

DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q1/2025-26



Environment and
Climate Change Canada

Environnement et
Changement climatique Canada

Canada

Statement outlining results, risks and significant changes in operations, personnel and programs

Introduction

This first quarterly report has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) and in the form and manner prescribed by the [Treasury Board \(TB\)](#). This quarterly report should be read in conjunction with the 2025-26 Main Estimates.

This quarterly report has not been subject to an external audit or review.

Authority, mandate and program activities

Environment and Climate Change Canada (ECCC) leads and supports a wide range of environmental issues, including taking action on clean growth and climate change, pollution, conserving nature, and predicting weather and environmental conditions. The Department addresses these issues through various actions and initiatives including leading Canada's efforts to transition to a net-zero economy and strengthening resilience to climate change, protecting more of our lands and waters, strengthening protection and recovery for species at risk and their habitats, and providing environmental and weather information to Canadians. To achieve its mandate, the Department works with provinces, territories, Indigenous peoples, civil society, industry, and international partners, and undertakes monitoring, science-based research, policy and regulatory development, and enforcement of environmental laws and regulations.

The Department's program focus reflects the interdependence between environmental sustainability and economic well-being.

Under the *Department of the Environment Act*, the powers, duties and functions of the Minister of Environment and Climate Change extend to matters such as:

- the preservation and enhancement of the quality of the natural environment, including water, air and soil quality, and the coordination of the relevant policies and programs of the Government of Canada;
- renewable resources, including migratory birds and other non-domestic flora and fauna;
- meteorology; and
- the enforcement of rules and regulations.

A summary description of the ECCC Raison d'être and core responsibilities can be found in [Part II of the Main Estimates](#) and the [Departmental Plan](#).

Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the ECCC's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2025-26 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before money can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts, or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed an appropriation for the fiscal year in which it is issued.

The Department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of the fiscal quarter and the fiscal year-to-date (YTD) results

Authority analysis

The Statement of Authorities presented in this quarterly financial report (see Table 1) reflects the authorities that were approved as of June 30, 2025. The funding available for use includes the 2025-26 Main Estimates.

ECCC's total available authorities for use for the year ending March 31, 2026 is higher by approximately \$366.2M (\$3,127.2M - \$2,761.0M)¹ when compared to the same quarter of the previous year. This difference is explained by an increase in Budgetary Statutory authorities of \$739.9M (\$862.3M - \$122.4M) offset by decreases in Vote 5 – Capital of \$11.5M (\$80.7M - \$92.2M), in Vote 1 – Net Operating of \$30.5M (\$1,133.5M - \$1,164.0M) and in Vote 10 – Grants and Contributions of \$331.7M (\$1,050.7M - \$1,382.4M).

Vote 1 – Net Operating authorities

The \$30.5M decrease compared to last fiscal year in the net Operating authorities is mainly due to the following decreases:

- \$37.3M to establish the Canada Water Agency;

¹ See also Statement of Authorities – Tables 1 and 2.

- \$9.8M related to the Refocusing Government Spending Reductions (B2023);
- \$5.7M related to the implementation of the Fuel Charge Proceeds Return Program managed by the Canada Revenue Agency;
- \$5.7M to strengthen environmental protections and address concerns raised by Indigenous groups regarding the Trans Mountain Expansion Project;
- \$4.3M related to climate change mitigation activities;
- \$2.1M related to the Oceans Protection Plan;
- \$2.1M related to Safeguarding Access to High Performance Computing for Canada's Hydro-Meteorological Services;
- \$2.0M related to Net-Zero Advisory Body and Net-Zero Challenge; and
- \$1.8M related to the implementation of Canada's new marine conservation targets.

Offset by the following increases:

- \$23.1M related to the renewal of the Chemical Management Plan; and
- \$17.2M related to the compensation allocations from Treasury Board for the newly signed collective agreements.

Operating Authorities are netted of spendable revenues. Revenues at ECCC come from sales of goods and information products and services of a non-regulatory nature. Major revenue items include, for example: Oil Sands monitoring activities, Ocean disposal permit applications, Hydrometric services, Ocean disposal monitoring fees, and Weather and environmental services.

Vote 5 – Capital authorities

The \$11.5M decrease compared to last fiscal year in the Capital authorities is mainly due to the following decreases:

- \$5.6M to conserve Canada's land and freshwater, protect species, advance Indigenous reconciliation, increase access to nature and continue efforts to protect species at risk (Enhanced Nature Legacy);
- \$5.0M related to Adapting Canada's Weather and Water Services to Climate Change; and
- \$0.9M for various other initiatives.

