



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q3/2022-23



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

Introduction

This third 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 2022-23 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) is the lead federal department for a wide range of environmental issues, including taking action on clean growth and climate change. The Department is also engaged in activities aimed at preventing and managing pollution, conserving nature, and predicting weather and environmental conditions. The Department addresses these issues through various actions including the implementation of the Pan-Canadian Framework on clean growth and climate change, engaging with our strategic partners including provinces, territories and Indigenous peoples, monitoring; science-based research, policy and regulatory development, and through the 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
- 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 2022-23 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 December 31, 2022. The funding available for use includes the 2022-23 Main Estimates, Supplementary Estimates "B" and allocations from Treasury Board (TB) Central Votes including the Operating and Capital budget carry-forwards, the compensation allocations related to the Executive economic increases and Government-wide Initiatives.

ECCC's total available authorities for use for the year ending March 31, 2023, are higher by approximately \$251.9M (\$2,239.9M - \$1,988.0M)¹ when compared to the same quarter of the previous year. This increase of \$251.9M includes an increase in Net Operating Authorities (Vote 1) of \$109.2M (\$1,092.8M - \$983.6M), Capital Authorities (Vote 5) of \$21.0M (\$147.1M - \$126.1M), Grants and Contribution Authorities (Vote 10) of \$73.5M (\$844.2M - \$770.7M) and Budgetary Statutory Authorities of \$48.2M (\$155.8M - \$107.6M).

Vote 1 – Net Operating Authorities

The \$109.2M increase compared to the last fiscal year in the net Operating Authorities is mainly due to the following increases:

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

- \$33.5M for the United Nations Convention on Biological Diversity;
- \$20.4M related to a higher amount carried forward from the previous year to continue work on specific projects;
- \$19.1M to conserve Canada's land and freshwater, protect species, advance Indigenous reconciliation and increase access to nature;
- \$10.0M for advancing a circular economy for plastics in Canada;
- \$9.7M related to carbon pollution pricing proceeds return;
- \$9.4M to reduce greenhouse gas emissions in the transportation and methane waste sectors; and
- \$7.1M related to various other initiatives.

Operating Authorities are netted of spendable revenues. Revenues at Environment and Climate Change Canada 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, Weather and environmental services as well as fines and court orders directed to the Environmental Damages Fund.

Vote 5 – Capital Authorities

The \$21.0M increase compared to the last fiscal year in the Capital Authorities is mainly due to the following increases:

- \$6.3M related to a higher amount carried forward from the previous year to continue work on specific projects;
- \$4.7M to safeguard the continuous operation of the Dr. Neil Trivett Global Atmosphere Watch Observatory in Alert, Nunavut;
- \$2.5M to conserve Canada's land and freshwater, protect species, advance Indigenous reconciliation and increase access to nature;
- \$2.1M related to strong arctic and northern communities;
- \$2.0M to reduce greenhouse gas emissions in the transportation and methane waste sectors;
- \$1.4M related to initiatives associated with the revitalization of meteorological services;
- \$1.2M to address Canadian data receiving infrastructure for the Space-Based Earth Observation Network; and
- \$0.8M related to various other initiatives.

Vote 10 – Grants and Contributions Authorities

The \$73.5M increase compared to the last fiscal year in the Grants and Contributions Authorities is mainly due to the following increases:

- \$106.2M to conserve Canada's land and freshwater, protect species, advance Indigenous reconciliation and increase access to nature;

- \$28.0M related to Canada's International Climate Finance;
- \$25.3M to implement natural climate solutions in Canada;
- \$6.3M to strengthen environmental protections and address concerns raised by Indigenous groups regarding the Trans Mountain Expansion Project;
- \$5.1M to establish the Canada Water Agency Transition Office;
- \$3.8M to address imminent threats to wood bison herds;
- \$3.0M related to United Nations Convention on Biological Diversity;
- \$1.5M related to various other initiatives;
- \$1.0M to reduce greenhouse gas emissions in the transportation and methane waste sectors;
- \$1.0M related to a tripartite partnership for the future of the Montreal Biosphere; and
- \$1.0M related to wildfire and flood preparedness and response capacity.

