Appendix C for the full methodology).

[12] Assuming June 2025 to June 2027 as the first 2 years of operations for LNG Canada Phase 1.

[13] Using projected start date of mid 2027 for Woodfibre LNG, and late 2028 for Cedar LNG.

[14] At the time of signing, LNG Canada would have been included under the Clean BC Industrial Incentive, a precursor to the BC OBPS.

Table 8. Estimated carbon tax on LNG facility fugitive emissions (2025–2030)

	Unit	2025	2026	2027	2028	2029	2030
LNG capacity	Million tonnes	14[a]	14	14	16.1	19.4	26.4[b]
LNG facility fugitive emissions	Mt CO_2e	0.0392	0.0784	0.0784	0.0874	0.1016	0.1408
Carbon tax	CAD/ tonne	95	110	125	140	155	170
Carbon tax (LNG facility)	Million CAD	3.72	8.62	9.80	12.24	15.74	23.93

[a]For 2025, it is assumed that LNG Canada will emit only half of its potential emissions, as the facility will be operational post June 2025.

[b]Assumes LNG Canada Phase 1 and 2, Woodfibre LNG, and Cedar LNG will be operational, in full or part, by late 2030. For more information on assumptions used to project LNG capacity, see Appendix C.

Source: Authors' calculations.

Natural gas pipelines are another source of fugitive emissions. In 2023, BC's reported fugitive emissions for the transmission of both oil and gas were 1.7 Mt CO_2e (Environment and Climate Change Canada, 2025, 55). Using the 2023 carbon price of CAD 65/t CO_2e, this implies a subsidy that year of at least CAD 110.5 million in unpaid carbon tax on fugitive pipeline emissions. However, the reported emissions data is not disaggregated, and the full extent of fugitive emissions from pipelines associated with LNG facilities is unknown. Resultingly, the subsidy value of this exemption for the LNG sector cannot be calculated.

6.0 Other Financial Supports

Government support for the LNG sector includes policy decisions to financially advantage the sector and create an enabling environment for LNG development. The government support identified in the following section, namely discounted security valuation on pipelines and an exemption for anti-dumping steel tariffs, is especially difficult to quantify accurately. They have therefore not been included in our totals for government support. Still, these subsidies have real financial benefits for the LNG sector and are essential to a more complete understanding of how governments have cultivated an enabling environment for LNG development.

BC Energy Regulator Assumption of Risk on Pipeline Construction

LNG projects and pipelines are regulated by the BC Energy Regulator (BCER), a provincial Crown corporation. BCER's regulatory activities are funded by industry through fees for services and levies on ongoing operations. Project-specific levies are set to cover ongoing costs for large projects that are sufficiently advanced in development. The value of project levies, nominally set according to the project's regulatory burden, is reviewed annually to ensure it corresponds to BCER's costs.[15]

BCER subsidizes pipeline construction on Crown land via a discount in the security valuation set for pipelines constructed on Crown versus private land.

Prior to beginning construction on a potential pipeline, permit holders must submit a security to BCER, contingent on land restoration following construction. The security value is set per kilometre of proposed pipeline: For private land, the security is valued at CAD 50,000 per kilometre, with no maximum value. The security for a pipeline constructed over Crown land, however, is only CAD 10,000 per kilometre and is capped at a maximum of CAD 150,000 (Fee, Levy and Security Regulation 2014).

If the security set for a pipeline crossing private land is an accurate valuation of the implied risk, for every kilometre of pipeline constructed on Crown land, BCER assumes CAD 40,000 in risk on behalf of corporations. The value of the security submitted by Coastal GasLink is not public, but we can arrive at an estimated value using available information. Around 4.5% of the 670 km-long Coastal Gaslink pipeline crosses private land (Environmental Assessment Office, 2014, 22).

