2025 REPORT OF THE COMMISSIONER OF THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT TO THE PARLIAMENT OF CANADA ON BEHALF OF THE AUDITOR GENERAL OF CANADA

Implementing the Canadian Net-Zero Emissions Accountability Act—Financial Measures

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

Performance audit reports

This report presents the results of a performance audit conducted by the Office of the Auditor General of Canada (OAG) under the authority of the Auditor General Act and the Canadian Net-Zero Emissions Accountability Act.

A performance audit is an independent, objective, and systematic assessment of how well government is managing its activities, responsibilities, and resources. Audit topics are selected on the basis of their significance. While the OAG may comment on policy implementation in a performance audit, it does not comment on the merits of a policy.

Performance audits are planned, performed, and reported in accordance with professional auditing standards and OAG policies. They are conducted by qualified auditors who

- establish audit objectives and criteria for the assessment of performance
- gather the evidence necessary to assess performance against the criteria
- report both positive and negative findings
- conclude against the established audit objectives
- make recommendations for improvement when there are significant differences between criteria and assessed performance

Performance audits contribute to a public service that is ethical and effective and a government that is accountable to Parliament and Canadians.

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At a Glance

Overall message

Overall, we found that federal organizations had developed financial measures to help reduce greenhouse gas emissions that are projected to be worth over $100 billion of federal investment. However, we identified shortcomings in their implementation that will impact the effectiveness of these measures.

Concerns we identified included the low initial uptake of the Clean Economy investment tax credits and ongoing federal investments in projects in the oil and gas sector that faced significant risks in a transition to a net-zero economy. There was also a lack of transparency of expected emission outcomes and insufficient systems for measuring results. In addition, limited progress had been made in developing sustainable investment guidelines for activities to help Canada's economy transition to net-zero emissions by 2050.

We also followed up on 9 recommendations we made to Environment and Climate Change Canada and the Office of the Superintendent of Financial Institutions Canada in 2 other recent reports involving financial measures to address climate change. We found that while both organizations took actions to advance all 9 recommendations, some elements to improve guidance and promote transparency were not fully addressed.

We found that the Department of Finance Canada issued its first annual report, as required by the Canadian Net-Zero Emissions Accountability Act, on the key measures that the government had taken to manage its financial risks and opportunities related to climate change. However, the report missed opportunities to align with best practices for reporting on climate-related financial disclosures.

In our first 2 annual reports under the act, we found that Canada's current measures and pace of emission reductions were not enough to meet the target of reducing greenhouse gas emissions by 40% to 45% below the 2005 level by 2030. Since then, the consumer carbon price was eliminated. The government will need to strengthen or add measures if it is to meet Canada's national and international commitments in the global effort to limit temperature rise.

Key facts and figures

- The federal government has made several commitments since the introduction of the Canadian Net-Zero Emissions Accountability Act to reduce greenhouse gas emissions, starting with an interim objective to reduce emissions by 20% below the 2005 level by 2026. It also set more ambitious targets for subsequent years, with the ultimate aim of achieving net-zero emissions by 2050.
- According to the federal government's data for 2023, the most recent year available, emissions have been reduced by 8.5% since 2005.
- The federal government has stated that it needs to take significant and transformative steps to put the Canadian economy on the path to reach net-zero emissions by 2050, which would require up to $140 billion in annual investment.
- There are 149 measures to support greenhouse gas emission reductions reported in the federal government's 2023 Progress Report on the 2030 Emissions Reduction Plan. We have audited 40 of these emission reduction measures since 2021.
- The 9 measures we audited this year had shortcomings that limited the effective implementation to support emission reductions by 2030.

See **Recommendations and Responses** at the end of this report.

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Introduction

Government commitments to reduce greenhouse gas emissions

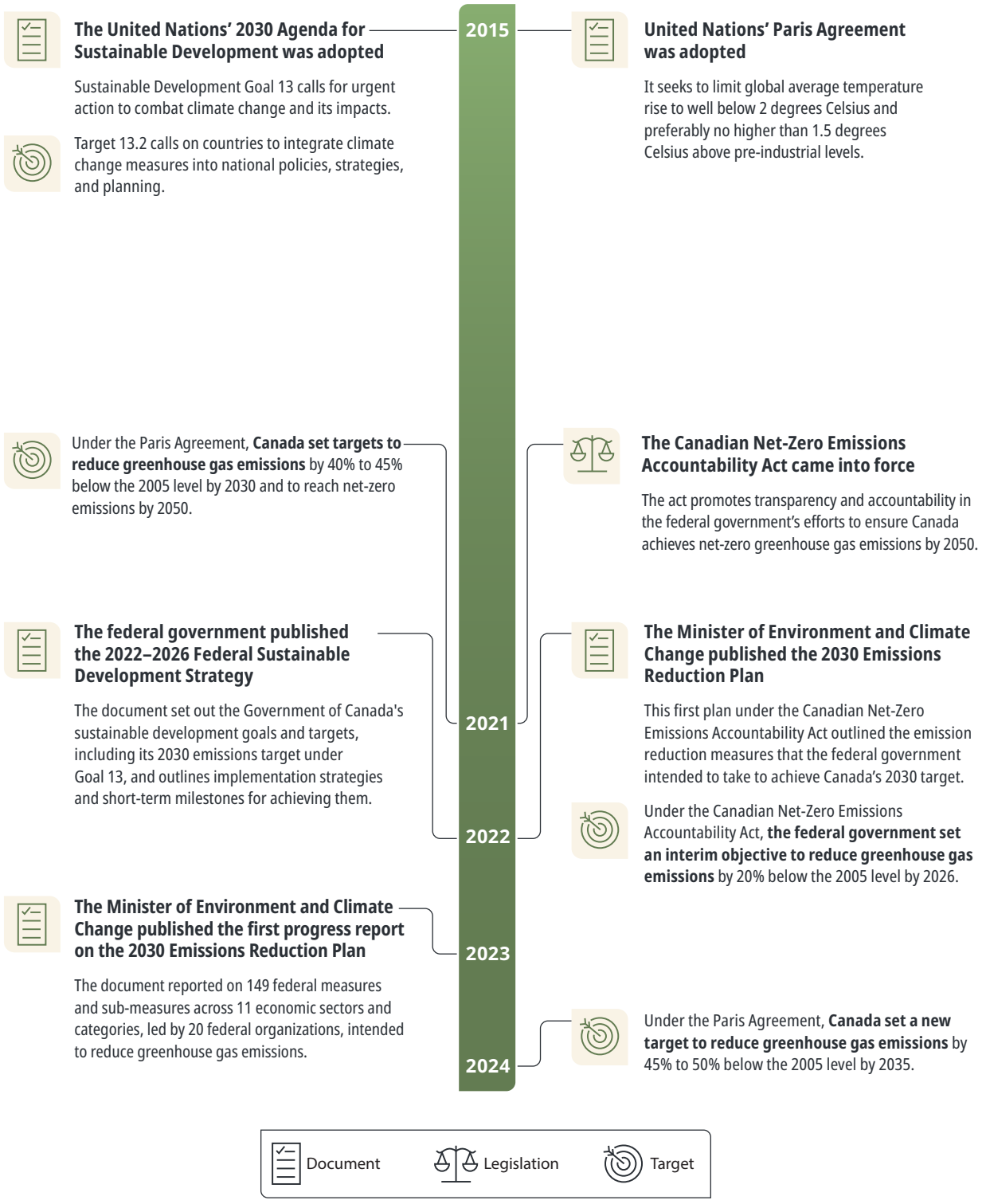
Take urgent action to combat climate change and its impacts

Source: United Nations

1. Climate change is causing widespread harm for Canadians, communities, and the natural environment, and the risks are escalating. For more than 3 decades, the federal government has set targets and taken actions to reduce greenhouse gas emissions to meet its national and international commitments to fight climate change. Its recent commitments have been legislated in the Canadian Net-Zero Emissions Accountability Act and stem from the United Nations' Paris Agreement, which seeks to limit global average temperature rise to well below 2 degrees Celsius and preferably no higher than 1.5 degrees Celsius above pre-industrial levels (Exhibit 1).

2. In 2023, Canada's total greenhouse gas emissions were 694 megatonnes of carbon dioxide equivalent (Mt CO_2 eq), not including the accounting contributions from the land use, land-use change, and forestry sector (Exhibit 2). This represented a decrease of 8.5% (65 Mt CO_2 eq) from the 2005 level but an increase of 14% from 1990, the global baseline year for tracking emissions. Canada remains the worst performer among member countries of the Group of Seven since both 1990 and 2005 (Exhibit 3).