Offset by the following decreases:

- \$66.5M related to the Low Carbon Economy Fund (LCEF);
- \$23.7M related to the Youth Employment and Skills Strategy (YESS);
- \$9.3M to protect Canada's nature, parks and wild spaces;
- \$5.1M related to Great Lakes ecosystem initiatives;
- \$4.1M related to the National Zero Plastic Waste Strategy.

Statutory Authorities

The \$48.2M increase compared to the last fiscal year in the Budgetary Statutory Authorities is mainly due to the following:

- \$41.1M related to distribution of revenues from excess emissions charge payments under the Output-Based Pricing System pursuant to section 188 of the *Greenhouse Gas Pollution Pricing Act*; and
- \$7.1M related to the contributions to Employee Benefit Plans.

Expenditures analysis by vote

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

In the third quarter of 2022-23, total budgetary expenditures were \$383.6M compared to \$334.8M reported for the same period in 2021-22, resulting in an increase of \$48.8M. Year-to-date expenditures as of December 31, 2022, were \$995.8M, which represents an increase of \$120.4M (\$995.8M - \$875.4M) compared to the same period in 2021-22.

Vote 1 – Net Operating Authorities used during the third quarter of 2022-23 totalled \$264.3M, which represents an increase of \$38.9M (\$264.3M - \$225.4M) compared to the same period last year. Year-to-date expenditures as of December 31, 2022, were \$716.5M, which represents an increase of \$65.8M

(\$716.5M - \$650.7M) compared to the same period last year. Both variances are mainly due to an increase in personnel, transportation and communication as well as professional and special services.

Vote 5 – Capital Authorities used during the third quarter of 2022-23 totalled \$24.2M, which represents a decrease of \$3.3M (\$24.2M – \$27.5M) compared to the same period last year. Year-to-date expenditures as of December 31, 2022, are \$51.9M, which represents a decrease of \$0.8M (\$51.9M - \$52.7M) compared to the same period last year. The quarterly variance is mainly due to a decrease related to the timing of payments for engineering consulting fees mainly for the Eureka Weather Station.

Vote 10 – Grants and Contributions Authorities used during the third quarter of 2022-23 totalled \$66.6M, which represents an increase of \$9.1M (\$66.6M - \$57.5M) compared to the same period last year. Year-to-date expenditures as of December 31, 2022, are \$144.4M, which represents an increase of \$45.2M (\$144.4M - \$99.2M) compared to the same period last year. Both variances are mainly due to an increase in funding available for initiatives related to conserving Canada’s land and freshwater, protecting species, advancing Indigenous reconciliation and increasing access to nature, Canada’s International Climate Finance, to implementing natural climate solutions in Canada as well as Trans Mountain Expansion Pipeline. These variances are offset by a decrease in funding available for Youth Employment and Skills Strategy.

Budgetary Statutory Authorities – Budgetary Statutory Authorities used during the third quarter of 2022-23 totalled \$28.4M, which represents an increase of \$4.1M (\$28.4M - \$24.3M) compared to the same period last year. Year-to-date expenditures as of December 31, 2022, are \$83.0M, which represents an increase of \$10.2M (\$83.0M - \$72.8M) compared to the same period last year. The quarterly variance is mainly due to an increase in distribution of carbon pollution pricing proceeds. Both variances are also due to an increase in contributions to employee benefit plans.

Expenditures analysis by Standard Object

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

Quarterly and year-to-date personnel expenditures increased by \$10.5M (\$218.0M - \$207.5M) and \$29.8M (\$648.3M - \$618.5M) compared to the same period last year. Both variances are mainly due to higher permanent salaries based on collective agreements and an increase in the number of employees related to new initiatives such as conserving Canada’s land and freshwater, protecting species, advancing Indigenous reconciliation and increasing access to nature, as well as to carbon pollution pricing proceeds return initiatives.

Quarterly and year-to-date transportation and communications expenditures increased by \$4.0M (\$9.4M - \$5.4M) and \$11.1M (\$23.0M - \$11.9M) compared to the same period last year. Both variances are mainly due to an increase in travel expenditures related to a return to pre-pandemic situation.