[15] Since 2020, levies to recover expenses associated with regulating specific projects have both increased and decreased following the annual review, sometimes drastically (see Appendix C). As the process and criteria used to determine levy amounts are opaque, it cannot be independently determined what changes are reflected in levy adjustments. At the time of writing, BCER has not responded to requests for information on criteria and/or processes used to review and establish levy amounts. If annual project levies do not fully cover the related costs to BCER—whether costs are recouped by the regulator from other sources, or whether unfunded regulatory activities are not completed—the gap between regulator costs and levies paid would constitute a subsidy to the related projects.

The security submitted by Coastal GasLink, therefore, can be estimated at around CAD 1.66 million, only CAD 150,000 of which was submitted in security for traversed Crown land. If the security requirements for Crown land were equal to those for private land, the full security for Coastal GasLink would have been CAD 33.5 million, including a CAD 31.99 million security for crossing Crown land. Total, this amounts to a difference of CAD 31.84 million compared to the security required under current regulations.

Table 9. Value of BCER security subsidy, Coastal GasLink

Section	Length	Security value (CAD)	
		Current regulations	CAD 50,000/km security, no maximum
Full pipeline	670 km	1,657,500	33,500,000
Pipeline crossing private land	30.15 km	1,507,500	1,507,500
Pipeline crossing Crown land	639.85 km	150,000[a]	31,992,500

[a]The security for a pipeline crossing Crown land is capped at a maximum of CAD 150,000.
Source: Fee, Levy and Security Regulation 2014.

Under the WTO definition of subsidy, the assumption of risk can be considered a subsidy even if there is never a default (Agreement on Subsidies and Countervailing Measures 1994). Though it constitutes a subsidy, without the information needed to fully assess the financial value of this risk, the subsidy value of an assumption of risk implied by the discount cannot be fully quantified.

Waiver of Steel Tariff

In 2019, standing with previous statements that "trade barriers would not be permitted to stand in the way of these historic private sector investments," the federal government granted LNG Canada and Woodfibre LNG an exemption on steel anti-dumping and countervailing tariffs for certain fabricated industrial steel components, which it claimed could not be produced in Canada (Department of Finance, 2019). The federal government's decision to waive these anti-dumping tariffs was, in part, motivated by concerns that the cost impact of the tariffs would discourage final investment decisions for LNG Canada and Woodfibre LNG projects (Government of Canada, 2019).

The waiver applied to certain steel components imported between August 2019 and May 2022 for use in the two projects (Canada Border Services Agency, 2024). Some industry estimates valued the steel tariff exemption as being worth up to CAD 1 billion to LNG Canada (McCarthy et al., 2018). However, the Canadian International Trade Tribunal's response to LNG Canada's initial request for an exemption in 2017 described the request as "highly speculative and overly

general," given the project's timeline and status at the time. The tribunal, which declined the request for exemption, further noted that "there is no [engineering, procurement, and construction firm] for the LNG Canada project proposed to be constructed at Kitimat, British Columbia, and there are no final engineering designs for the modules to be imported from China. Therefore, the Tribunal has no firm indication as to what it is being asked to exclude" (Canadian International Trade Tribunal, 2017). The final value of the exemption claimed by importing corporations is not currently known.

7.0 Discussion and Recommendations

Summary of Key Findings

The amount of public money mobilized in support of the BC LNG sector is significant. By 2031, total support for the sector offered by the federal and BC governments will amount to CAD 3.93 billion. The subsidy value of several measures cannot be fully quantified, in part due to a lack of transparency and government reporting on public financing.

Still, identified government support for the BC LNG sector includes:

- **CAD 1,620 million** in public finance from the federal government, distributed through the EDC and SIF.
- **CAD 103.35 million** per year in benefits to the LNG Canada Project from provincial government measures introduced through the LNG Canada Agreement. The benefits of this government support package, excepting the deferral of PST on construction costs, are also available to and benefit other LNG projects.
- **a portion of the CAD 1,083 million** in infrastructure funding from the federal and provincial governments to enable LNG development. Of this, CAD 778 million is dedicated to new electricity infrastructure needed for the LNG sector to meet emission regulations.
- **CAD 655.95 million** in potential revenue foregone by 2031 through carbon tax exemptions, a total that does not include exemptions on fugitive emissions from pipelines. Beyond failing to uphold the polluter pays principle, tax-related subsidies represent a significant amount of foregone revenue for government.

