

Carney kills the fuel charge: Impacts on the oil and gas sector

March 17, 2025

Mark Carney wasted no time after being sworn in as Prime Minister of Canada on Friday, dismantling the federal consumption-based carbon tax, the fuel charge, by way of an order-in-council on the same day. The new Federal Government described the **policy as part of changes “...refocusing pollution pricing on industrial carbon pricing by effectively eliminating the fuel charge and removing the requirement for a consumer carbon price.”** Notably, the **Output-Based Pricing System (OBPS) will remain, and it is only the regulatory Fuel Charge being removed.** This raises questions about the future regulation of industrial facilities, how the price on carbon will be impacted over time, and if there can still be a reduction on emissions in Canada.

The changes were implemented by way of amendments to the Fuel Charge Regulations and were in effect as of Friday March 14, 2025. The key takeaways are as follows:

1. As of April 1, 2025, the rate of the Fuel Charge will be changed to zero (as listed in Schedule 2 of the Greenhouse Gas Pollution Pricing Act).
2. Every registration under Part 1 of the Greenhouse Gas Pollution Pricing Act will be cancelled on November 1, 2025.
3. As of April 1, 2025, there will be no requirement to be registered as a distributor, emitter, importer, user, user of combustible waste, air carrier, marine carrier, rail carrier, or road carrier.
4. As of April 1, 2025, there will be no requirement to file Fuel Charge returns.

British Columbia has already announced that they intend to follow suit and eliminate their provincial consumer carbon pricing legislation.

As the fuel charge is inherently interconnected to the OBPS regime imposed under Part 2 of the Greenhouse Gas Pollution Pricing Act, the authors anticipate further changes to **Canada’s federal carbon tax framework to come.**

Should you have questions about how the elimination of the fuel charge impacts your business, please reach out to any of the authors or key contacts listed below.

By

[Owen Clarke](#), [Laura Jochimski](#)

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BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

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