



An EnergyNow Policy Paper

**THE CARNEY GOVERNMENT AND
EVOLVING POLICIES FOR CANADIAN
ENERGY**

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Canada and the Carney Conundrum

Canadians are witnessing a classic confrontation between two very different philosophies of government. Donald J. Trump expressed his version in his book [“The Art of the Deal”](#) (1987) while Mark Carney gave us his in his book [“Values”](#) (2021). Both authors, now political leaders discuss the challenges of building a better world – but from widely divergent perspectives. Caught between these two divergent views, the Carney minority government is struggling with the [loss](#) of its special U.S. trade position while it attempts to revitalize a flagging Canadian economy, particularly the resource sector, while dealing with burdensome legislation, policies and programs inherited from the previous Trudeau government.

The Carney government is not the first to grapple with serious challenges associated with Canadian energy and resource policies. However, its proposed solution appears to be a continuance of trends initiated by the Trudeau government to centralize decision-making and regulatory powers in Ottawa. Notably, these policies represent a final repudiation of the lessons derived from the [Great Pipeline Debate](#) of 1956. National Energy Board (NEB) legislation enshrined the principle that major pipeline projects would be assessed by an *independent, expert tribunal* with clear rules of procedure that acknowledged federal regulatory paramountcy – a process that ensured a transparent, predictable regulatory process and one that, for more than half a century, earned international accolades. That proven legislation was significantly altered by *Bill C-69*, when a [questionable](#) model, largely derived from the [Alberta Energy Regulator](#), was used to “modernize” the NEB.

Today, framed as a response to developing economic threats such as U.S. trade policies, [Bill C-5](#) (the *One Canadian Economy Act*) returns the process of Canadian regulatory decision-making full cycle back to the 1950s whereby the *federal cabinet* will deem projects to be in the [national interest](#) – decisions that could also allow the federal government to over-ride its own laws. Significantly, these national interest decisions are to be decided, without expert evidence or a public process vetted by cross-examination, behind closed doors by a Cabinet protected by privilege. In addition to justifiable concerns that corporate investors may have about the predictability, transparency and regulatory certainty of such a process, there remain material questions about how Carney, previously a high-profile committed international climate advocate, intends to work with a Cabinet and Senate largely composed of members previously committed to principles for net zero. Will this law attract sorely needed investment [capital](#) back to [Canada](#) or will it be interpreted as more regulatory over-reach by a government that is committed to central planning to enable a net zero economy?

As [debates](#) swirl around international climate agreements, many of which were advanced by our current Prime Minister, many of those policies are [unraveling](#) as [public attentions](#) force

governments to confront mounting economic and political challenges. In the U.S., the U.K. and the E.U., [affected publics](#) have expressed rising dismay over the material economic and social consequences of climate-driven energy policies. Meanwhile, the [United Nations](#) estimates that global *annual* clean energy investments must reach USD \$4.5 trillion by 2030 to achieve international climate goals. These estimates are increasingly confronted by studies that question [the feasibility](#) of achieving national, much less international, emissions targets in the coming 20 or 30 years.

Since returning to office in 2025, the Trump administration has dramatically chosen to advance economic policies that run directly contrary to the principles of the 2016 [Paris Climate Accord](#) having signed [executive orders](#) to withdraw from the Accord on the first day of the administration. Compare those actions with a July 2025 [landmark advisory position](#) from the [International Court of Justice](#) (ICJ). That IJC Advisory Opinion could significantly reshape international climate laws and has been paralleled by [pronouncements](#) from the U.N., that call for climate policies that embody a 'Just Transition' away from hydrocarbon use. Asserting that the fossil fuel era is nearing an end, UN [Secretary-General](#) Guterres said that the global economy has “passed the point of no return” on a shift to renewable energy and has implored governments to file sweeping new climate plans before November’s COP30 climate summit in Brazil.

These contradictory, if not tumultuous, events place Canada squarely on the horns of a material economic and energy policy [dilemma](#): Will the Carney minority government be able to revitalize the Canadian economy by fast-tracking major infrastructure projects while simultaneously maintaining the previous governments’ [legislative commitments](#) for net zero? Highlighting the looming challenges faced by the Carney minority government, [significant resistance](#) to their legislative agenda has been expressed not just by Indigenous leaders but by Premiers from Alberta, Ontario, and [Saskatchewan](#) who signed a [memorandum](#) calling for a repeal or overhaul of the Clean Electricity Regulations, the *Greenhouse Gas Pollution Pricing Act*, the *Impact Assessment Act*, the Oil and Gas Emissions Cap, the Net-Zero Vehicle Mandate and the west coast Oil Tanker Ban.