Quarterly and year-to-date professional and special services expenditures increased by \$22.9M (\$75.1M - \$52.2M) and \$25.3M (\$140.7M - \$115.4M) compared to the same period last year. The quarterly variance is mainly due to as the increase in expenditures related to hosting the 15th United Nations Biodiversity Conference (COP15). Both variances are also due to an increase in funding for the Federal Contaminated Sites Action Plan, offset by a decrease due to the timing of payments for engineering

consulting fees mainly for the Eureka Weather Station as well as to the timing of payments for information technology professional services.

Quarterly and year-to-date transfer payments expenditures increased by \$10.5M (\$68.0M - \$57.5M) and \$47.0M (\$146.2M - \$99.2M) compared to the same quarter last year. Both variances are mainly due to an increase in funding available for initiatives related to conserving Canada's land and freshwater, protecting species, advancing Indigenous reconciliation and increasing access to nature, Canada's International Climate Finance, to implementing natural climate solutions in Canada as well as Trans Mountain Expansion Pipeline. These variances are offset by a decrease in funding available for initiatives related to Youth Employment and Skills Strategy.

Quarterly and year-to-date revenue collections increased by \$3.3M (\$14.7M - \$11.4M) and \$8.0M (\$35.2M - \$27.2M) compared to the same period last year. The quarterly variance is mainly due to a return to pre-pandemic situation as well as to the timing of collections related to hydrometric data and information services, while the year-to-date variance is mainly due to the timing of collections related to meteorological services provided to NAV Canada and to activities related to the Oil Sands Monitoring Program.

Risks and Uncertainties

A wide range of internal and external factors have the potential to affect ECCC's ability to deliver optimal and timely results for Canadians. With regard to financial management, the Department considers and addresses three key strategic risks to its financial plan: strategic partnerships; COVID-19 and post-pandemic uncertainties; and capital and technological infrastructure.

The Department's ability to deliver results for Canadians requires extensive collaboration with strategic partners (federal, provincial, territorial, Indigenous, and international partners, the private and non-profit sectors, and civil society). This reliance can give rise to risks associated with the Department's external relationships and partnerships if efforts are not well aligned and coordinated. To mitigate this risk, the Department, has continued to work collaboratively with key partners, build new relationships, maintain/improve existing relationships by developing a holistic approach to dealing with common partners, and work with external partners through existing governance bodies. The Department also promotes sound stewardship of departmental resources through the terms and conditions associated with all of its grants and contributions programs in order to leverage partner support, ensure efficient delivery of external funding, and reduce potential lapses.

COVID-19 and post pandemic realities continue to impact the Department's ability to deliver services. In particular, ongoing supply chain issues could result in scheduled delays and increased costs, thus impeding the Department's ability to complete technical fieldwork or projects according to initial design, budgets and timelines. ECCC continues to mitigate these risks by adjusting its processes and operations through quarterly financial reviews and bi-annual business planning updates.

The Department also relies on its capital and technological infrastructure to achieve its mandate. This infrastructure requires maintenance and ongoing investment to prevent rust-out, stay abreast of technological advancements and ensure functionality in the face of changing and increasingly complex

needs. ECCC undertakes capital and technological investment planning to improve upon the assessment of enterprise-wide deficits, priorities, and funding needs.

ECCC will continue to closely monitor its operating environment to reallocate resources to key priorities and ensure that resources are being managed effectively to deliver optimal and timely results through improved programs, policies, and services.

Significant changes in relation to operations, personnel and programs

The following major changes in relation to operations, personnel and programs occurred during the third quarter:

- In November 2022, Lawrence Hanson was appointed Associate Deputy Minister of Environment and Climate Change Canada;
- In December 2022, T. Christine Hogan retired as Deputy Minister of Environment and Climate Change Canada;
- In December 2022, Douglas Nevison retired as Assistant Deputy Minister of the Climate Change Branch.