Vote 10 – Grants and contributions authorities

The \$331.7M decrease compared to last fiscal year in the Grants and Contributions authorities is mainly due to the following decreases:

- \$530.0M related to Canada's National Adaptation Strategy, for the up-front multiyear contribution funding to the Green Municipal Fund;
- \$48.3M to implement natural climate solutions in Canada;
- \$28.4M to establish the Canada Water Agency;
- \$25.0M related to the British Columbia Old Growth Nature Fund;

- \$9.3M related to the Refocusing Government Spending Reductions (B2023);
- \$8.5M related to Canada's International Climate Finance;
- \$6.4M to strengthen environmental protections and address concerns raised by Indigenous groups regarding the Trans Mountain Expansion Project; and
- \$3.0M to address imminent threats to wood bison herds.

Offset by the following increases:

- \$300.0M related to a grant for the Northwest Territories Our Land for the Future Project Finance for Permanence;
- \$26.9M related to the Low Carbon Economy Fund (LCEF); and
- \$0.3M for various other initiatives.

Statutory authorities

The \$739.9M increase compared to last fiscal year in the budgetary statutory authorities is due to the following increases:

- \$466.5M related to the distribution of revenues from Fuel Charge Proceeds Fund for Indigenous Governments;
- \$261.2M related to the distribution of revenues from excess emissions charge payments under the Output-Based Pricing System; and
- \$12.2M related to the contributions to Employee Benefit Plans.

In order to align with best practices, planned spending against statutory authorities have been included in the 2025-26 ECCC Main Estimates which explains the significant increases in statutory authorities for distribution of revenues from Fuel Charge Proceeds Fund for Indigenous Governments and from excess emission charge payments under the Output-Based Pricing System.

Expenditures analysis by vote

Details of expenditures by vote are presented in Tables 1 and 2.

In the first quarter of 2025-26, total budgetary expenditures were \$442.7M compared to \$923.8M reported for the same period in 2024-25, resulting in a decrease of \$481.1M.

Vote 1 – Net Operating Authorities used during the first quarter of 2025-26 totalled \$239.8M, which represents a decrease of \$28.6M (\$239.8M - \$268.4M) compared to the same period last year. This variance is mainly due to a decrease in personnel and professional and special services expenditures.

Vote 5 – Capital Authorities used during the first quarter of 2025-26 totalled \$7.7M, which represents an increase of \$0.9M (\$7.7M – \$6.8M) compared to the same period last year. This variance is mainly

due to an increase in personnel expenditures, offset by a decrease in professional and special services expenditures.

Vote 10 – Grants and Contributions Authorities used during the first quarter of 2025-26 totalled \$22.0M, which represents a decrease of \$595.6M (\$22.0M - \$617.6M) compared to the same period last year. This variance is mainly due to:

- an up-front contribution payment, in 2024-25, to the Green Municipal Fund to build strong and resilient communities by reducing the impacts of climate-related disasters, improving health and well-being, protecting and restoring nature and biodiversity, building and maintaining resilient infrastructure and supporting the economy and workers;
- the timing of payment for contributions to protect Canada's lands and freshwater, to the strengthen protection and recovery of species at risk and their habitats and to restore and enhance wetlands, peatlands, and grasslands to store and capture carbon; and,
- a decrease in contribution payments to support projects of conservation, restoration and enhanced land management of wetlands, peatlands, and grasslands to store and capture carbon.

Budgetary Statutory Authorities – Budgetary Statutory Authorities used during the first quarter of 2025-26 totalled \$173.2M, which represents an increase of \$142.2M (\$173.2M - \$31.0M) compared to the same period last year. This variance is mainly due to an increase related to the Fuel Charge Proceeds Fund for Indigenous Governments.

Expenditures analysis by Standard Object

Details of expenditures by Standard Object are presented in Tables 3 and 4.

Personnel expenditures decreased by \$8.4M (\$259.8M - \$268.2M) compared to the same period last year. This variance is mainly due to the disbursements, in 2024-25, of salary retroactive payments following the ratification and signing of some collective agreements and the transfer of human resources to the Canada Water Agency on October 15, 2024.