The Carney Prescription

Resolving these challenges will not be an inconsiderable task. Indeed, some consider that their resolution may require a complete re-thinking of [Confederation](#). The Carney minority government’s proposed solution to many of these challenges is *Bill C-5* - an unprecedented, sweeping attempt to designate and fast-track Canadian “nation building” infrastructure projects crafted to overcome the legislative legacy inherited from the Trudeau years. But will it work?

The Carney government's *One Canadian Economy Act* (enacted on June 26, 2025) was passed with a degree of urgency that immediately raised [concerns](#) among Indigenous leaders and advocates. The legislation allows the Carney cabinet to designate projects in the "national interest" following "consultations" with governments and Indigenous interests. That accelerated implementation will require a public sector restructuring "to align climate and economic policy" and is to be supported by a new [Federal Major Projects Office](#). This centerpiece of the federal government's ambitious economic strategy is to receive "advice" from an [Indigenous Advisory Council](#). Significantly, [S 22 of the Act](#) allows cabinet to exempt certain projects deemed to be in the national interest from legislation with the intent that such exempted projects would be approved within two years from the date of application. Presumably, other legislation targeted to be over-ridden would include portions of the federal *Impact Assessment Act* (IAA), one that has been successfully challenged and ruled by the [Supreme Court](#), to be, at least in part, unconstitutional.

In his ambition to make Canada an "energy powerhouse", Carney has carefully highlighted the need for a mixture of conventional and green energy projects, saying that pipelines alone will not make [Canada a superpower](#). Accordingly, there are signs that his government may be poised to consider expansion of a [regional](#), or perhaps an "historic [East-West electricity grid](#)", one designed to be augmented by interprovincial, non-hydrocarbon generation and [transmission systems](#). While some may consider such a [massive undertaking](#) to be in the national interest, others have noted [material](#) political, legal, [economic](#) and technical challenges associated with it.

With a history of advocacy for sweeping international ESG investment frameworks, Carney has effectively proposed a new Canadian economic agenda, one that now must take into consideration the astonishing change in Canadian public [perceptions](#) in favour of major projects, such as oil and gas [pipelines](#). In previous roles, [Carney](#) actively mobilized private investment for net-zero goals through the GFANZ (Glasgow Financial Alliance for Net Zero) and the Net-Zero Banking Alliance ([NZBA](#)). The latter is a global initiative launched in April 2021, convened by the United Nations Environment Programme Finance Initiative (UNEP FI) convened to align the lending and investment portfolios of banks with net-zero greenhouse gas emissions by 2050, in line with the goals of the Paris Agreement.

As [Nemeth](#) recently noted:

"Mark Carney's climate credentials, as a former UN special envoy on climate action, suggest a subtle but pervasive integration of climate policies into Canada's regulatory framework.....While Carney avoids explicit climate rhetoric, his policies, such as Bill C-5 rushed through to counter U.S. tariffs, [embed climate considerations](#) into economic decisions. For Saskatchewan's and Alberta's oil patch, promises of new

pipelines under Bill C-5 may be a temporary concession to secure political support, but the broader trajectory points to decarbonization over expansion and will likely rotate around mandatory emissions accounting, taxation through an enhanced industrial carbon tax, and the implementation of a [Canadian version of a CBAM](#).”

It is significant that during the time of Prime Minister Carney’s political ascension in Canada, many of the UN-sanctioned environmental initiatives that he championed have been subjected to material negative pressures from many sources. For instance, the NZBA is a bank-led, UN-convened alliance designed to bring together major financial institutions committed to climate action with defined goals for decarbonization. The members pledged to transition their operational and financed emissions to net-zero with “sectoral guidance” that set out frameworks for climate targets for industries like power, oil and gas, steel and real estate. However, in a [dramatic reversal](#) the NZBA recently dropped its requirement for banks to align financing with the 1.5°C global warming targets as several major banks, including four of Canada’s largest, [exited](#) the alliance. As it faces material legal regulatory scrutiny over potential [anti-trust issues](#) the Alliance has been forced to restructure in ways that raise uncertainties about its future.