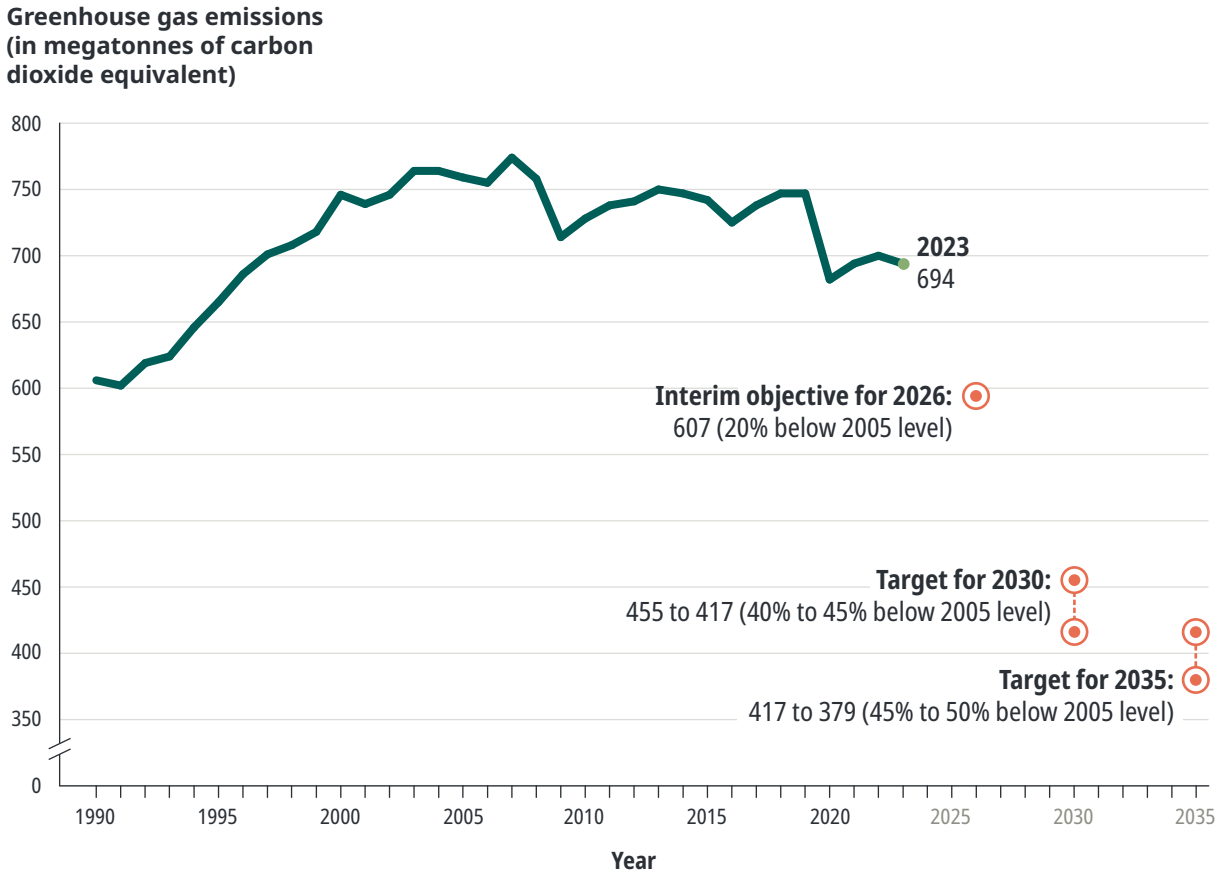
Exhibit 1—The federal government's recent commitments and actions to reduce greenhouse gas emissions



Source: Based on information from various federal government and United Nations sources

Read the Exhibit 1 text description

Exhibit 2—Canada's greenhouse gas emissions, interim objective, and targets

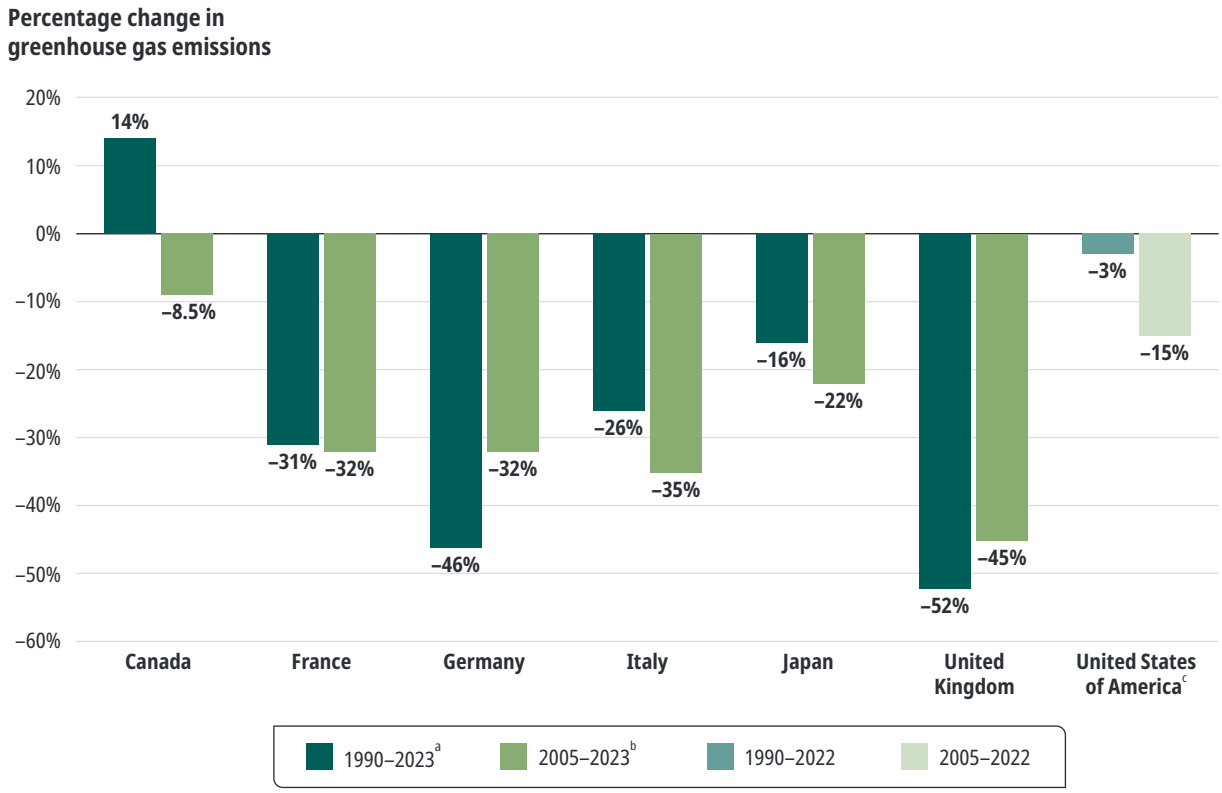


Note: The land use, land-use change, and forestry accounting contributions were not included because those values had not yet been published.

Source: Based on data from the National Inventory Report 1990–2023: Greenhouse Gas Sources and Sinks in Canada, Environment and Climate Change Canada, 2025

Read the Exhibit 2 text description

Exhibit 3—Performance of Group of Seven countries in reducing greenhouse gas emissions



[a] The baseline year for reporting emissions and assessing progress under the United Nations Framework Convention on Climate Change is 1990.

[b] The baseline year chosen by Canada for its 2030 target under the Paris Agreement is 2005.

[c] Data for the United States of America was not available for 2023.

Source: National inventory reports for 1990–2023 for each country, except for the United States of America, which was its national inventory report for 1990–2022

Read the Exhibit 3 text description

Sustainable finance

3. The federal government has stated that it needs to take significant and transformative steps to put the Canadian economy on the path to reach net-zero emissions by 2050, which would require up to $140 billion in annual investment. The 2030 Emissions Reduction Plan—the first plan under the Canadian Net-Zero Emissions Accountability Act—included the government's measures to support **sustainable finance**.[1] These measures aim to enable

1 **Sustainable finance**—Financial activities that include environmental, social, and governance factors as ways of promoting sustainable economic growth and the long-term stability of the financial system.

emission reductions by catalyzing investment from private sector companies for actions that contribute to the net-zero emissions target.

4. In May 2021, the federal government launched the Sustainable Finance Action Council to provide input on the infrastructure needed for a sustainable finance market in Canada. The council's work included enhancing mandatory climate-related financial disclosures in the private and public sectors by aligning with the recommendations from the **Task Force on Climate-Related Financial Disclosures**.[2] In 2022, the federal government committed to moving toward mandatory reporting of climate-related risks across a broad spectrum of the Canadian economy. In 2023, the task force's work was completed and integrated into an international reporting standard by the newly established **International Sustainability Standards Board**.[3]

5. Under the Canadian Net-Zero Emissions Accountability Act, the Minister of Finance must, in cooperation with the Minister of the Environment, prepare and publish an annual report on key measures that the federal public administration has taken to manage its financial risks and opportunities related to climate change. This reporting requirement came into force in 2023.

6. In our 2021 report Lessons Learned From Canada's Record on Climate Change, we reported that Canada was falling behind other jurisdictions in integrating climate change risks in financial decisions.

Our climate change reports

7. This is the third report that we have published under the Canadian Net-Zero Emissions Accountability Act and the Auditor General Act. The previous 2 reports were

- Canadian Net-Zero Emissions Accountability Act—2030 Emissions Reduction Plan (2023)
- Canadian Net-Zero Emissions Accountability Act—2024 Report (2024)

2 **Task Force on Climate-Related Financial Disclosures**—A global task force created in 2015 by the Financial Stability Board, as requested by the Group of Twenty (G20) Finance Ministers and Central Bank Governors, to develop recommendations on the types of information that companies should disclose related to climate change.

3 **International Sustainability Standards Board**—A board established in 2021 to develop standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets.

8. Since 2021, the Commissioner of the Environment and Sustainable Development has published 16 reports related to emission reduction measures. Including this report, we have now examined 40 measures from the 2030 Emissions Reduction Plan and followed up on 46 of 85 total recommendations from these past audits.

What we audited

9. This audit focused on whether

- selected federal entities have made progress toward effectively implementing selected emission reduction measures to achieve Canada's greenhouse gas emissions targets
- the Department of Finance Canada, in cooperation with Environment and Climate Change Canada, has reported publicly on climate-related financial risks and opportunities in a manner that aligns with reporting best practices

10. This audit examined progress made by 6 federal organizations to implement 9 financial measures aimed at reducing greenhouse gas emissions (Exhibit 4). Individual measures vary in terms of the objectives and policy instruments used. Therefore, our audit considered 7 common categories that were selected on the basis of findings from our past audits and on international best practices from the Intergovernmental Panel on Climate Change and other relevant international authorities. These categories were:

- timeliness of implementation
- expected emissions avoided
- changes in the measure that impact expected emissions avoided
- system for assessing results
- value for money
- multi-jurisdictional challenges
- gender-based analysis plus and Indigenous peoples

11. We also examined progress made by Environment and Climate Change Canada and the Office of the Superintendent of Financial Institutions Canada in advancing 9 recommendations that we made on 2 climate change financial measures that we audited in our past reports (Exhibit 4).