Professional and special services expenditures decreased by \$15.5M (\$10.9M - \$26.4M) compared to the same period last year. This variance is mainly due to the timing of payment of expenditures related to legal services, information technology consulting fees, remediation of contaminated sites and engineering consulting fees. The variance is also explained by some cloud services which are now funded through Shared Services Canada.

Transfer payments expenditures decreased by \$456.0M (\$161.6M - \$617.6M) compared to the same period last year. This variance is mainly due to decreases listed under Vote 10 – Grants and Contributions Authorities used listed above, offset by an increase related to the Fuel Charge Proceeds Fund for Indigenous Governments.

The negative amount presented as expended during the first quarter under other subsidies and payments represent the rebate received from our acquisition card service provider for making timely payments.

Risks and Uncertainties

ECCC operates in a dynamic environment subject to several internal and external risk factors that, if not properly managed, could affect the Department's ability to deliver optimal and timely results for Canadians. As part of its overall management, the Department considers various corporate risks, including those related to managing complex stakeholder relationships and adopting sound management practices, particularly in the administration of grants and contributions. The Department also considers potential vulnerabilities associated with its data and digital and physical infrastructure. The Department provides additional information on key risk areas in its [Departmental Plan 2025-2026](#).

Financial management systems, investment planning, cost estimation, real estate, and business continuity are exposed to risks such as those stemming from personnel (experience, knowledge, skills, and turnover), systems, data integration, economic factors and changes in requirements. Due to its inherent nature in transactions, fraud remains a risk for the Department. The Department's financial position is also sensitive to socio-economic and geopolitical shifts. Cost fluctuations or partnership transformations stemming from these changes can affect multiple program delivery areas across the Department and are especially significant due to the Department's reliance on partnerships to deliver on cross-border wildlife and wetlands programs and joint research. Likewise, there is a risk that shifting budget and policy priorities may impede the sustainability of some departmental programs and services. Should they materialize, fraud, cost fluctuations, disruptions in collaborations or difficulties in ensuring long-term sustainability could lead to loss of critical data or reputational damage, interruptions in the supply of services or goods needed for operations, delays or higher expenses in procuring specialized equipment, as well as increased costs for or suspension of research or programs.

To minimize these risks, the Department maintains and monitors a risk-based departmental system of internal controls over financial management, including fraud detection controls, and has established an audit function for grants and contributions recipients. The Department also seeks to continuously strengthen its resilience through diversifying its sources of data and supply and rigorous program and resource management. To mitigate cost risk, estimates for inflation and contingency are included in cost estimates to cover any deviations from anticipated amounts. In addition, to support the long-term financial sustainability of core and priority departmental programming, the Department is also enhancing its multi-year financial analysis and reporting functions.

Significant changes in relation to operations, personnel and programs

The following major changes in relation to operations, personnel and programs occurred since the last quarterly report:

- On October 15, 2024, ECCC transferred the control and supervision of the Canada Water Branch to the newly established standalone Canada Water Agency. Although the current year's figures exclude expenditures related to the Canada Water Agency and its associated internal services, the costs for the operations that were transferred are included in the prior year's comparative figures.
- On February 10, 2025, Michael Zinck was appointed Assistant Deputy Minister of the Program, Operations and Regional Affairs Branch;
- On February 10, 2025, Katie Donnelly O'Neill was appointed Director General of the Public Affairs and Communications Branch;
- On [March 14, 2025](#), the new Prime Minister, Mark Carney, appointed Terry Duguid as a new member of the 30th Canadian Ministry as Minister of Environment and Climate Change;
- On March 28, 2025, Catherine Stewart left her position as Canada's Ambassador for Climate Change;
- On [May 13, 2025](#), the Prime Minister, Mark Carney, appointed Julie Dabrusin as the Minister of Environment and Climate Change;
- On June 30, 2025, Mollie Johnson was appointed Deputy Minister of Environment and Climate Change.