So, the question remains: How much of that former climate agenda championed by Prime Minister Carney will shape the views of his government as it designates projects to be in the “national interest”? The Carney government faces two very conflicting challenges: As a former international advocate for sweeping, mandatory financial climate disclosures when acting as the COP26 financial advisor, Carney actively promoted the alignment of trillions in global finance to achieve international climate goals. However, he is now facing very material economic and political challenges as he attempts to lead a Canadian economic revitalization, in face of the material challenges presented by the Trump administration. The result is that some have already begun to [question](#) his commitment to his prior climate [agenda](#) as a former international [climate advocate](#). Against these criticisms, he is now attempting to be [rebranded](#) as a “climate advocate with economic muscle”.

A Prime Minister and Government “In Transition”?

Following a landmark June 2025 [First Ministers](#) meeting in Saskatoon, a session that discussed the federal government’s plan to remove trade barriers and advance major projects of national interest, Ministers agreed to “work together to accelerate major projects in support of building a strong, resilient, and united Canada.” Significantly, the Prime Minister highlighted opportunities for Canada to build new export oil pipelines to tidewater – with the *proviso* that those projects would originate from the private sector and be

accompanied by parallel investments for carbon capture - stating somewhat controversially, and with little economic clarity, that it's "*absolutely in our interest*" to [de-carbonize](#) Canada's oil for export. But what is the justification for that assertion?

Nonetheless, Alberta Premier Danielle Smith welcomed this "[grand bargain](#)" with the Prime Minister based on a bold trade-off: The alluring promise of rapid approvals for a new oil pipeline from Alberta to tidewater in exchange for major investments in carbon capture technologies. [Alberta](#) has also suggested that it could commit barrels of physical bitumen received in lieu of cash royalties from oilsands producers to encourage a possible private-sector crude pipeline to Prince Rupert, B.C. The Carney-Smith "grand bargain" envisions a new "[decarbonized](#)" pipeline to transport 1 million barrels per day of Alberta heavy crude oil to the west coast. Smith, using what would appear to be back-of-the-envelope calculations, reckons that this project would yield annual revenues of CAD\$20 billion, [revenues](#) that she proposes to use to offset the massive estimated \$16.5 billion cost of projects such as the [Pathways Alliance](#) carbon-capture project. However, are these assumptions and calculations accurate and what are the [other policy implications](#) for Canadian energy exports and imports?

Understandably, Alberta's Premier has earnest aspirations for her province to become a global energy leader by successfully navigating federal climate commitments – a strategy that if successful could help reshape not just [Alberta's](#), but the entire [Canadian](#), economy. However, Alberta's Premier may wish to carefully [reconsider](#) assumptions that this unprecedented "grand bargain", one that would involve trading billions of dollars worth of carbon capture infrastructure for pipeline approvals, will achieve federal regulatory certainty and produce an economically viable project. Indeed, some suggest that Alberta should [unequivocally reject](#) the concept of "decarbonized oil" as a condition of future hydrocarbon export growth and infrastructure development. In addition to the regulatory uncertainties associated with the implementation of *Bill C-5*, there are [monumental hurdles](#) presented by undetermined technical challenges that also entail material capital costs for the facilities. It should be recalled that estimates for this proposed \$16.5 billion project indicate that it would, at best, capture less than 2% of Canada's annual emissions.

In 2025, 39 CEOs from a coalition of major energy companies issued an [open letter](#) to the Prime Minister that urged the federal government to prioritize energy development, as a cornerstone of economic sovereignty and resilience, and overhaul the IAA and *Bill C-49* (the west coast tanker ban). This followed a call by Alberta Premier [Danielle Smith](#) who issued a detailed list of regulatory demands with the warning that failure to address them could lead to an "unprecedented national unity crisis". Those conditions, which include amendments to the IAA, abolishing restrictions for oil exports from the west coast of B.C. and dropping

proposed [Clean Electricity Regulations](#), reflect long-standing disagreements on energy policies between Alberta and the federal government.