As the only operational export facility, LNG Canada Phase 1 has received the most government support to date. If current measures remain in place, it is on track to receive at least CAD 1.36 billion in government support by the end of 2030.

Table 10. Government support for LNG Canada Project Phase 1

Measure	Type of support	Government	**Amount of support by 2031** (CAD million)
SIF			
	Public finance	Federal	220.0
Subtotal			**220.0**
Western Diversification Program, Haisla Bridge Replacement			
	Enabling infrastructure	Federal	55.0
Subtotal			**55.0**
LNG Canada Agreement			
Income tax measures	Government revenue foregone	BC	214.49
Deferral of PST	Government revenue foregone	BC	252.03
Electricity provisions	Crown investment, enabling infrastructure	BC	101.88
Subtotal			**568.41**
Carbon tax exemptions			
New entrant exemption	Government revenue foregone	BC	462.0
Fugitive emissions exemption	Government revenue foregone	BC	58.60
Subtotal			**520.60**
Total government support for LNG Canada, Phase 1			**1,364.01**
Federal government support			275.0
BC government support			1,089.01

Source: Authors' calculations.

Coastal GasLink, the only operational pipeline, has received CAD 700 million in government support through public finance.

Taken together, the value of federal and provincial support for LNG Canada Phase 1 and the Coastal Gaslink pipeline will amount to over CAD 2 billion by 2031. As Canada's first operational LNG export facility and related transportation infrastructure, and with several more projects in the queue, it is important to understand the scale of public support that was deemed necessary to bring it into operation.

Table 11. Overview of federal government support for the LNG sector

Measure	**Type of support**	**Amount of support** (CAD million)
SIF		
SIF investment in LNG Canada	Public finance	220.00
SIF investment in Cedar LNG	Public finance	200.00
Subtotal		**420.00**
EDC		
EDC loan for Coastal GasLink (2020)	Public finance	500.00
EDC loan for Coastal GasLink (2024)	Public finance	200.00
EDC loan for Cedar LNG	Public finance	500.00
Subtotal		**1,200.00**
Western Diversification Program, Haisla Bridge Replacement		
	Enabling infrastructure	55.00
Subtotal		**55.00**
Prince George to Terrace Capacitors Project		
	Enabling infrastructure	96.95
Subtotal		**96.95**
Waiver of Steel Tariff		
	Project-specific suspension of anti-dumping tariffs	Unknown value
Subtotal		**Unknown value**
Total public finance		**1,620.00**
Total infrastructure funding		**151.95**

Source: Authors' calculations.

Table 12. Overview of BC government support for the LNG sector

Measure	Type of support	**Annual support in 2026** (CAD million)	**Value of support by 2031** (CAD million)
LNG Canada Agreement			
Income tax measures	Government revenue foregone	39.00	214.49
Deferral of PST	Government Revenue foregone	45.82	252.03
Electricity provisions	Crown investment, enabling infrastructure	18.52	101.88
Subtotal		**103.35**	**568.41**
Carbon tax exemptions			
New entrant exemption	Government revenue foregone	231.0	581.9
Fugitive emissions exemption	Government revenue foregone	8.62	74.05
Subtotal		**239.62**	**655.95**
Electricity infrastructure			
Prince George to Terrace Capacitors Project	Enabling infrastructure, Crown investment	N/A	481
Cedar LNG Electrification Contribution Agreement	Enabling infrastructure	N/A	200
Subtotal		**N/A**	**681**
Northwest BC RBA			
	Enabling infrastructure	N/A	250
Subtotal		**N/A**	**250**
BC Energy Regulator Financial Security for Pipeline Construction over Crown land			
	Government assumption of risk	N/A	Unknown value
Subtotal		**N/A**	**Unknown value**
Total		**342.97**	**2,155.36**

Source: Authors' calculations.

