

## Subsidy reform: Aligning investments with halting and reversing biodiversity loss by 2030 (Target 18)

Canada's new 2030 Nature Strategy includes a commitment to “*identify by 2025, and eliminate, phase out or reform incentives, including subsidies, harmful for biodiversity, in a proportionate, just, fair, effective and equitable way, while substantially and progressively reducing them... by 2030...*”. This commitment, consistent with Target 18 of the Kunming-Montreal Global Biodiversity Framework, offers a tremendous opportunity to catalyze a nature-positive economy in Canada.<sup>92</sup>

Current spending on practices that degrade nature far exceeds spending on practices that can conserve and restore it. Action is urgently needed to identify environmentally harmful subsidies (EHS) in Canada<sup>93</sup> and to pursue innovations in federal subsidy and tax reform, budgeting and policymaking to improve coherence between economic and environmental policies, and reorient the flow of public capital to catalyze new nature-positive economic opportunities.

92 Target 18 of the Kunming-Montreal Global Biodiversity Framework requires governments to “identify by 2025, and eliminate, phase out or reform incentives, including subsidies, harmful for biodiversity[...].” This target is complemented by several other agreements to which Canada is a signatory. Under the G7 2030 Nature Compact (June 2021), governments committed to “lead by example by reviewing relevant domestic policies as soon as possible and [...] take action as appropriate to develop replacements that are nature positive”; the Leaders’ Pledge for Nature (September 2020) commits signatories to “eliminate or repurpose subsidies and other incentives that are harmful to nature, biodiversity and climate while increasing significantly the incentives with positive or neutral impact for biodiversity across all productive sectors”.

93 Subsidies are fiscal policy tools used by governments that aim to benefit a specific population or sector through production support, income support, or reduced costs of inputs. Subsidies deemed harmful to biodiversity are those that induce production or consumption activities that exacerbate biodiversity loss, particularly important within the agriculture, fisheries, and forestry sectors. For more detail on approaches to defining subsidies that are harmful to biodiversity see Deutz et al. “Financing Nature: Closing the global and Matthews and Karousakis.” 2022. <https://doi.org/10.1787/3e9118d3-en>

The Green Budget Coalition welcomes and supports the government’s commitment to compile an inventory of incentives that may have an impact on biodiversity by mid-2025, and, by 2030, to develop and implement a plan that substantially reduces the value of incentives and subsidies with harmful impacts on biodiversity.

### Recommendation:

The 2025 federal budget should explicitly commit to develop a systematic, cross-departmental implementation plan in 2025, and to eliminate, phase out or reform at least \$10 billion in harmful subsidies by 2030 (Canada’s share, by percentage of global GDP, of the GBF commitment to reduce subsidies by \$500 billion). (Target 18). [FIN, ECCC, DFO, AAFC, NRCan]

### Contacts

Michael Polanyi – [mpolanyi@naturecanada.ca](mailto:mpolanyi@naturecanada.ca)  
Alison Woodley – [awoodley@cpaws.org](mailto:awoodley@cpaws.org)



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