However, instead of repealing, or substantially amending the [existing legislative base](#), *Bill C-5* proposes to allow Cabinet to arbitrarily suspend the IAA and [several other key Acts](#) to speed development of selected applications and permits. Instead of doing the heavy lifting in Parliament needed to repeal or modify the burdensome, and successfully [challenged](#) legislative mandates enacted by the Trudeau government over the past decade, Carney's remarkable approach instead chooses to *circumvent* that legislative base with arbitrary suspensions of selected laws. While there are indications that the provinces and [industry](#) would [favour any approach](#) to avoid the lengthy legislative delays that would be associated with a full repeal of the IAA, an overlooked alternative to *Bill C-5* would have been to enact targeted amendments to the IAA, with clarified guidelines, designed to eliminate ambiguities and accelerate reviews and approvals. That alternative has not been chosen.

Recent calls by Alberta Premier [Smith](#), comments that indicate a significantly [revised tone](#), has her advocating for substantial revisions to, rather than a full repeal, of the IEE. Many, including the federal government, appear to have realised that the repeal of the IAA would leave Canada bereft of any environmental assessment laws and that, after the huge [controversy](#) that accompanied the passage of *Bill C-69*, would require Canada to develop major environmental assessment legislation from scratch – a daunting task and one which the federal government has since [rejected](#).

Enter Economic Reality

The Carney government has inherited a ballooning trade deficit of \$70 billion - with an April [merchandise trade deficit](#) of \$7.2 billion - that Carney has described as having reached a “[critical juncture](#)” potentially made even worse by U.S. tariffs. Meanwhile, the Trump administration issued an August 1, 2025, [Executive Order](#) to unilaterally increase tariffs by 25% to 35% on Canadian goods not covered by the existing Canada-US-Mexico Agreement (USMCA) one that is set to [expire](#) on June 30, 2036. While [disappointed](#) with this recent decision, Canadian negotiators, at the time of writing, have chosen to remain in Washington, D.C. with no guarantee that a mutually acceptable deal will be reached. Reflecting the impact of trade tensions and declining exports, Canada's 2025 GDP performance [contracted](#) by 1.6% in the second quarter. June constituted the third consecutive monthly decline as exports fell by 7.5%.

The Carney government has been confronted by economic headwinds that may have some analysts [concerned](#) about a possible Canadian credit downgrade. Exacerbated by new

international commitments for defence spending and faced with projections of deficits that could exceed \$70 billion in 2025, Carney has initiated ambitious, very material, reductions in federal spending designed to cut nearly \$24 billion by 2028. Other figures indicate that combined provincial and federal debt could reach CAD\$2.3 trillion by 2026, nearing 74.8% of Canadian GDP. Meanwhile, Statistics Canada reported that Canada's gross external debt for Q3 2023, as a percentage of gross domestic product, edged up to 135.8% from 135.0% in the previous quarter.

Coming at a time of growing concerns about the state of the Canadian economy, the disproportionate effect that federal energy and emissions policies have had for the oil, gas and pipeline sectors is emerging as a significant economic and political issue. As Morgan has noted the oil and natural gas industry represents a bedrock of our economy contributing annually more than \$70 billion to the Canadian GDP, with annual contributions of \$35 billion in government royalties alone and capital investments projected to reach \$40 billion. In 2021, the value of crude oil exports to the U.S. alone reached \$140.8 billion, which accounted for 32% of total Canadian goods exports that year. In 2024 annual exports of crude oil, refined petroleum products, natural gas and natural gas liquids to the U.S., reached \$169.8 billion, representing 21.7% of Canada's total exports.

Against an increasingly challenging economic background, some may view *Bill C-5* as a lifeline not just for Alberta's energy sector, but for the entire Canadian export economy. Carney faces the dual challenge of massively reducing federal spending while attempting to overcome the debilitating weight (and cost) of climate Acts, Regulations and programs enacted by the Trudeau government (Table 1). Will new commitments of billions to achieve NATO's defence target of 5% of GDP by 2035, combined with the announced objective of reducing federal annual spending by \$25 billion in each of the next three years, mean that this government will be forced to pivot away from the multi-billion commitments to net zero to programs to reallocate those funds to other initiatives for long-term economic renewal?

Table 1. Federal Programs for Net Zero (“B” billions \$CAD)

Canada Innovation Fund	\$2.6 B
Infrastructure Bank	\$35 B
Green Infrastructure	\$33.5 B
National Corridors Fund	\$4.7 B
Clean Fuels Fund	\$1.5 B
Zero Emissions Vehicles	\$3.9 B
Canada’s Critical Mineral Strategy	\$3.8 B
Low Carbon Economy Fund	\$4.2 B
Net Zero Accelerator	\$8 B
Canada Growth Fund	\$15 B

Climate Regulations and an Imperiled Canadian Economy

The current optimism among some Premiers that *Bill C-5* will accelerate regulatory progress for complex linear energy projects, such as new pipelines, should probably be tempered by a careful examination of Canadian [regulatory history](#).