Approved by:

(the original version was signed by)

(the original version was signed by)

Chris Forbes

Deputy Minister

Gatineau, Canada

Date: February 23, 2023

Linda Drainville

Chief Financial Officer

Gatineau, Canada

Date: February 20, 2023

Statement of Authorities (unaudited) – Table 1

Fiscal year 2022-23 (in thousands of dollars)

	Total available for use for the year ending March 31, 2023*	Used during the quarter ended December 31, 2022	Year-to-date used at quarter end
Vote 1 – Net Operating Expenditures	1,092,799	264,321	716,547
Vote 5 – Capital Expenditures	147,052	24,224	51,913
Vote 10 – Grants and Contributions	844,212	66,591	144,384
Budgetary Statutory – Employee Benefit Plans	114,673	27,025	81,076
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	92	23	69
Budgetary Statutory – Distribution of Fuel and Excess Emission Charges	41,066	1,385	1,849
Total Budgetary Authorities	2,239,894	383,569	995,838
Non-Budgetary Authorities	-	-	-
Total Authorities	2,239,894	383,569	995,838

* The funding available for use includes the 2022-23 Main, Supplementary Estimates “B” and allocations from Treasury Board (TB) Central Votes including the Operating and Capital budget carry-forwards, the compensation allocations related to the Executive economic increases and Government-wide Initiatives.

Statement of Authorities (unaudited) – Table 2

Fiscal year 2021-22 (in thousands of dollars)

	Total available for use for the year ending March 31, 2022*	Used during the quarter ended December 31, 2021	Year to date used at quarter end
Vote 1 – Net Operating expenditures	983,575	225,411	650,660
Vote 5 – Capital expenditures	126,058	27,546	52,719
Vote 10 – Grants and contributions	770,713	57,470	99,222
Budgetary Statutory – Employee Benefit Plans	107,466	24,193	72,579
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	90	23	69
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	-	130	130
Total Budgetary authorities	1,987,902	334,773	875,379
Non-Budgetary authorities	-	-	-
Total authorities	1,987,902	334,773	875,379

* The funding available for use includes the 2021-22 Main Estimates, Supplementary Estimates “A” and “B” and allocations from Treasury Board Central Votes including the Operating and Capital budget carry-forwards, Compensation Allocations related to new collective agreements and Government-wide Initiatives.

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

Fiscal year 2022-23 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2023*	Expended during the quarter ended December 31, 2022	Year-to-date used at quarter end
Expenditures:			
Personnel	869,420	217,962	648,316
Transportation and communications	21,172	9,366	22,976
Information	10,526	2,309	6,626
Professional and special services	292,823	75,106	140,654
Rentals	85,202	4,599	14,651
Repair and maintenance	28,949	4,258	9,139
Utilities, materials and supplies	48,474	8,862	21,941
Acquisition of land, buildings and works	1,952	116	191
Acquisition of machinery and equipment	62,130	7,648	17,410
Transfer payments	885,277	67,976	146,233
Public debt charges	577	-	-
Other subsidies and payments	7,606	52	2,896
Total gross budgetary expenditures	2,314,108	398,254	1,031,033
Less Revenues netted against expenditures:			
Revenues	74,214	14,685	35,195
Total Revenues netted against expenditures:	74,214	14,685	35,195
Total net budgetary expenditures	2,239,894	383,569	995,838

* The planned expenditures available for use includes the 2022-23 Main Estimates, Supplementary Estimates “B” and allocations from Treasury Board (TB) Central Votes including the Operating and Capital budget carry-forwards, the compensation allocations related to the Executive economic increases and Government-wide Initiatives.

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

Fiscal year 2021-22 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2022*	Expended during the quarter ended December 31, 2021	Year to date used at quarter end
Expenditures:			
Personnel	823,690	207,529	618,480
Transportation and communications	50,949	5,440	11,863
Information	9,181	1,594	4,582
Professional and special services	253,195	52,200	115,394
Rentals	36,037	3,214	11,986
Repair and maintenance	20,916	4,495	7,904
Utilities, materials and supplies	46,402	7,313	17,853
Acquisition of land, buildings and works	2,133	53	222
Acquisition of machinery and equipment	42,174	6,879	12,532
Transfer payments	770,713	57,470	99,223
Public debt charges	534	-	-
Other subsidies and payments	7,737	1	2,505
Total gross budgetary expenditures	2,063,661	346,188	902,544
Less Revenues netted against expenditures:			
Revenues	75,759	11,415	27,165
Total Revenues netted against expenditures:	75,759	11,415	27,165
Total net budgetary expenditures	1,987,902	334,773	875,379

* The planned expenditures available for use include the 2021-22 Main Estimates, Supplementary Estimates “A” and “B” and allocations from Treasury Board Central Votes including the Operating and Capital budget carry-forwards, Compensation Allocations related to new collective agreements and Government-wide Initiatives.