12. In addition, this audit examined the Department of Finance Canada's first annual report on the federal public administration's management of climate-related financial risks and opportunities. More details on the selected federal organizations and the approach are in the **About the Audit** section of this report.

Exhibit 4—The federal organizations, emission reduction measures, and progress on past recommendations that we audited

Federal organizations	Measures	Past recommendations
Department of Finance Canada	9	0
Environment and Climate Change Canada	2	4
Canada Revenue Agency	5	0
Natural Resources Canada	4	0
Canada Growth Fund and Canada Growth Fund Investment Management	1	0
Office of the Superintendent of Financial Institutions Canada	0	5

Note: The total number of measures do not match the numbers provided in paragraph 10 because some measures involved multiple federal organizations. See Appendix 1 for the measures and the federal organizations responsible for them.

Findings and Recommendations

Federal organizations made limited progress in effectively implementing financial measures

What we found

13. We examined 9 financial measures from the 2030 Emissions Reduction Plan and the 2023 Progress Report on the 2030 Emissions Reduction Plan. These measures were:

- 5 Clean Economy investment tax credits
- a corporate tax cut
- the Canada Growth Fund
- the phasing out of inefficient fossil fuel subsidies
- green bonds

14. We found that federal organizations had made progress developing these financial measures. However, none of the measures were implemented effectively to reduce emissions (Appendix 1). We found that

- the initial uptake for 5 tax measures was lower than projected
- 1 tax credit was delayed
- investments in the oil and gas sector faced significant risks for a transition to net-zero emissions
- organizations lacked transparent reporting on expected outcomes for emission reductions

15. We also found that the sustainable investment guidelines, which would provide a clear direction for investments toward a transition to a net-zero economy, had not yet been developed. Furthermore, the federal government had yet to add and strengthen measures to reduce emissions to meet the 2030 target, especially given the removal of the consumer carbon price in 2025.

Why this finding matters

16. These findings matter because the federal government committed to using financial measures to encourage investments from the private sector to accelerate the transition to a net-zero economy. Implementing effective financial measures and establishing a sustainable finance guideline would help meet Canada's 2030 target and help align the economy to transition to net-zero emissions by 2050.

Federal organizations developed financial measures

Findings

17. Since 2021, the federal government announced more than $100 billion in financial measures aimed at supporting emission reductions, among other objectives. These measures include different types of financial instruments, such as green bonds, investment tax credits, and an investment fund. In 2009, the federal government also committed to phasing out inefficient fossil fuel subsidies.

18. We found that of the 9 measures we examined, 8 had been developed within our audit period and 1 was delayed (Exhibit 5). The federal government

- issued its inaugural green bonds in 2022
- published its guidelines and assessment framework for inefficient fossil fuel subsidies in 2023

- launched the Canada Growth Fund and committed its first investments in 2023
- launched 4 Clean Economy investment tax credits that were enacted into law in 2024

Exhibit 5—The financial measures we examined were projected to be valued over $100 billion

Measure	Time frame when the measure is available	Projected government costs in billions
Clean Hydrogen Investment Tax Credit	2023 to 2034	$18
Investment Tax Credit for Carbon Capture, Utilization, and Storage	2022 to 2040	$12[a]
Clean Technology Manufacturing Investment Tax Credit	2023 to 2034	$13
Clean Technology Investment Tax Credit	2023 to 2034	$16
Clean Electricity Investment Tax Credit (not yet implemented)	2024 to 2034 (proposed)	$35
Cutting corporate taxes for manufacturers and producers of zero-emission technologies	2022 to 2034	$1
Canada Growth Fund	as of 2022	$15[b]
Green bonds	2022 to 2025	$13[c]
Phasing out inefficient fossil fuel subsidies	Committed in 2009, to be phased out by 2023	No estimate
Total		**$123**

[a] The projected amount for the Investment Tax Credit for Carbon Capture, Utilization, and Storage is from 2022 to 2034.

[b] Budget 2022 announced the Canada Growth Fund would be initially capitalized with $15 billion over 5 years. The fund aims to recover its invested capital over a period of 15 years.

[c] The government has issued $13 billion in bonds.

Source: Cost projections based on documents published by the Government of Canada or provided directly by the Department of Finance Canada

Tax measures to support clean investments were delayed or had low initial uptake

Findings

19. For the 5 Clean Economy investment tax credits that we assessed, 4 were enacted into law in June 2024. These 4 tax credits came into effect retroactively, ranging from January 2022 to January 2024. A bill to enact the fifth tax credit for clean electricity had yet to be tabled in Parliament, despite being expected by fall 2024. The lack of clear timelines for the implementation of this measure may lead businesses and other investors to delay making significant investments in potentially eligible clean electricity projects.

20. We found that there had been low initial uptake of the tax measures compared with the Department of Finance Canada's projections. For example, fewer than 30 corporations had claimed the corporate tax cut for manufacturers and producers of zero-emission technologies since 2022, which was 25% of the projected uptake of $61 million. In contrast, consumer incentives that we audited in 2024, such as the zero-emission vehicles program and the greener homes grant, were oversubscribed.

21. For the 5 Clean Economy investment tax credits that we assessed, the Department of Finance Canada had initially projected that $5.2 billion would be claimed by the end of March 2025. The department's most recent projections, published in March 2025, forecasted that $9.2 billion is expected to be claimed by the end of 2025. However, we found that, as of July 2025, only the Clean Technology Investment Tax Credit had claims to be paid out, and those claims totalled only $22 million (Exhibit 6). Federal organizations expect to receive more claims as taxpayers still have time to submit claims for previous tax years. For example, taxpayers have until the end of 2025 to claim the Investment Tax Credit for Carbon Capture, Utilization, and Storage for the first 3 tax years.

22. These paid-out claims from the Clean Technology Investment Tax Credit represent $78 million in investments by businesses. This is only a small fraction of the investment needed to reach net-zero emissions by 2050. To ensure the level of tax support provided aligns with the government's environmental objectives, the effectiveness and uptake of these investment tax credits will need to be monitored.

Exhibit 6—Initial uptake of the Clean Economy investment tax credits was low compared with projected costs

Investment tax credit	Projected cost up to the end of 2025[a]	Amounts under review up to July 2025[b]	Actual cost amounts to be paid out up to July 2025[b]
Investment Tax Credit for Carbon Capture, Utilization, and Storage	$1,145	$21	$0
Clean Hydrogen Investment Tax Credit	$1,065	$0	$0
Clean Technology Investment Tax Credit	$3,000	$717	$22
Clean Technology Manufacturing Investment Tax Credit	$1,840	$33	$0
Clean Electricity Investment Tax Credit	$2,145	Not implemented	Not implemented
Total	**$9,195**	**$771**	**$22**

All figures are presented in millions of dollars and rounded to the nearest million.

[a] The amounts presented were calculated using annual cost projections from the Department of Finance Canada's 2025 Report on Federal Tax Expenditures—Concepts, Estimates and Evaluations.

[b] The amounts presented are based on data provided by the Canada Revenue Agency for claims made up to July 2025 and are subject to change as additional claims are received by the Canada Revenue Agency for corporate tax year ends pertaining to the periods presented. Additional audit procedures were performed to assess the reliability of the cost data provided.

Recommendation

23. To provide businesses and other investors with greater certainty to support and accelerate clean electricity investment in Canada, the Department of Finance Canada should provide a timely update on the status of the implementation of the Clean Electricity Investment Tax Credit.

The Department of Finance Canada's response. Agreed.

See **Recommendations and Responses** at the end of this report for detailed responses.

Investments in the oil and gas sector faced significant risks in a transition to net-zero emissions

Findings

24. In 2023, the oil and gas sector was Canada's largest source of emissions, accounting for 30% of total national emissions. From 1990 to 2023, greenhouse gas emissions from the sector increased by 77%, which cancelled out progress made in the electricity and heavy industry sectors.

25. The federal government expected carbon capture, utilization, and storage and low-carbon hydrogen to play key roles in reducing emissions in heavy industries like the oil and gas sector. We found that the government had invested or was planning to invest significantly in projects that aim to reduce emissions in the oil and gas sector.

26. For example, the mandate of the Canada Growth Fund focused on supporting technologies such as carbon capture and storage and low-carbon hydrogen. Of the $2.7 billion that had been committed through the fund as of July 2025, $1.7 billion (about 70%) was for 2 carbon capture and storage projects in the oil and gas sector.

27. We also noted that there was additional federal assistance for carbon capture, utilization, and storage technology. Companies can claim the related investment tax credit in addition to receiving federal funds without reducing their claim amount. This is the only Clean Economy investment tax credit where applicants are not required to reduce their amount claimed when combining with other federal assistance. We found that the 2 projects funded by the Canada Growth Fund planned to also claim the investment tax credit, resulting in the federal government covering most of the capital cost of these projects.

28. We found that to be effective, investment incentives in both carbon capture, utilization, and storage and low-carbon hydrogen depend on other important climate change policies, such as the industrial carbon pricing system and the Clean Fuel Regulations. As such, uncertainty in the future of the industrial carbon pricing systems and federal regulations creates risk to the financial viability of private investment in those technologies.