For all LNG projects under consideration, known federal public support is CAD 1.77 billion, including CAD 151.95 million in infrastructure funding and CAD 1.62 billion of public financing. Due to the lack of transparency regarding the rates and requirements for repayment, it is not possible to quantify the subsidy component of federal financing. By the end of 2030, the Government of BC will have provided at least CAD 2.16 billion in support, including both foregone revenue, reduced electricity rates, and enabling infrastructure.

Discussion

Billions of public dollars have supported the launch of Canada's new LNG export industry, despite serious questions regarding the industry's economic viability and environmental costs. By 2031, the provincial and federal governments will have directed CAD 3.93 billion to the LNG industry through a combination of foregone tax revenues, investment enabling infrastructure, reduced electricity rates, and public finance, including some loans that may feature undisclosed non-repayable grants. Around half of this amount, CAD 2 billion, will have gone to the LNG Canada Phase 1 facility and Coastal Gaslink pipeline. The sheer scale of government support extended to LNG export projects demands transparency and public scrutiny.

Continuing government support for LNG exposes the public to unnecessary economic risk. Government support de-risks private investment in major projects by shifting a portion of project costs, responsibilities, and liabilities to the public. In the context of uncertain global demand for LNG, public subsidization and financing may encourage the development of projects that would not otherwise move forward.

Our assessment also demonstrates that the LNG industry is not assuming the full costs of complying with the existing climate policy regime, violating the polluter pays principle. The public is assuming a significant burden to reduce LNG facility emissions, even where projects were approved with the expectation of meeting net-zero requirements.

Propping up marginal projects or assuming the costs of decarbonization sets the stage for ongoing and additional subsidies that will be difficult to remove once in place. Channelling public funding toward LNG export also carries a steep opportunity cost. Rather than fostering economic growth in clean industries or helping communities adapt to climate change, limited public funds are being used to reinforce fossil fuel extraction and consumption. Similarly, clean electricity that could help decarbonize other economic sectors is instead being used to expand BC's fossil fuel sector, a sector fundamentally incompatible with long-term climate targets. Despite the scale of public investment in LNG electrification, important questions remain about whether it will even be possible to electrify both LNG production and the rest of the provincial economy. The cost and availability of clean electricity may force a trade-off between these two competing goals (Lee, 2025).

As governments weigh new project approvals and supports, public support for fossil fuel expansion should be phased out. A first step is full transparency on all financial supports and subsidies offered to industry. This will enable a full assessment of the costs and benefits of

further LNG development, including an assessment of the potential opportunity cost associated with government support. Further delay may ultimately result in projects being too far along to meaningfully reverse public investment, limit liabilities, or responsibly manage trade-offs.

Recommendations

In the face of new project approvals and requests to support expansion beyond currently operating projects, we recommend strictly upholding the polluter pays principle and beginning immediately to phase out all public financial support for LNG. The governments of BC and Canada must act to ensure that project proponents, not the public, are responsible for the risks and costs of LNG expansion.

Federal Government

- **Implement the 2022 commitment to eliminate all domestic finance for fossil fuels and update the Inefficient Fossil Fuel Subsidies Framework** to exclude funding for LNG infrastructure. The policies should prohibit any public finance, direct subsidies, or infrastructure support—whether direct or indirect—to LNG projects. This includes funding through Crown agencies, grants, tax incentives, funding for decarbonization, and enabling infrastructure.
    - If any support is provided, ensure that it is offered only on fully repayable commercial terms, with transparent conditions, strict emissions performance requirements, and no implicit or explicit subsidy. Repayable contributions should not be classified as grants or contributions in budget reporting.

Provincial Government

Uphold the polluter pays principle. Project approvals should be contingent on full compliance with existing and planned climate policies.