While Alberta Premier Danielle Smith and Ontario Premier Doug Ford have recently signed agreements to facilitate new energy and trade infrastructure, other voices have cautioned that while *Bill C-5* may add some potential for accelerating developments like Canadian LNG, it is far from a guarantee, especially with B.C.’s restrictive emissions requirements. As the University of Calgary’s Richard Masson noted: “*C-5 might help us a bit, but it’s a long way from being a settled matter.*” Cody Battershill, CEO and co-founder of Canada Action, while acknowledging the new, more positive tone about LNG exports, cautioned that regulations like the Impact Assessment Act and federal and provincial greenhouse gas emissions caps will present challenges to further development.

Enbridge CEO Greg Ebel recently outlined conditions that his company and other investors would need from the Carney government before supporting the revival of new export pipelines proposed by provincial premiers – projects like the cancelled Northern Gateway project. Ebel foresees a need for “legal guarantees” and the removal of “various environmental policies:”

“For us to be willing to seriously consider reinvesting in a project like that, whether it’s east or west or just west, we need to see real change on numerous fronts.”

However, such “real change” would require broader federal and provincial legislative reforms that would extend beyond *Bill C-5*, “reforms” that would affect policies like emissions caps, carbon taxes, and environmental assessment rules, and tanker bans. As Ebel noted:

“A lot of co-ordinated federal and pan-provincial legislative and regulatory action would be required before we think investors, management teams, or customers would be able to green light such projects.”

Capital investments in Canadian infrastructure projects face increasing competition from the U.S. coming at a time when investment returns in Canada are less compelling and riskier. More recently Ebel commented that customer [demand](#) and a project focus on smaller, faster pipeline expansion have made the U.S. a premier investment [destination](#) with a regulatory environment that has embraced accelerated approvals.

As [Morgan](#) points out, meeting [Alberta’s expectations](#) for increased hydrocarbon production would require not just an expedited regulatory process but a lifting of regulations like the proposed emissions caps, an outcome apparently [opposed](#) by Carney who appears to be focussed on “*getting emissions down from the production to the transportation of conventional oil and gas.*” Understandably, Alberta maintains an acute interest in the potential disproportional, [regulatory impacts](#) of the proposed oil and gas emissions cap. Recent studies indicate that its imposition could shrink Alberta’s economy by 11% by 2050 with a projected decline of government revenues of 9.3%.

And then there is the challenge of dealing with what Black has termed the “[incomprehensible references](#)” to [carbon-neutral pipelines](#). Will *Bill C-5* be sufficient to overcome existing Acts and legislation that embody fundamentally irreconcilable principles of governance? In this regard, [McConaghy](#) has argued that Alberta is, in fact, on a collision course with the federal Liberal government, a conflict driven by a fundamental disagreement:

“Will Alberta and Western Canada be allowed to fully develop its hydrocarbon endowment or will that economic value be lost in pursuit of the climate policy known as “net zero?”

The emerging stark reality of contradictory international energy policies was emphasised by [OPEC Secretary-General Haitam Al Ghais](#) who commented that energy policies should be “based on reality, not ideology.” The Secretary cited studies from the IEA that noted in the past decade global investment in “clean energy” has approached \$17 trillion with the result that renewable sources currently supply less than 4% of the world’s energy.

Similarly, [Lomborg](#) cautioned against continued Canadian efforts to align climate policies with that of the EU:

“While Europe realises it needs to boost its anemic economic growth, it has consistently prioritized carbon cuts and ever-more expensive energy, often through less reliable wind and solar power. This climate crusade is a master class in self-sabotage, chaining the continent’s economy to ruinous policies while preaching moral superiority.”

Meanwhile, Canadian [polls](#) indicate a consistent flagging public interest in climate issues with a more recent 2025 [national poll](#) showing that climate change ranked eighth among national concerns - with a mere 4% listing it today as the “most pressing” as compared with 30% in 2019.