29. Investments in fossil fuel infrastructure, like carbon capture, utilization, and storage in the oil and gas sector and **blue hydrogen**,[4] may be at higher risk of becoming **stranded assets**.[5] In a transition to a net-zero economy, fossil fuel assets may lose value before the end of their expected economic lives because of a combination of climate measures, falling oil prices and demand, and cheaper renewable technology. Furthermore, the polluter-pays principle suggests that companies that pollute should be financially responsible for pollution, not the taxpayer. However, in the case of these measures, the taxpayers are bearing the financial risk for these investments.

30. In 2009, the federal government joined the Group of Twenty (G20) commitment to phase out inefficient fossil fuel subsidies. The federal government had stated that it met this commitment by publishing and adopting the Inefficient Fossil Fuel Subsidies: Government of Canada Guidelines in 2023. These guidelines established 6 criteria for permitting fossil fuel subsidies, which included subsidies supporting **abated production**[6] of fossil fuels or providing essential energy services to a remote community.

31. However, we found that the federal government had not yet published a complete inventory of its fossil fuel subsidies, which had been expected by December 2024. It had also not followed through on its commitment to undertake a peer review that it announced in 2018. Instead, the government planned to undertake a self-review, which remained under development. Six G20 countries, including the United States, completed their peer reviews in less than 3 years. A peer review would increase the transparency of the government's assessment of financial measures directed at the oil and gas sector.

Sustainable investment guidelines had not yet been developed

Findings

32. We found that the Department of Finance Canada had made limited progress in supporting the development of the sustainable investment guidelines (also known as a taxonomy) (Exhibit 7). Sustainable investment guidelines can provide a standardized

4 **Blue hydrogen**—Hydrogen produced from fossil fuels with the use of carbon capture and sequestration technologies to reduce carbon dioxide emissions.

5 **Stranded assets**—Assets that, according to the Taxonomy Roadmap Report, are no longer able to earn an economic return before the end of their economic lives because of the reduced demand or prices resulting from the transition to a low-carbon economy.

6 **Abated production**—Production of fossil fuels using carbon capture, utilization, and storage or equivalent technologies that result in significant elimination of emissions.

approach across public and private sectors for benchmarking economic activities that are consistent with domestic and global climate goals.

33. The Sustainable Finance Action Council was launched in 2021 to provide expertise from the financial sector on sustainable finance issues to the Minister of Finance and the Minister of Environment and Climate Change. The council submitted its Taxonomy Roadmap Report to the government in 2022, which provided recommendations that included developing initial sustainable investment guidelines covering priority sectors and activities by mid-2023, followed by a more detailed taxonomy by the end of 2025.

34. In 2023, the federal government announced that the Department of Finance Canada would work with Environment and Climate Change Canada and Natural Resources Canada to undertake next steps to develop sustainable investment guidelines. The council recommended that the implementation of the guidelines be jointly governed by the federal government and the financial sector. However, the Department of Finance Canada announced that it would provide funding to a third-party organization to develop and govern the guidelines. We found that a third party had not yet been selected.

35. According to the Sustainable Finance Action Council, the guidelines could be a standardized tool to benchmark climate and transition activities for both the public and private sectors. They would propose a way to identify “green” and “transition” activities and investments across the Canadian economy including those that are supported by the measures we audited. According to the council:

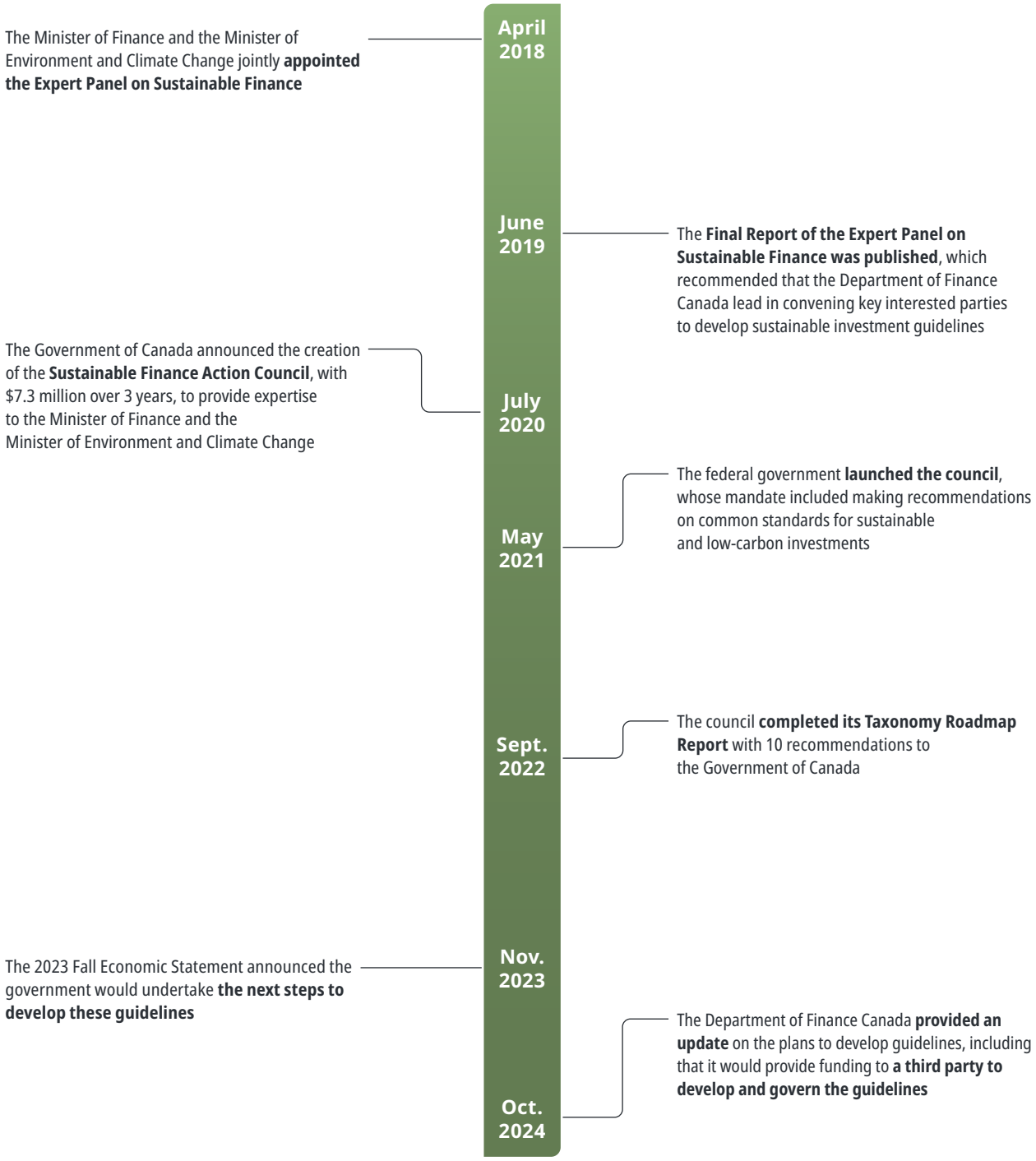
- green investments are low- or zero-emitting activities or those that enable them, such as zero-emission vehicle manufacturing, **green hydrogen**[7] production, or electricity transmission lines
- transition activities are projects that decarbonize emission-intensive sectors (such as oil and gas, steel, and cement), such as the electrification of steel production

Ineligible investments would be projects that contribute to **carbon lock-in**[8] or will not help achieve net-zero emissions. In our view, robust and transparent guidelines that credibly classify investments in the clean economy on the path to net-zero emissions would improve the coherency and effectiveness of federal investments.

7 **Green hydrogen**—Hydrogen produced using electricity from renewable sources, such as solar or wind power, to split water into hydrogen and oxygen.

8 **Carbon lock-in**—Emissions-intensive assets, technologies, and energy systems that have long lifespans (or capital payback periods) and “lock in” future emissions. As a result, these assets “lock out” lower-carbon alternatives. According to the Taxonomy Roadmap Report, these assets can increase emissions and the costs of climate action.

Exhibit 7—Canada was slow to develop sustainable investment guidelines



Source: Based on information from various federal government sources

Read the Exhibit 7 text description

36. We note that other countries have already developed sustainable investment guidelines. For example:

- the European Union Taxonomy for Sustainable Activities was first published in June 2020, which is relied on for the European Green Bond Standard
- the Australian Sustainable Finance Taxonomy, a joint initiative between the Australian Sustainable Finance Institute and the Government of Australia, was published in June 2025

Recommendation

37. To enhance the alignment of sustainable financing to Canada's emission reduction targets, the Department of Finance Canada should publish a timeline and actions required to develop and implement the sustainable investment guidelines.

The Department of Finance Canada's response. Agreed.

See **Recommendations and Responses** at the end of this report for detailed responses.

Federal organizations lacked transparent reporting on emissions avoided and related outcomes

Findings

38. The 9 financial measures that we examined were included in the 2030 Emissions Reduction Plan because they support reducing Canada's greenhouse gas emissions. However, federal organizations did not provide a public estimate of the greenhouse gas emission reductions expected from the individual measures. According to the Department of Finance Canada, most of these measures help enable climate action and are not intended to result in direct emission reductions.

39. However, we found that the Department of Finance Canada had modelled the expected emission reductions from the Investment Tax Credit for Carbon Capture, Utilization, and Storage. In addition, Environment and Climate Change Canada included **5 measures**[9] of the 9 measures in the annual emission projections because, in its view, the measures could be reasonably expected to produce material emission reductions. Here, as in our

9 **The 5 measures** include the Investment Tax Credit for Carbon Capture, Utilization, and Storage; the Clean Hydrogen Investment Tax Credit; the Clean Electricity Investment Tax Credit; the Clean Technology Investment Tax Credit; and the Canada Growth Fund.

previous reports on emission reduction measures, we have concerns on the lack of reporting on expected emission reductions from federally supported measures.

