Natural gas has no place in Canada's green finance rulebook for electricity, new report finds

ENVIRONMENTAL DEFENCE, CARBON TRACKER INITIATIVE, CLIMATE ACTION NETWORK – RÉSEAU ACTION CLIMAT CANADA, SHIFT: ACTION FOR PENSION WEALTH & PLANET HEALTH, WEST COAST ENVIRONMENTAL LAW

A new report from Credible Taxonomy Canada warns that labelling gas power as green or transition-aligned would divert investment away from the renewables and grid upgrades needed for a net-zero electricity system.

Toronto | Treaty Lands and Territory of the Mississaugas of the Credit First Nation, and the traditional territory of the Anishinaabeg, the Haudenosaunee, and the Wendat - A new report from a coalition of climate experts argues that Canada's sustainable finance taxonomy should exclude natural gas from its electricity sector guidance.

The paper, *Beyond Gas: Financing a Net-Zero Electricity Grid with a Paris-Aligned Taxonomy*, finds that gas-powered electricity, even when paired with carbon capture and storage (CCS), is too emissions intensive to credibly meet the threshold of a Paris-aligned investment. Global expert bodies are clear that a rapid reduction in the use of oil and gas, alongside a massive scale-up of renewable energy, is required to achieve the Paris Agreement goals of limiting global warming. Achieving net-zero emissions by 2050 means shifting away from the use of natural gas in the electricity sector.

The report arrives as the Taxonomy and Transition Planning Council is developing guidance for what counts as a climate-aligned investment in the electricity sector. The taxonomy's electricity sector guidance comes at a critical moment for Canada, as the country projects that it needs over $1 trillion in investment to keep up with demand for electricity.

Key findings from the report include:

- **Achieving a net-zero electricity grid in Canada means shifting away from natural gas.** Federal modelling from the Canada Energy Regulator shows that natural gas will play a declining role in the future of Canada's electricity system - especially if the country moves towards a net-zero grid. Through increasing investment in clean electricity generation, transmission, and grid modernization, the use of gas-powered electricity must decline to a marginal role, intermittently backing up the system during peak demand.
- **Gas is not green - even when paired with carbon capture and storage (CCS).** Canada's electricity system is becoming more polluting, not less, due to increased use of natural gas. There are currently no examples of any gas-fired power plants with CCS installed that are as low-emitting as renewables. The Glacier Gas Plant in Alberta is now

running with CCS, and is described as the world's first decarbonized gas plant. Even as a high performing facility due to its relatively small size, it emits 84 kg of CO_2 per MWh - above the 65 kg/MWh limit in Canada's Clean Electricity Regulations and well above the life cycle emissions of wind power.

- **Including gas in the taxonomy comes with a real opportunity cost for decarbonization.** Taxonomy-aligned projects are expected to receive preferential financing, including through planned federal green and transition bonds. Every dollar directed towards gas is a dollar not invested in 'green' labelled activities such as renewables, transmission, or grid modernization. To avoid contributing to carbon lock-in, when fossil fuel systems delay the transition to clean alternatives, the taxonomy must exclude natural gas.
- **Renewables are already cheaper.** New renewable generation, even paired with battery storage, costs less than gas on a levelized basis. Ontario's April 2026 electricity generation procurement awarded contracts exclusively to renewable projects because competitive bidding proved wind and solar were cheaper than fossil fuel alternatives.
- **Prioritizing renewable, non-emitting electricity sources over gas makes electricity more affordable for Canadians.** A net-zero electricity grid requires significant infrastructure investment but the resulting impact on Canadian's electricity bills is projected to be minimal. Natural gas prices are inherently volatile and adding abatement technology, such as CCS, drives up the cost of gas-powered electricity even further.
- **Key trading partners have already excluded gas.** Australia's taxonomy, a key reference point for Canada, does not give gas-fired electricity a green or transition label.