Carney appears to have understood this shift in opinion when in March 2025 he signed a [prime ministerial directive](#) that effectively set the consumer fuel charge to zero. On the other hand, more recently his government has announced plans to rectify any drift in public opinion away from climate change with more than \$14.4 million to be allocated for new spending among 17 projects designed to “empower young Canadians to address climate change.” Those funds are but the latest round of funding from a “[Climate Action and Awareness Fund](#)” (CAAF) with a planned five-year budget of [\\$206 million](#) with the express purpose “to increase public concern about climate change”.

A Gathering Regulatory and Economic Storm

Will *Bill C-5* be sufficient to overcome existing federal Acts and legislation that embody fundamentally irreconcilable principles of governance and economic growth? Some might consider that Canada needs to undertake a thoughtful re-evaluation of its part in global climate programs, starting with the recognition that Canada is already a [global leader](#) in clean energy production, generating a significant portion (about 82%) of its electricity from non-greenhouse gas emitting sources such as wind, solar, hydro and nuclear.

The Carney government would be well-advised to eschew its claims that *Bill C-5* is a panacea for Canada’s flagging economy and that it will provide a quick-fix needed to override existing, federal centrally planned climate legislation. Is more, not less, legislation designed to centralise privileged decision-making in Ottawa a prescription for success?

For the past decade, the federal government has embraced centrally planned climate policies with a plethora of [Acts and Regulations](#). [Vast expenditures](#) have been allocated for this purpose, not all of which have a positive effect on capital investment. Examples of this developing crisis include not just EV-ICE vehicle standards but major “investments” for battery and [EV](#) vehicles and associated [manufacturers](#) that have since become significant [liabilities](#). Legislation that has led to these economic outcomes include the (2021) Canadian

Net-Zero Emissions [Accountability Act](#) that commits Canada to achieving net-zero greenhouse gas emissions by 2050, the 2016 [Pan-Canadian Framework](#) on Clean Growth and Climate Change enacted to coordinate emission reductions and the 2018 [Greenhouse Gas Pollution Pricing Act](#) crafted to harmonise carbon pricing across Canada for a [carbon-neutral](#) economy.

In response to federal climate legislation Provincial governments have, with some success, increasingly resorted to the courts to adjudicate their grievances. Regrettably, simplistic concepts of a Canadian “energy transition” to a “net zero economy” have largely been advanced in Parliament by those with a limited understanding of fundamental energy economics: Energy is an [enormously complex, global enterprise](#). Although little debated in Parliament, there are [significant](#) political, financial and social [barriers](#) that are associated with a proposed, wholesale transformation of energy production, generation and transmission in Canada. And, probably most significantly, there is the sea-change that [Canada](#) will have to [address](#) in dealing with the policies and attitudes of our major trading partner on our southern border. Not the least of those considerations will be the recent announcement that the Trump administration plans to repeal the 2009 “[endangerment finding](#)” that has been the cornerstone of U.S. climate policy for the regulation of greenhouse emissions under the U.S. *Clean Air Act*. Moreover, a recent [report](#) by the U.S. Department of Energy is certain to trigger a significantly renewed [debate](#) about the scientific conclusions upon which climate legislation has been based.

Meanwhile, the Canadian [federal government](#) has relied on biased assessments of its plans for, and costs of, net zero policies using [flawed assumptions](#), that have been accepted without sufficient empirical validation and which oversimplify and overestimate factors such as the social cost of carbon. [McKittrick](#) has further argued that federal initiatives like the “Net Zero” emissions plan are economically unrealistic and potentially harmful to Canadian workers. His [landmark study](#) also considers the impact that the Trump administration will have on Canadian policies and reassesses the federal climate portfolio to conclude that Canada risks developing serious gaps in competitiveness with our most important trading partner, noting that the U.S. “... *has swung dramatically in the direction of promoting energy abundance and downplaying or setting aside climate goals*”. The author concludes that there is no prospect that Canada can, or will, meet its Paris Climate Agreement targets set for 2030 and “*instead of doubling down on costly and misguided policies, the federal government should embark on a new course that offers hope for modest successes rather than courting massive failures*”.