40. We also found that federal organizations lacked transparent reporting on emissions avoided and related outcomes across measures. For example:

- The Canada Growth Fund Investment Management reported on cumulative emissions avoided. This was different from the annual emissions avoided indicator established for its performance reporting and the federal government's biennial international reporting.
- The federal government stated that it met its commitment to phase out inefficient fossil fuel subsidies. However, federal departments had not included any indicators or metrics to measure the phase-out and had not planned to consolidate reporting on data. For example, the federal government did not provide any data for the indicator tracking the amount of fossil fuel subsidies per unit of gross domestic product for Goal 12 (Responsible Consumption and Production) of the Sustainable Development Goals.
- Taxpayers claiming investment tax credits for hydrogen projects or large carbon capture, utilization, and storage projects would be required to report annually to Natural Resources Canada on project information, such as annual emissions avoided or carbon intensity of hydrogen produced. We found that the federal government had not designed the tax credits to use this information to evaluate or report on the results of these measures. In our view, this information is important to assess the results of these investments.

Ensure sustainable consumption and production patterns

Source: United Nations

41. We examined whether the Department of Finance Canada had undertaken value-for-money assessments of their measures. However, the information provided by the department was not sufficient for us to determine whether the department had undertaken value-for-money assessments for the investment tax credits. In addition, the department told us that the tax credits are new, so there had not been any assessment of outcomes at the time of the audit.

Recommendation

42. To assess the federal government's support of clean technologies that would contribute to Canada's emission reductions, the Department of Finance Canada, working with other federal organizations, should evaluate the social, environmental, and economic outcomes of the Clean Economy investment tax credits and publish the results. The evaluation should consider the information that is collected from the required taxpayer reporting on the investment tax credits for carbon capture, utilization, and storage and for clean hydrogen.

The Department of Finance Canada's response. Agreed.

See **Recommendations and Responses** at the end of this report for detailed responses.

Insufficient measures to reduce emissions by 2030

Findings

43. In our 2023 audit, we stated that the measures in the 2030 Emissions Reduction Plan were insufficient to meet the 2030 emissions target. In December 2024, the federal government published information indicating that emissions would still fall short of the 2030 target to reduce emissions on the basis of the updated projections for existing and proposed measures.

44. Furthermore, the federal government eliminated the consumer carbon price in April 2025 and had not yet produced updated national emissions projections since the removal of this measure. The Department of Finance Canada reported that the fuel charge would have been responsible for 3.3 megatonnes of emission reductions in 2030. The removal of the consumer carbon price would increase the gap between projected emissions and the 2030 emissions target.

45. Our previous reports raised concerns with the effectiveness of the industrial carbon pricing system and Environment and Climate Change Canada's plan to wait until 2026 to address issues with the system. Strengthening the requirements under industrial carbon pricing systems, such as increasing the industrial performance standards, would improve the effectiveness of financial measures by boosting the financial incentive for polluters to reduce their emissions and invest in clean projects.

46. According to the Canadian Net-Zero Emissions Accountability Act, if the projections indicate that the plan's emissions target will not be met, details of any additional measures that could be taken

must be included in the progress report. However, our 2024 audit found that most of these additional measures in the 2023 progress report were existing measures that were already reported. In our view, measures should be sufficient to meet Canada's emission reduction commitments.

Recommendation

47. To accelerate emission reductions, Environment and Climate Change Canada, in collaboration with other federal organizations, should identify, provide details on, and make public the additional and strengthened measures that the federal government can implement to meet Canada's 2030 target.

Environment and Climate Change Canada's response. Agreed.

See **Recommendations and Responses** at the end of this report for detailed responses.

Federal organizations had taken actions to implement our recommendations, but some deficiencies remain unaddressed

What we found

48. We examined progress on 9 recommendations related to financial measures from 2 of our past audit reports on climate change since 2021, which had been agreed to by Environment and Climate Change Canada and the Office of the Superintendent of Financial Institutions Canada. We found that the 2 federal organizations had taken actions to implement all 9 recommendations: 5 recommendations had been implemented, and 4 were in progress. However, we found that the actions taken by federal organizations did not fully address 5 of the recommendations.

Why this finding matters

49. This finding matters because recommendations from audit reports aim to address the deficiencies in climate change measures found by our audits. Federal organizations commit to specific actions they will take to respond to the recommendations that they have agreed to and to timelines for implementation in their management action plans. These are intended to contribute to better outcomes for the environment and value for money for Canadians.

Federal organizations had taken actions to implement all recommendations

Findings

50. We found that Environment and Climate Change Canada had taken actions to implement all 4 of the recommendations we made in our audit of carbon pricing (2022): 3 were in progress, and 1 was implemented. For example, the department

- engaged an expert to independently assess carbon pricing systems, and the report was published in March 2025
- continued research on the impacts of carbon pricing on vulnerable populations, including Indigenous populations

51. We found that the Office of the Superintendent of Financial Institutions Canada had taken actions to implement all 5 of the recommendations from our 2023 audit report on the supervision of climate-related risk disclosures: 1 was in progress, and 4 were implemented. For example, the agency

- updated the Supervisory Framework to include climate-risk considerations, including drafting internal guidance and publishing Guideline B-15: Climate Risk Management
- integrated the Sustainable Development Goals in its Departmental Plan and Sustainable Development Strategy, including Goal 12 (Responsible Consumption and Production) and Goal 13 (Climate Action)
- integrated feedback from industry and interested parties into the development of tools, such as the Standardized Climate Scenario Exercise methodology and Climate Risk Returns

Recommendations to improve guidance and transparency were not fully addressed

Findings

52. We found that Environment and Climate Change Canada had not yet fully addressed 3 out of 4 recommendations. The department had neither conducted analysis of nor reported on results that would improve transparency of the outcomes of carbon pricing. The department

- had neither fully consolidated and reported on key information from different jurisdictions on its website nor made any changes despite our raising this deficiency in the previous audit

- had not yet publicly reported results on measures to mitigate the burden of carbon pricing on vulnerable populations (this action was not due until December 2025)
- had not initiated an assessment of minimum performance standards and planned to delay its assessment of average costs until post-2027, even though this action was due by 2026

53. The Office of the Superintendent of Financial Institutions Canada had not fully addressed 2 out of the 5 recommendations. The agency

- had not published specific guidance that would improve the consistency of transition plans for federally regulated financial institutions, which was due by 2024
- had decided to not provide additional guidance on the consideration of climate-related risks for regulated pension plans, as the agency had contributed to the September 2024 publication of the Canadian Association of Pension Supervisory Authorities' Guideline for Risk Management for Plan Administrators. While our 2023 audit raised concerns about potential discrepancies in disclosures resulting from this guidance, the agency told us that additional guidance would go beyond its mandate for pension plans.

Having guidance for all financial instruments is important for the consistency and reliability of the information published by regulated financial institutions.

The Department of Finance Canada's first report on climate-related risks missed opportunities to align with reporting best practices

What we found

54. We found that the Department of Finance Canada, in cooperation with Environment and Climate Change Canada, published its first report on the federal public administration's management of its financial risks and opportunities related to climate change, as required by the Canadian Net-Zero Emissions Accountability Act. However, we found the report had missed opportunities to align with reporting best practices from climate-related financial disclosure frameworks that would provide relevant, consistent, complete, and transparent annual reporting.

Why this finding matters

55. This finding matters because improving and increasing climate-related financial information is important to better understand the risks and opportunities for decision making and accountability. Many international organizations have developed guidance, standards, laws, and regulations to support climate-related risk disclosures to improve transparency and support decision making for the public and for investors.

The Department of Finance Canada published its first required annual report on climate-related risks

Findings

56. We found that the Department of Finance Canada had met the legislative requirement to publish a report on key measures taken by the federal public administration to manage the financial risks and opportunities related to climate change. The department worked cooperatively with Environment and Climate Change Canada to prepare the first report, which was published on January 27, 2025.

57. We found that the Department of Finance Canada had worked with 52 federal organizations on the development of the new report. For example, the department did a pilot project with select organizations. The department had developed guidance and a questionnaire for input from federal organizations on climate risks, key measures, indicators, and other climate tools applied, to prepare the report.

The Department of Finance Canada had missed opportunities to align with reporting practices on climate-related disclosures

Findings

58. Reporting on climate-related financial risks has been evolving in recent years. International standard-setting and governance organizations have developed disclosure frameworks, methods, and tools that support organizations in assessing climate risks and opportunities. Some countries and jurisdictions have introduced new requirements for public sector organizations reporting on this topic (Exhibit 8).

Exhibit 8—Public sector organizations in other countries and jurisdictions have begun disclosing climate-related financial risks and opportunities

Country	Jurisdiction	Description
United Kingdom 	National	Mandatory climate-related financial disclosures for central government departments are aligned with the Task Force on Climate-Related Financial Disclosures' recommendations. Contents of the disclosures are based on phased implementation approach from reporting years 2024 to 2026.
Australia 	State (New South Wales)	Mandatory reporting on climate-related financial disclosures for state government organizations is closely informed by the International Sustainability Standards Board's standard on climate-related disclosures. Requirement for organizations to report was introduced on a phased basis over 3 years, commencing from the 2024–25 fiscal year.
Canada 	Municipal (Vancouver, Toronto, Montréal)	Annual financial reports voluntarily include disclosure guided by the Task Force on Climate-Related Financial Disclosures' recommendations. Implementation began as early as the 2018 reporting year.

Read the Exhibit 8 text description

59. Unlike requirements for the annual progress report on the plan, the Canadian Net-Zero Emissions Accountability Act does not specify the content required for the Department of Finance Canada's report. We assessed whether the department had prepared its first report according to the following reporting principles: relevance, consistency, completeness, and transparency. These principles were based on reporting best practices drawn from domestic and international climate-related disclosure frameworks and reporting and accounting standards. We found that the department had missed opportunities to align its first report with reporting best practices on climate-related disclosures (Exhibit 9).