The report notes that excluding gas from the taxonomy would not remove gas from Canada's electricity system. Instead, it would ensure that only genuinely net-zero-aligned activities receive a green or transition-aligned label, protecting the taxonomy's credibility and complementing existing Canadian policies such as the Clean Electricity Regulations.

The full report is available at credibletaxonomy.ca/research/

Quotes:

Keith Brooks, Programs Director, Environmental Defence says:

"Gas is not a transition fuel. It's a fossil fuel, and it's just as bad as coal for the climate when it's used to generate electricity. The government's goal is to double the electricity supply, and it's essential that that power be as clean and low carbon as possible. If the taxonomy doesn't lead to that outcome, then it's causing harm rather than providing the clarity it's intended to deliver."

Adam Scott, Executive Director, Shift: Action for Pension Wealth & Planet Health
"As a fossil fuel, gas is a major cause of the climate crisis and one of the literal energy sources we are transitioning away from. Applying a transition label for bandaid technologies which serve

only to extend and lock-in our reliance on gas, in direct competition with green labelled activities, is perverse and inappropriate”

Kyra Bell-Pasht, Senior Advisor for Canada at Carbon Tracker Initiative
“Canada needs more than $1 trillion in electricity investment, and the taxonomy will help decide where that money goes. Giving gas power a transition label would steer capital into assets that are losing ground to renewables on cost and at growing risk of being stranded. Investors need a taxonomy they can trust, and that means keeping gas power out.”

—

ABOUT ENVIRONMENTAL DEFENCE (environmentaldefence.ca): Environmental Defence is a leading Canadian environmental advocacy organization that works with government, industry and individuals to defend clean water, a safe climate and healthy communities.

ABOUT CARBON TRACKER (carbontracker.org): Carbon Tracker is an independent financial think tank working to align capital markets with an accelerated energy transition. Through data-driven research, we assess the risks associated with continued fossil fuel investment and opportunities arising from changes in energy demand, technology and climate policy. Our work empowers investors, policymakers and companies to make informed decisions that support an orderly shift to a net zero emissions future.

ABOUT CLIMATE ACTION NETWORK – RÉSEAU ACTION CLIMAT CANADA (climateactionnetwork.ca): Climate Action Network – Réseau action climat Canada (CAN-Rac) is a network of nearly 200 Canadian organizations taking action on climate and energy issues from coast to coast to coast. CAN-Rac's membership draws environmental NGOs together with trade unions, First Nations, social justice, international development, health and youth organizations, faith groups, and local, grassroots initiatives.

ABOUT SHIFT: ACTION FOR PENSION WEALTH AND PLANET HEALTH (shiftaction.ca) is a charitable initiative that works to protect pensions and the climate. Shift is a project of MakeWay Canada.

ABOUT WEST COAST ENVIRONMENTAL LAW (wcel.org): WCEL is a non-profit group of environmental lawyers and strategists dedicated to safeguarding the environment through law. West Coast works to develop proactive legal solutions, transform environmental decision-making and strengthen legal protection for the environment through collaborative legal strategies that bridge Indigenous and Canadian law.

ABOUT CREDIBLE TAXONOMY CANADA: Credible Taxonomy Canada is an organizing effort on behalf of Canadian climate and environmental leaders to advocate for a credible, science-based sustainable finance taxonomy. Done well, the taxonomy can serve as a common language for companies, investors, and policy makers – driving capital towards genuine climate

solutions, while making our economy more secure and resilient. A credible taxonomy must be consistent with science-based pathways to net-zero. Credible Taxonomy Canada is led by Environmental Defence Canada, Shift: Action for Pension Wealth and Planet Health, Climate Action Network – Réseau action climat Canada, and West Coast Environmental Law.

Media Contacts:

- Alex Ross, Environmental Defence, media@environmentaldefence.ca
- Alexis Stoymenoff, Director of Communications, West Coast Environmental Law, astoymenoff@wcel.org, 604-684-7378 ext. 228