Historically, a significant turning point in Canadian capital investment occurred on November 2016 when the Trudeau cabinet unilaterally [cancelled](#) the CAD\$[7.9 billion](#), NEB-

approved Northern Gateway Pipeline, which was deemed not to be in the public interest. Since then, Ottawa's trend toward centralized decision-making has come full-circle with *Bill C-5*. Core resource decision-making and national interest decisions are now to be made, not on economic merit or expert evidence, but by the political priorities of the federal government. Is this a "central planning experiment" that will further compromise Canadian economic development?

While the Trudeau government tended to focus on the potential economic impacts of [climate change](#) a pressing issue that has since emerged is the impact of [declining](#) direct foreign investment (DFI) in the energy sector, divestments that reflect the concerns of major international investors. In 2024, the flow of Canadian net investment reached a record negative [\\$36 billion](#) – indicating that investment capital is increasingly seeking jurisdictions other than Canada. This material decline in foreign direct investment in Canada has resulted, from 2015 to 2024, in a per capita growth in GDP of 2% compared with 14.4% in the U.S. Meanwhile, the productivity gap between the U.S. and Canada is widening, whereby the output of the Canadian business sector per hour of output is now half that of the U.S.

If Canada aspires to return to sustainable economic growth, it will require a fundamental change in our principles of governance for the Federation. Canada's federal regulatory framework, one that has caused so much investment uncertainty among major developers and that has led to significant conflicts, even alienation among provincial governments, requires a major make-over, not half-measures like *Bill C-5*. [Other authors](#) have argued that drastic reforms are needed in Canada's governmental system if we are to realize projects needed to serve the national interest and understand that net zero targets are "patently unrealistic."

Although a strong majority of Canadians favour [increased exports](#) of oil and gas, a strong majority of North American energy executives view the ongoing uncertainty in the Canadian regulatory environment as a significant deterrent to investment. [Natural Resources Canada](#) has reported that that funding for major resource projects has declined from \$711 billion in 2015 to \$572 billion in 2023 - a decline over eight years of 19.5%.

In a recent paper from the [Macdonald-Laurier Institute](#), Cross and Mintz commented:

"Despite a prolonged investment slump in an increasingly hostile regulatory environment, natural resource industries still account for nearly half of all business investment in Canada. At over 30 percent, effective tax rates on new oil and gas investment are twice as high as for other industries. The time required for initial regulatory approvals is double the legislated requirement under the Impact Assessment Act. Regulatory delays add another fifth in tax costs on investment."

Clearly, political and associated regulatory hurdles in Canada have caused national and international investors to seek alternative destinations, like the U.S., as being a jurisdiction that has a more predictable and efficient regulatory system.

Does *Bill C-5* reduce regulatory uncertainty for proponents and incentivise investors? Regrettably, given the [tortuous](#) history of Canadian environmental regulation, I think not.

Rather than blaming the Trump administration for Canada's current economy, one that has witnessed a consistent decline in productivity and living standards, it is high-time to address those long-standing [problems](#), issues that will require hard choices with long-term solutions, most of which probably cannot be addressed by a handful of cabinet-selected nation building projects. In short: Canada needs to thoughtfully reconsider not just its regulatory framework but its entire climate agenda.

If Canada seeks to attract international investment capital, there must first be a commitment to real legislative reforms that include expert, independent assessments of project costs and benefits and which consider costs of capital required to provide acceptable rates of return. If Canada is to secure the capital needed to compete in the international marketplace, it needs a timely and predictable regulatory process – one that guarantees policy and fiscal certainty and provides a high probability of timely project execution. For a start, following the lessons derived from the 1950s Great Pipeline Debate, the re-creation of a fully independent, expert regulator like the NEB, one that has acknowledged regulatory paramountcy for national, inter-provincial projects, is essential if we are to achieve this predictable regulatory environment. Regrettably, *Bill C-5* takes Canada in an opposite direction with the assumption that in cabinet decisions based on political criteria and priorities, vetted by a [Major Projects Office](#) and Indigenous Advisory Council will restore the Canadian investment climate and national productivity.

To realize these objectives, clear coordination and accountability between federal and provincial agencies will be needed to reduce duplicative review processes for major projects. Moreover, any determinations of the “national interest” should be made not just behind closed doors within a federal cabinet but with the participation of all levels of government. That, combined with a consistent, agreed approach to meaningful Crown consultation with Indigenous groups and communities, is essential to advancing Canada's ambitions for national Indigenous reconciliation and economic development.