Exhibit 9—The Department of Finance Canada missed opportunities to align with reporting best practices on climate-related disclosures

Reporting best practice	Missed opportunities to align with climate-related disclosures
Use a reporting framework that is relevant to climate-related financial risks and opportunities.	The Department of Finance Canada applied the existing Treasury Board's Framework for the Management of Risk to guide the structure of the report, but the framework was **not fit for purpose** as it was not specific to climate-related financial risks. When using a climate-related financial disclosure framework, organizations should also identify and assess climate-related financial opportunities and disclose whether and how a climate-related scenario analysis was used to inform climate risks. The analysis can inform the development of a plan to transition to a net-zero economy. While the department had not undertaken a climate scenario analysis, other federal organizations, such as the Bank of Canada and the Office of the Chief Actuary, published climate scenario analyses to demonstrate the different contexts that an organization may face.
Be consistent with other federal organizations' reporting on climate-related financial risk and opportunity disclosures and reporting to allow for meaningful comparison of climate-related risks and opportunities over time across the federal administration.	The framework that the Department of Finance Canada chose to apply was **not consistent** with reporting frameworks used by other federally regulated financial institutions and Crown corporations that have issued climate-related financial disclosures. For example: • federal Crown corporations adopted the recommendations of the Task Force on Climate-Related Financial Disclosures since as early as 2022 depending on the size of the organization, as requested by the federal government • the Bank of Canada has published a disclosure of climate-related risks annually since 2022 • the Office of the Superintendent of Financial Institutions Canada published Guideline B-15: Climate Risk Management for federally regulated financial institutions in 2023 and regularly updated it to align with international and Canadian climate-related disclosure standards.

Reporting best practice	Missed opportunities to align with climate-related disclosures
Provide complete descriptions of climate-related financial risks, opportunities, and key measures, including all information necessary for readers to understand.	The report was **incomplete**, as the descriptions of climate-related financial risks, opportunities, and key measures were not always clear about whether they were related to physical or transitional climate risk, while others had not specified the time horizon, size, or scope. The report did not have a clear definition of climate-related financial risks and opportunities, instead defining climate-related risks and opportunities separately from financial risks and opportunities. In addition, the report presented key measures as a list of examples, which, in our view, may hinder meaningful comparison on the management of climate-related financial risks and opportunities over time.
Ensure transparency by not omitting any information that is key to understanding risks, opportunities, and key measures for decision making.	The report did **not** provide a complete and **transparent** summary of key measures undertaken by the federal public administration to manage climate-related financial risks and opportunities. For example, despite the Department of Finance Canada identifying certain Crown corporations as part of the federal public administration, the department did not include information from Crown corporations in its analysis or in the published report. Instead, hyperlinks to Crown corporations' reporting were provided in the report's annex.

60. Given that the report on climate-related financial risks and opportunities is annual, in our view, it is important that the Department of Finance Canada align with current reporting best practices from climate-related financial disclosure frameworks and the reporting by other federal organizations and Crown corporations to ensure meaningful and comparable information over time.

Recommendation

61. To improve the relevance, consistency, completeness, and transparency of its annual reporting on climate-related financial risks and opportunities, the Department of Finance Canada should report on the key measures taken by the federal public administration, including certain federal Crown corporations, to manage climate-related financial risks and opportunities using an approach that aligns with climate-related financial disclosure frameworks.

The Department of Finance Canada's response. Agreed.

See **Recommendations and Responses** at the end of this report for detailed responses.

Conclusion

62. We concluded that federal organizations had made limited progress in effectively implementing selected financial measures to achieve Canada's greenhouse gas emission targets. We found low initial uptake, delayed implementation, and significant risks pertaining to investments aimed at supporting Canada's emission reductions. While Environment and Climate Change Canada and the Office of the Superintendent of Financial Institutions Canada had made progress in advancing our past audit recommendations related to climate change measures, deficiencies found by our audits remain unaddressed.

63. We concluded that the Department of Finance Canada, in cooperation with Environment and Climate Change Canada, had reported publicly on climate-related financial risks and opportunities but had missed opportunities to do so in a manner that aligned with best reporting practices of climate-related financial disclosure.

About the Audit

This independent assurance report was prepared by the Office of the Auditor General of Canada on the effective implementation of selected measures and our recommendations and on the reporting on key measures undertaken by the federal public administration to manage its climate-related financial risks and opportunities. Our responsibility was to provide objective information, advice, and assurance to assist Parliament in its scrutiny of the government's management of resources and programs and to conclude on whether selected federal organizations complied in all significant respects with the applicable criteria.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office of the Auditor General of Canada applies the Canadian Standard on Quality Management 1—Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. This standard requires our office to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we complied with the independence and other ethical requirements of the relevant rules of professional conduct applicable to the practice of public accounting in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from entity management:

- confirmation of management's responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the audit report is factually accurate

Audit objective

The objectives of this audit were to determine whether

- selected federal entities had made progress toward effectively implementing selected emission reduction measures to achieve Canada's greenhouse gas emission targets
- the Department of Finance Canada, in cooperation with Environment and Climate Change Canada, had reported publicly on climate-related financial risks and opportunities in a manner that aligns with best practices

Scope and approach

The audit built on the accountability monitoring framework developed in our 2024 audit report under the Canadian Net-Zero Emissions Accountability Act to support annual reports examining the implementation of mitigation measures by federal organizations. We also examined the implementation of recommendations from past audits on climate change since 2021, and we assessed whether the Department of Finance Canada's report aligned with best practices in reporting on financial risks and opportunities related to climate change.

To support the audit conclusion, we assessed the progress made in the implementation of measures and concluded on whether each measure was effective, partially effective, or ineffective.

For each measure, our report assessed efforts made by the federal organizations responsible for each category, as some categories may not be relevant to all entities for a given measure. In addition, some categories may not be relevant to some measures because of the stage of development of a measure or the type of instrument. We considered the relevance of a category to a measure during our audit examination. The categories are as follows:

Category	Description of assessment
Timeliness of implementation	Determine whether the federal organizations met the announced or reported milestones for the measure.
Expected emissions avoided	Determine whether the federal organizations assessed the expected emissions avoided for the measure using a reliable approach that considered policy interactions. The assessment will consider whether the measure contributes to direct emission reductions or is an enabling measure.
Changes in the measure that impact expected emissions avoided	If there was a change in the design or delivery of the measure, determine whether the change will affect the expected emissions from the initial estimate. The assessment will consider the federal organizations' estimate of the impact of the change in design, if available.
System for assessing results	Determine whether the federal organizations established a measuring, monitoring, and reporting framework with interim and final targets, indicators, and data for the measure.

Category	Description of assessment
Value for money	Determine whether the federal organizations assessed the value for money of the measure. In relation to public spending, value for money is the consideration of economy (minimizing cost), efficiency (maximizing output), and effectiveness (fully attaining the intended results).
Multi-jurisdictional challenges	Determine whether the federal organizations considered and implemented mitigating measures to address any multi-jurisdictional challenges for the measure.
Gender-based analysis plus (GBA Plus) and Indigenous peoples	Design elements—Determine whether the federal organizations had included design elements in the measure to meet the needs of Indigenous peoples and other populations identified in GBA Plus. Resource allocation—Determine whether federal organizations had allocated resources or made resources accessible to Indigenous peoples and other populations identified in GBA Plus. Progress tracking—Determine whether federal organizations had tracked progress for Indigenous peoples and other populations identified in GBA Plus.

In addition, we examined whether federal organizations had made progress toward advancing recommendations on climate change measures from previous reports by the Commissioner of the Environment and Sustainable Development. The assessment included a review of the entity responses to the recommendations presented in the audits, the actions and timelines outlined in the management action plans developed by the entity, and whether the actions aligned with the recommendation aimed at addressing the deficiencies found and reported in the audit.

Who we audited

The **Department of Finance Canada** is the department that prepares, in cooperation with Environment and Climate Change Canada, and makes public the annual report required by the act on key measures that the federal public administration has taken to manage its financial risks and opportunities related to climate change. As lead for several specific measures in the 2023 Progress Report on the 2030 Emissions Reduction Plan as identified in Exhibit 4, the department is responsible for analysis and advice on their development.

Environment and Climate Change Canada is responsible for the implementation of measures to reduce greenhouse gas emissions under its mandate (identified in Exhibit 4) and for advancing relevant recommendations made by the Commissioner of Environment and Sustainable Development in the report identified in the second criterion. The department cooperates with the Department of Finance Canada in preparing the annual report required by the act on key measures that the federal public administration has taken to manage its financial risks and opportunities related to climate change. The department supports other federal departments in ensuring the accuracy in their quantifications of greenhouse gas emissions impact relative to other economy-wide modelling efforts, for proposals that are likely to result in a 0.5 megatonnes of carbon dioxide equivalent or greater annual increase or decrease in emissions.

The **Canada Revenue Agency** is responsible for administering the tax measures identified in Exhibit 4 and conducting audit and compliance activities of those tax measures.

Natural Resources Canada is responsible for supporting the administration of the investment tax credit measures identified in Exhibit 4, which includes providing scientific, engineering, and technical guidance; project evaluation; verification of property; and confirmation of project plans. The department also supports the Department of Finance Canada and Environment Climate Change Canada in their efforts to eliminate inefficient fossil fuel subsidies.

The Canada Growth Fund and **Canada Growth Fund Investment Management** are responsible for implementing the Canada Growth Fund under their mandates. The Canada Growth Fund Investment Management provides independent and arm's length investment management services to the Canada Growth Fund, to, among other things, reduce greenhouse gas emissions in alignment with the Canada Growth Fund's mandate.