Approved by:

(the original version was signed by)

Mollie Johnson
Deputy Minister
Gatineau, Canada
Date: 25 August 2025

(the original version was signed by)

Linda Drainville
Chief Financial Officer
Gatineau, Canada
Date: 18 August 2025

Statement of Authorities (unaudited) – Table 1

Fiscal year 2025-26 (in thousands of dollars)

	Total available for use for the year ending March 31, 2026*	Used during the quarter ended June 30, 2025	Year-to-date used at quarter end
Vote 1 – Net Operating Expenditures	1,133,558	239,866	239,866
Vote 5 – Capital Expenditures	80,696	7,662	7,662
Vote 10 – Grants and Contributions	1,050,757	22,014	22,014
Budgetary Statutory – Employee Benefit Plans	134,470	33,618	33,618
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	102	25	25
Budgetary Statutory - Climate Action Support Payments (Greenhouse Gas Pollution Pricing Act)	466,490	139,548	139,548
Budgetary Statutory – Distribution of Fuel and Excess Emission Charges	261,198	0	0
Total Budgetary Authorities	3,127,271	442,733	442,733
Non-Budgetary Authorities	-	-	-
Total Authorities	3,127,271	442,733	442,733

* The funding available for use includes the 2025-26 Main Estimates.

Statement of Authorities (unaudited) – Table 2

Fiscal year 2024-25 (in thousands of dollars)

	Total available for use for the year ending March 31, 2025*	Used during the quarter ended June 30, 2024	Year-to-date used at quarter end
Vote 1 – Net Operating Expenditures	1,164,015	268,424	268,424
Vote 5 – Capital Expenditures	92,163	6,792	6,792
Vote 10 – Grants and Contributions	1,382,418	617,607	617,607
Budgetary Statutory – Employee Benefit Plans	122,274	30,568	30,568
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	99	25	25
Budgetary Statutory – Distribution of Fuel and Excess Emission Charges	-	-	-
Budgetary Statutory – Refund of previous years revenue	-	365	365
Total Budgetary Authorities	2,760,969	923,781	923,781
Non-Budgetary Authorities	-	-	-
Total Authorities	2,760,969	923,781	923,781

* The funding available for use includes the 2024-25 Main Estimates.

** Pursuant to the Transitional Provisions, section 16 of the Canada Water Agency Act and effective October 15, 2024, deemed appropriations were established and reduced from Environment and Climate Change Canada’s appropriations only in Q3 of 2024-25

Departmental budgetary expenditures by Standard Object (unaudited) – Table 3

Fiscal year 2025-26 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2026*	Expended during the quarter ended June 30, 2025	Year-to-date used at quarter end
Expenditures:			
Personnel	1,013,462	259,823	259,823
Transportation and communications	30,824	5,301	5,301
Information	15,170	386	386
Professional and special services	236,406	10,865	10,865
Rentals	33,898	6,359	6,359
Repair and maintenance	17,768	2,218	2,218
Utilities, materials and supplies	32,911	5,195	5,195
Acquisition of land, buildings and works	3,903	1,228	1,228
Acquisition of machinery and equipment	38,269	2,808	2,808
Transfer payments	1,778,445	161,562	161,562
Public debt charges	212	-	-
Other subsidies and payments	4,215	(31)	(31)
Total gross budgetary expenditures	3,205,483	455,714	455,714
Less Revenues netted against expenditures:			
Revenues	78,212	12,981	12,981
Total Revenues netted against expenditures:	78,212	12,981	12,981
Total net budgetary expenditures	3,127,271	442,733	442,733

* The planned expenditures are based on funding available for use from the 2025-26 Main Estimates.

Departmental budgetary expenditures by Standard Object (unaudited) – Table 4

Fiscal year 2024-25 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2025*	Expended during the quarter ended June 30, 2024	Year-to-date used at quarter end
Expenditures:			
Personnel	1,008,420	268,168	268,168
Transportation and communications	34,362	6,398	6,398
Information	13,980	1,257	1,257
Professional and special services	216,239	26,363	26,363
Rentals	50,489	5,674	5,674
Repair and maintenance	19,631	2,295	2,295
Utilities, materials and supplies	50,803	5,868	5,868
Acquisition of land, buildings and works	1,669	213	213
Acquisition of machinery and equipment	51,417	4,174	4,174
Transfer payments	1,382,418	617,608	617,608
Public debt charges	306	-	-
Other subsidies and payments	5,790	(28)	(28)
Total gross budgetary expenditures	2,835,524	937,990	937,990
Less Revenues netted against expenditures:			
Revenues	74,555	14,209	14,209
Total Revenues netted against expenditures:	74,555	14,209	14,209
Total net budgetary expenditures	2,760,969	923,781	923,781

* The planned expenditures are based on funding available for use from the 2024-25 Main Estimates.

** Pursuant to the Transitional Provisions, section 16 of the Canada Water Agency Act and effective October 15, 2024, deemed appropriations were established and reduced from Environment and Climate Change Canada's appropriations only in Q3 of 2024-25.