- **Enforce the requirement for approved facilities to be net-zero by 2030.**
- **Exclude LNG facilities from receiving funding through the Clean BC Industry Fund**, especially through the new Industrial Electrification funding stream.
- **Strengthen the OBPS, removing exemptions for new entrants and fugitive emissions.**
- **Charge LNG projects the full cost of grid electricity**, at a rate that accounts for the additional supply and transmission upgrades required to meet the LNG industry's needs.
- Going forward, **all projects under consideration should undergo a robust economic analysis** ensuring economic viability under provincial and federal climate policy-compliant scenarios. Assessments of project economic viability should not be contingent on public subsidy.

Phase out tax subsidies to ensure government revenue collection and maximize public benefits derived from LNG operations going forward.

- **Do not extend PST deferral on construction costs** to proponents of LNG projects under development.
- **Phase out the Natural Gas Tax Credit** currently available to producers who ship natural gas to LNG facilities.

Federal and Provincial

- **Increase transparency of reporting on all government funding** to enable full accounting of the economic costs of LNG development.
    - For EDC, publish transaction-level data, including company, project name, description and location, exact financial volumes (not a range), instrument type, co-investors, other activities or supports provided (e.g., advising or research support), and any performance or impact expectations.
    - For SIF contribution agreements, publish details, including repayment timelines and rates, the presence and value of any grant components, and any performance or impact conditions.
- **Require public disclosure of terms of government support measures extended to corporate recipients**, including
    - whether support is repayable or non-repayable;
    - conditions and timelines for repayment;
    - how repayments are reflected in government financial documents.

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Appendix A. Estimates of LNG Canada-Government of British Columbia Joint Economic Model, 2019

Table A1. Estimated cost impact of the LNG Canada Agreement results of the LNG Canada-Government of BC 2019 Joint Economic Model

Provincial measure	**Estimated cost reduction impact** (USD/MMBtu)	**Subsidy value** (CAD/MT LNG)[a]	**Projected annual subsidy in 2030, LNG Canada Phase 1**[b] (CAD million)
Electricity services measures[c]	-0.019	1,323,179	18.53
PST measures	-0.047	3,273,127	45.82
Clean BC Industrial Incentive Program	-0.024	1,671,384	23.40
Income tax measures[d]	-0.040	2,785,640	39.0
Total	**-0.129**	**8,983,689**	**125.77**

[a]Conversions from MMBtu to MT of LNG assume a natural gas heating value of 1,100 Btu/cubic foot.
[b]Assuming LNG Canada Phase 1 production of 14 MTPA.
[c]Note that industrial electricity rates have changed since this estimate was calculated in 2019.
[d]Includes the Natural Gas Tax Credit and the repeal of the LNG Income Tax Act
Source: Province of British Columbia and LNG Canada Development Inc., 2019, 52–55.

Appendix B. British Columbia Output-Based Pricing System New Entrant Exemption

Table B1. British Columbia Output-Based Pricing System New Entrant Exemption

Liquefied natural gas (LNG) facility	Projected annual emissions (Mt CO_2e)	Start year, actual or projected	Annual value of exemption (CAD million)						
			Total	2025	2026	2027	2028	2029	2030
LNG Canada Phase 1	2.1	June 2025	462.00	99.75	231.00	131.25	N/A	N/A	N/A
Woodfibre	0.08	Mid-2027	22.40	Not online	Not online	5.00	11.20	6.20	N/A
Cedar LNG	0.3	Late 2028	97.50	Not online	Not online	Not online	Not online	46.50	51.00

Source: Authors' calculations.

Table B2. British Columbia Output-Based Pricing System carbon price, 2025–2030

Year	Carbon price (CAD/tonne CO_2e)
2025	95
2026	110
2027	125
2028	140
2029	155
2030	170

Source: CleanBC, 2025, p. 13.