The **Office of the Superintendent of Financial Institutions Canada** is responsible for advancing relevant recommendations made by the Commissioner of Environment and Sustainable Development in the report identified in the second criterion.

Criteria

We used the following criteria to conclude against our audit objective:

Criteria	Sources
Selected federal entities[1] have made progress in effectively implementing emission reduction measures[2] to achieve Canada's greenhouse gas emission targets. [1] Selected federal entities are identified in Exhibit 4. [2] Selected measures are presented in Exhibit 5.	• Canadian Net-Zero Emissions Accountability Act • Canadian Gender Budgeting Act • United Nations Declaration on the Rights of Indigenous Peoples Act • Minister of Finance Mandate Letter, 2021 • 2023 Reports of the Commissioner of the Environment and Sustainable Development, Report 6—Canadian Net-Zero Emissions Accountability Act—2030 Emissions Reduction Plan • 2024 Reports of the Commissioner of the Environment and Sustainable Development, Report 7—Canadian Net-Zero Emissions Accountability Act—2024 Report • Framework for the Management of Risk, Treasury Board
Environment and Climate Change Canada and the Office of the Superintendent of Financial Institutions Canada have made progress to advance relevant recommendations.	• 2023 Reports of the Commissioner of the Environment and Sustainable Development, Report 4—Supervision of Climate-Related Financial Risks—Office of the Superintendent of Financial Institutions Canada • 2022 Reports of the Commissioner of the Environment and Sustainable Development, Report 5—Carbon Pricing—Environment and Climate Change Canada

Criteria	Sources
The Department of Finance Canada, in cooperation with Environment and Climate Canada, has reported on the key measures that the federal public administration has taken to manage its financial risks and opportunities related to climate change in a manner that meets its legislative requirements and aligns with reporting best practices.[3] [3] Best practices include whether the report is relevant, consistent, complete, and transparent.	• Canadian Net-Zero Emissions Accountability Act • Framework for the Management of Risk, Treasury Board • Greening Government Strategy: A Government of Canada Directive, Treasury Board of Canada Secretariat • Greening Government Strategy Implementation Plan and Roadmap, Treasury Board of Canada Secretariat • Government of Canada Trust and Transparency Strategy, Treasury Board of Canada Secretariat • Guiding Principles for Modalities, Procedures and Guidelines of the Enhanced Transparency Framework under the Paris Agreement, United Nations Framework Convention on Climate Change, 2019 • Recommendations of the Task Force on Climate-Related Financial Disclosures, 2017

Period covered by the audit

The audit covered the period from June 30, 2021, to July 31, 2025. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded the start date of this period.

Date of the report

We obtained sufficient and appropriate audit evidence on which to base our conclusion on October 27, 2025, in Ottawa, Canada.

Audit team

This audit was completed by a multidisciplinary team from across the Office of the Auditor General of Canada led by Kimberley Leach, Principal. The principal has overall responsibility for audit quality, including conducting the audit in accordance with professional standards, applicable legal and regulatory requirements, and the office’s policies and system of quality management.

Recommendations and Responses

Responses appear as they were received by the Office of the Auditor General of Canada.

In the following table, the paragraph number preceding the recommendation indicates the location of the recommendation in the report.

Recommendation	Response
23. To provide businesses and other investors with greater certainty to support and accelerate clean electricity investment in Canada, the Department of Finance Canada should provide a timely update on the status of the implementation of the Clean Electricity Investment Tax Credit.	**The Department of Finance Canada's response.** Agreed. Department of Finance Canada will provide an update on the status for implementation of the Clean Electricity investment tax credit.
37. To enhance the alignment of sustainable financing to Canada's emission reduction targets, the Department of Finance Canada should publish a timeline and actions required to develop and implement the sustainable investment guidelines.	**The Department of Finance Canada's response.** Agreed. Once a third-party organization(s) is selected by the government to lead the development of sustainable investment guidelines, the Department of Finance Canada will publish next steps that include a timeline to develop and implement guidelines.
42. To assess the federal government's support of clean technologies that would contribute to Canada's emission reductions, the Department of Finance Canada, working with other federal organizations, should evaluate the social, environmental, and economic outcomes of the Clean Economy investment tax credits and publish the results. The evaluation should consider the information that is collected from the required taxpayer reporting on the investment tax credits for carbon capture, utilization, and storage and for clean hydrogen.	**The Department of Finance Canada's response.** Agreed. The Department of Finance Canada will evaluate the social, environmental, and economic outcomes of the Clean Economy investment tax credits and publish its findings in a future edition of the Report on Federal Tax Expenditures.

Recommendation	Response
47. To accelerate emission reductions, Environment and Climate Change Canada, in collaboration with other federal organizations, should identify, provide details on, and make public the additional and strengthened measures that the federal government can implement to meet Canada's 2030 target.	**Environment and Climate Change Canada's response.** Agreed. As per the requirements of the Canadian Net-Zero Emissions Accountability Act, the federal government will publicly report on climate plans and progress. The federal government will prepare a progress report for Canada's 2030 target, by the end of 2025 and in 2027, which will include Canada's most recent published greenhouse gas emissions projections for 2030 as required by subsection 14(2a.1) of the Canadian Net-Zero Emissions Accountability Act. To comply with the requirements of subsection 14(2b.2) of the Canadian Net-Zero Emissions Accountability Act, the progress reports will include details of any additional measures that could be taken to increase the probability of achieving that target if the projections indicate that the target will not be met.
61. To improve the relevance, consistency, completeness, and transparency of its annual reporting on climate-related financial risks and opportunities, the Department of Finance Canada should report on the key measures taken by the federal public administration, including certain federal Crown corporations, to manage climate-related financial risks and opportunities using an approach that aligns with climate-related financial disclosure frameworks.	**The Department of Finance Canada's response.** Agreed. In line with Section 23 of the Canadian Net-Zero Emissions Accountability Act, the Department of Finance Canada, in collaboration with the Department of Environment and Climate Change, will prepare an annual report that will outline the key measures the Federal Public Administration, including certain Crown corporations, has taken to manage its financial risks and opportunities related to climate change. Where appropriate, the reporting will draw on available public sector disclosure frameworks, where applicable to legislative requirements under the Canadian Net-Zero Emissions Accountability Act.

Appendix 1—Examined Measures

Descriptions of criteria applied for the assessment are in the **About the Audit** section.

Effective—Effective implementation for reducing emissions by 2030

Partially effective—Partially effective implementation for emission reductions by 2030

Ineffective—Ineffective implementation for reducing emissions by 2030

Economy-wide

Measure	Organization name	Overall assessment of progress to reduce emissions by 2030	Audit findings on effective implementation to reduce emissions by 2030
Clean Hydrogen Investment Tax Credit	Department of Finance Canada[1]	Partially effective	The initial uptake had been lower than expected compared with cost projections. While the measure was expected to cost $420 million by March 2025, the Canada Revenue Agency had not received any claims by that date. There was no public estimate of expected emission reductions and no system for measuring results beyond the financial implications of the measure.
Investment Tax Credit for Carbon Capture, Utilization, and Storage	Department of Finance Canada[1]	Partially effective	The initial uptake has been lower than expected compared with cost projections. The measure was expected to cost $150 million over the first 2 fiscal years that it was retroactively available. By the end of our audit period, the Canada Revenue Agency had received 3 claims for those fiscal years totalling only $21 million. There was no public estimate of expected emission reductions and no system for measuring results beyond the financial implications of the measure.

Measure	Organization name	Overall assessment of progress to reduce emissions by 2030	Audit findings on effective implementation to reduce emissions by 2030
Canada Growth Fund	Department of Finance Canada Canada Growth Fund Canada Growth Fund Investment Management	Partially effective	There was no public estimate of expected emission reductions for the overall fund, and the system for measuring results lacked targets. The Canada Growth Fund is still assessing how to apply the gender-based analysis plus lens and how to collaborate with Indigenous communities and business in executing its investment mandate. The fund includes no carve-outs for Indigenous groups.

Enabling

Measure	Organization name	Overall assessment of progress to reduce emissions by 2030	Audit findings on effective implementation to reduce emissions by 2030
Green bonds	Department of Finance Canada Environment and Climate Change Canada	Partially effective	This financing mechanism was not intended to reduce emissions. According to the Department of Finance Canada, the Green Bond Program does not apply additional gender-based analysis plus considerations or criteria beyond those already applied by participating programs or initiatives.
Clean Technology Manufacturing Investment Tax Credit	Department of Finance Canada[1]	Partially effective	Initial uptake had been lower than expected compared with cost projections. While the measure was expected to cost $1 billion by March 2025, the Canada Revenue Agency had received $33 million in claims to date. There was no public estimate of expected emission reductions and no system for measuring results beyond the financial implications of the measure.

Measure	Organization name	Overall assessment of progress to reduce emissions by 2030	Audit findings on effective implementation to reduce emissions by 2030
Clean Technology Investment Tax Credit	Department of Finance Canada[1]	Partially effective	Initial uptake had been lower than expected compared with cost projections. While the measure was expected to cost $2.2 billion by March 2025, the Canada Revenue Agency had received $717 million in claims that were under review, and only $22 million was to be paid out. There was no public estimate of expected emission reductions and no system for measuring results beyond the financial implications of the measure.

Electricity

Measure	Organization name	Overall assessment of progress to reduce emissions by 2030	Audit findings on effective implementation to reduce emissions by 2030
Clean Electricity Investment Tax Credit	Department of Finance Canada	Ineffective	The tax credit has yet to be introduced in Parliament. It is expected to be made retroactively available from March 2024. Draft legislation was released in August 2024, and public consultations began in September 2024. This proposed tax credit is expected to be made available to certain tax-exempt incorporated entities, including designated provincial and territorial Crown corporations, pension investment corporations, corporations owned by Indigenous governing bodies, and municipalities.