There remain material challenges to this vision. Even with tentative, conditional support from the federal government to fast-track major infrastructure projects, there remain many external [challenges](#), issues that include B.C.'s skepticism about any new pipelines to their northern coast and numerous [Indigenous concerns](#). These broader concerns may have

been further compounded by the judicial uncertainty that has arisen following a recent [British Columbia Supreme Court decision](#) in *Cowichan Tribes v Canada* (Attorney General), 2025 BCSC 1490 that, among other issues, create significant uncertainty for fee simple title holders in that province.

Concluding Thoughts

In an apparent effort to avoid confronting the fact that some regulatory barriers must be removed, the Carney governments' proposed solution to restore Canadian economic growth is to simply layer additional regulatory processes on top of a fundamentally flawed framework. As for *Bill C-48, the Oil Tanker Moratorium Act*, some have [suggested](#) that what with tightened regulations and advances in technology this 2017 legislation should be withdrawn altogether.

How, precisely, will *Bill C-5* overcome existing Acts and Regulations embedded within the *Bill C-69 Impact Assessment Act* (IAA)? Although proposed to act as a single federal point of contact for regulatory decisions with provinces, Indigenous communities and project developers, it is unclear how the proposed [Federal Major Projects Office](#) will function effectively to consolidate conditions and streamline approvals for projects. The MPMO has two principal announced goals as it serves as a single point of contact to identify projects that are in Canada's national interest and to [fast-track](#) their development:

“... to get nation-building projects built faster: First, by streamlining and accelerating regulatory approval processes. Second, by helping to structure and co-ordinate financing of these projects as needed.”

However, [amendments](#) made to the Building Canada Act (BCA) by the Standing Committee requires the Governor in Council to consult with the province or territory in which a designated national interest project is to be carried out, a process whereby written consent is required of the province or territory for projects within exclusive provincial or territorial jurisdictions, prior to the issuance of a “Designating Order” and a further commitment to respect the principles of the [United Nations Declaration on the Rights of Indigenous Peoples](#) that would require full consultations with affected Indigenous peoples.

While these lofty goals simply add another layer of governmental control to an already-burdened regulatory environment, significant parallel questions emerge as to the role of the “independent” Canada Energy Regulator (CER)? Recall that the Carney government has, at least initially, defined “national interest” as projects that:

“... enhance energy security, clean growth and economic competitiveness.”

This definition probably provides little investment comfort, or regulatory predictability, to project developers or investors. Equally, uncertainty must abound between and within major federal departments as they scramble to understand and assess the operational consequences of the legislation and attempt to define their roles and responsibilities with other federal, provincial agencies and Indigenous organizations.

While the Carney government may yet cling to the previous government's policies for net zero, policies that encourage pension funds, banks and corporations to direct their investments away from non-renewable energy, *Bill C-5* now compounds uncertainty in the regulatory and investment community by providing more, not less, government that empowers a federal cabinet to make discretionary decisions veiled entirely in cabinet secrecy. This approach to "government statism" risks making regulatory and policy decisions that are not based on solid economic principles but on political priorities that may require inefficient government subsidies that will undoubtedly be sought by vested interests. This state-managed drive to economic development, one that may include Ottawa's priorities for electric vehicles, an industrial carbon tax, clean electricity, critical minerals, measures for carbon capture and pipelines, promises to have sweeping effects across multiple sectors of the Canadian economy.

In short, the Carney government has not reduced the Canadian regulatory burden to provide investment certainty. Instead, it has made both worse. Industry and provincial governments, concerned about the consequences and delays that surely would result from a repeal of *Bill C-69*, could be walking into another badly implemented regulatory morass crafted by well-intentioned central planners. With words apparently intended to quell provincial and Indigenous apprehensions, the Prime Minister continues to make vague statements about "net zero" and "energy superpowers." Regrettably, those words do not acknowledge the monumental challenges, if not the impossibility, of growing a stalled Canadian economy while striving to achieve national "net zero" carbon emissions as it proposes, in an unpredictable regulatory environment, to reach international markets with "decarbonized pipelines" that are predicated upon massive, unproven carbon sequestration technologies.

It is also worth recalling that Canada's Emissions Reduction Plan mandated by the *Net-Zero Emissions Accountability Act* remains as the legislated goal for Canada to achieve net-zero by 2050. Does *Bill C-5* resolve the contradictions of achieving sustained economic growth while meeting those objectives for decarbonization?

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