Appendix C. Fugitive Emissions From Liquefied Natural Gas Facilities in British Columbia

1. Liquefied Natural Gas (LNG) Capacity Additions in British Columbia (BC) (2024–2030)

BC is set to see a significant expansion in LNG capacity over the next decade. The following projects contribute to the province's LNG export infrastructure:

- LNG Canada Phase 1 (2025): 14 MTPA (For the year 2025, it is assumed that LNG Canada will only emit half of its potential emissions since it began operations late June 2025) (Krugel, 2025)
- Woodfibre LNG (2028): 2.1 MTPA (Woodfibre LNG, 2024)
- Cedar LNG (2029): 3.3 MTPA (Cedar LNG, 2025)
- LNG Canada Phase 2 (2030): Additional 7 MTPA (Assumed that only half of the planned capacity of 14 MTPA will be operational by late 2030)

By 2030, BC's total LNG export capacity is projected to reach 26.4 MTPA, requiring a substantial increase in natural gas production.

2. Fugitive Emissions Assumptions

LNG Liquefaction and Storage

Fugitive emissions during liquefaction and storage result from equipment leaks, boil-off gas losses, and minor operational inefficiencies. Assumed fugitive emissions intensity: 0.0056 tonnes CO_2e per tonne of LNG produced from a natural gas-based facility (Delphi Group, 2014) and 0.004292 tonnes CO_2e per tonne of LNG produced from an electrified facility (Woodfibre LNG, 2023).

Except for LNG Canada, the rest of the facilities are electrified.

3. Carbon Tax Trajectory in BC (2024–2030)

BC has a steadily increasing carbon tax, rising from CAD 80 per tonne of CO_2e in 2024 to CAD 170 per tonne of CO_2e in 2030. This policy aligns with the federal carbon pricing framework to incentivize emissions reductions (CleanBC, 2024).

4. Estimated Carbon Tax on Fugitive Emissions (2025–2030)

If fugitive emissions were fully taxed, the LNG industry would pay significant sums based on its emissions levels. The estimated carbon tax is calculated separately for upstream emissions and LNG plant emissions.

Table C1. Projected carbon tax on fugitive emissions from BC LNG plants, 2025–2030

	Unit	2025	2026	2027	2028	2029	2030
LNG capacity	MT	14	14	14	16.1	19.4	26.4
LNG Plant fugitive emissions	Mt CO_2e	0.0392	0.0784	0.0784	0.0874	0.1016	0.1408
Carbon tax	CAD/tonne	95	110	125	140	155	170
Carbon tax (LNG plant)	CAD million	3.72	8.62	9.80	12.24	15.74	23.93

Source: Authors' calculations.

In 2030, the LNG industry in BC would have to pay an estimated CAD 23.93 million annually in carbon taxes on facility fugitive emissions if fully taxed.

If we assume that LNG Canada is able to commission an additional 14 million tonnes by late 2030, as is planned for Phase 2 of the project, then the calculations are given below. According to the latest reports, the second phase of the LNG Canada LNG terminal will be gas-based (Ministry of Energy, Mines and Low Carbon Innovation, 2023). Therefore, we assume the same emission intensity of 0.0007 tonnes CO_2e per tonne of LNG produced from a natural gas-based facility as Phase 1.

Table C2. Projected carbon tax on fugitive emissions from BC LNG plants, high-production scenario, 2025–2030

	Unit	2025	2026	2027	2028	2029	2030
LNG capacity	MT	14	14	14	16.1	19.4	33.4
LNG Plant fugitive emissions	Mt CO_2e	0.0392	0.0784	0.0784	0.0874	0.1016	0.1800
Carbon tax	CAD/tonne	95	110	125	140	155	170
Carbon tax (LNG plant)	CAD million	3.72	8.62	9.80	12.24	15.74	30.60

Source: Authors' calculations.

In 2030, the LNG industry in BC would have to pay an estimated CAD 30.6 million annually in carbon taxes on facility fugitive emissions if fully taxed.

5. Conclusion

The projected carbon tax burden highlights the potential cost implications for the LNG industry in BC if fugitive emissions were fully subject to carbon pricing. Upstream fugitive emissions contribute the largest share of the total tax burden, reinforcing the need for methane-reduction strategies in natural gas production. Electrification of LNG plants could further reduce emissions from liquefaction, leading to lower tax exposure.

Published by the International Institute for Sustainable Development

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