Heavy Industry

Measure	Organization name	Overall assessment of progress to reduce emissions by 2030	Audit findings on effective implementation to reduce emissions by 2030
Cutting corporate taxes for manufacturers and producers of zero-emission technologies	Department of Finance Canada[1]	Partially effective	The measure became available for taxation years that began after 2021 and is expected to be eliminated by January 1, 2032. Since 2022, fewer than 30 corporations claimed the reduced tax rate, for a cost of only $15 million, lower than the $61 million projected.

Oil and Gas

Measure	Organization name	Overall assessment of progress to reduce emissions by 2030	Audit findings on effective implementation to reduce emissions by 2030
Phasing out inefficient fossil fuel subsidies	Department of Finance Canada Environment and Climate Change Canada[2]	Ineffective	There were significant delays in key elements. • The Government of Canada committed to a peer review in 2018 but has since decided to do only a self-review, which remains under development. • The government also committed to publish an inventory by December 2024, but it has not yet done so. • In 2021, the federal government committed to developing a plan to phase out public financing of the fossil fuel sector. As of 2025, departments had performed preliminary analysis to identify public financing and inform subsequent decision making. The system for measuring results lacked some information. United Nations' Sustainable Development Goal indicator 12.c.1 would monitor progress on rationalizing inefficient fossil fuel subsidies. However, Canada is not reporting data on this indicator.

[1] In addition, the Canada Revenue Agency is responsible for administering and conducting audit and compliance activities of the implemented tax measures. Natural Resources Canada is responsible for supporting the administration of the implemented investment tax credit measures except for the Investment Tax Credit for Clean Technology Manufacturing and the corporate tax cut for manufacturers and producers of zero-emission technologies. The department's support includes providing scientific, engineering, and technical guidance; project evaluation; verification of property; and confirmation of project plans.

[2] In addition, Natural Resources Canada supports the Department of Finance Canada and Environment and Climate Change Canada in their efforts to eliminate inefficient fossil fuel subsidies.

Appendix 2—Text Descriptions of Exhibits

Here are the text descriptions of the exhibits.

Exhibit 1—The federal government's recent commitments and actions to reduce greenhouse gas emissions

This timeline shows the federal government's recent commitments and actions to reduce greenhouse gas emissions. It shows documents, legislation, and targets that apply to these commitments and actions for the period from 2015 to 2024.

In 2015, the United Nations' 2030 Agenda for Sustainable Development was adopted. Sustainable Development Goal 13 calls for urgent action to combat climate change and its impacts. Target 13.2 calls on countries to integrate climate change measures into national policies, strategies, and planning.

Also in 2015, the United Nations' Paris Agreement was adopted. It seeks to limit global average temperature rise to well below 2 degrees Celsius and preferably no higher than 1.5 degrees Celsius above pre-industrial levels.

In 2021, under the Paris Agreement, Canada set targets to reduce greenhouse gas emissions by 40% to 45% below the 2005 level by 2030 and to reach net-zero emissions by 2050.

Also in 2021, the Canadian Net-Zero Emissions Accountability Act came into force. The act promotes transparency and accountability in the federal government's efforts to ensure Canada achieves net-zero greenhouse gas emissions by 2050.

In 2022, the federal government published the 2022–2026 Federal Sustainable Development Strategy. The document set out the Government of Canada's sustainable development goals and targets, including its 2030 emissions target under Goal 13, and outlines implementation strategies and short-term milestones for achieving them.

Also in 2022, the Minister of Environment and Climate Change published the 2030 Emissions Reduction Plan. This first plan under the Canadian Net-Zero Emissions Accountability Act outlined the emission reduction measures that the federal government intended to take to achieve Canada's 2030 target. Under the Canadian Net-Zero Emissions Accountability Act, the federal government set an interim objective to reduce greenhouse gas emissions by 20% below the 2005 level by 2026.

In 2023, the Minister of Environment and Climate Change published the first progress report on the 2030 Emissions Reduction Plan. The document reported on 149 federal measures and sub-measures across 11 economic sectors and categories, led by 20 federal organizations, intended to reduce greenhouse gas emissions.

In 2024, under the Paris Agreement, Canada set a new target to reduce greenhouse gas emissions by 45% to 50% below the 2005 level by 2035.

Source: Based on information from various federal government and United Nations sources

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Exhibit 2—Canada’s greenhouse gas emissions, interim objective, and targets

This graph shows Canada’s greenhouse gas emissions, interim objective, and targets since 1990 in megatonnes of carbon dioxide equivalent.

Overall, Canada’s greenhouse gas emissions increased from 1990 to their peak of 774 megatonnes of carbon dioxide equivalent in 2007. Since then, emissions have fluctuated significantly on a slightly downward trend.

In 1990, the Canada’s greenhouse gas emissions were 606 megatonnes of carbon dioxide equivalent.

In 1991, emissions decreased to 602 megatonnes.

In 1992, emissions increased to 619 megatonnes.

In 1993, emissions increased to 624 megatonnes.

In 1994, emissions increased to 646 megatonnes.

In 1995, emissions increased to 665 megatonnes.

In 1996, emissions increased to 686 megatonnes.

In 1997, emissions increased to 701 megatonnes.

In 1998, emissions increased to 708 megatonnes.

In 1999, emissions increased to 718 megatonnes.

In 2000, emissions increased to 746 megatonnes.

In 2001, emissions decreased to 739 megatonnes.

In 2002, emissions increased to 746 megatonnes.

In 2003, emissions increased to 764 megatonnes.

In 2004, emissions remained steady at 764 megatonnes.

In 2005, emissions decreased to 759 megatonnes.

In 2006, emissions decreased to 755 megatonnes.

In 2007, emissions increased to 774 megatonnes.

In 2008, emissions decreased to 758 megatonnes.

In 2009, emissions decreased to 714 megatonnes.

In 2010, emissions increased to 728 megatonnes.

In 2011, emissions increased to 738 megatonnes.

In 2012, emissions increased to 741 megatonnes.

In 2013, emissions increased to 750 megatonnes.

In 2014, emissions decreased to 747 megatonnes.

In 2015, emissions decreased to 742 megatonnes.

In 2016, emissions decreased to 725 megatonnes.

In 2017, emissions increased to 738 megatonnes.

In 2018, emissions increased to 747 megatonnes.

In 2019, emissions remained steady at 747 megatonnes.

In 2020, emissions decreased to 682 megatonnes.

In 2021, emissions increased to 694 megatonnes.

2022, emissions increased to 700 megatonnes.

In 2023, emissions decreased to 694 megatonnes.

The interim objective for 2026 is 607 megatonnes (20% below the 2005 level).

The target for 2030 is from 455 to 417 megatonnes (40% to 45% below the 2005 level).

The target for 2035 is from 417 to 379 (45% to 50% below the 2005 level).

Note: The land use, land-use change, and forestry accounting contributions were not included because those values had not yet been published.

Source: Based on data from the National Inventory Report 1990–2023: Greenhouse Gas Sources and Sinks in Canada, Environment and Climate Change Canada, 2025

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Exhibit 3—Performance of Group of Seven countries in reducing greenhouse gas emissions

This graph shows the emissions changes between 1990 and 2023 and between 2005 and 2023 for the following countries: Canada, France, Germany, Italy, Japan, and the United Kingdom. For the United States of America, it shows the emissions changes between 1990 and 2022 and between 2005 and 2022 because data for this country was not available for 2023.

The baseline year for reporting emissions and assessing progress under the United Nations Framework Convention on Climate Change is 1990.

The baseline year that Canada chose for its 2030 target under the Paris Agreement is 2005.

Canada was the worst performer of the 7 countries using either of the 2 baseline years: 1990 or 2005, and it is the only country whose emissions increased from 1990 to 2023. During this period, Canada's emissions increased by 14%. But from 2005 to 2023, its emissions decreased by 8.5%.

Other countries' emissions follow.

From 1990 to 2023, France's emissions decreased by 31%. From 2005 to 2023, its emissions decreased by 32%.

From 1990 to 2023, Germany's emissions decreased by 46%. From 2005 to 2023, its emissions decreased by 32%.

From 1990 to 2023, Italy's emissions decreased by 26%. From 2005 to 2023, its emissions decreased by 35%.

From 1990 to 2023, Japan's emissions decreased by 16%. From 2005 to 2023, its emissions decreased by 22%.

From 1990 to 2023, the United Kingdom's emissions decreased by 52%. From 2005 to 2023, its emissions decreased by 45%.

From 1990 to 2022, the United States of America's emissions decreased by 3%. From 2005 to 2022, its emissions decreased by 15%.

Source: National inventory reports for 1990–2023 for each country, except for the United States of America, which was its national inventory report for 1990–2022

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Exhibit 7—Canada was slow to develop sustainable investment guidelines

This timeline shows the steps that Canada has taken to develop sustainable investment guidelines. The period of time shown is 6 years, from April 2018 to October 2024.

In April 2018, the Minister of Finance and the Minister of Environment and Climate Change jointly appointed the Expert Panel on Sustainable Finance.

In June 2019, the Final Report of the Expert Panel on Sustainable Finance was published, which recommended that the Department of Finance Canada lead in convening key interested parties to develop sustainable investment guidelines.

In July 2020, the Government of Canada announced the creation of the Sustainable Finance Action Council, with $7.3 million over 3 years, to provide expertise to the Minister of Finance and the Minister of Environment and Climate Change.

In May 2021, the federal government launched the council, whose mandate included making recommendations on common standards for sustainable and low-carbon investments.

In September 2022, the council completed its Taxonomy Roadmap Report with 10 recommendations to the Government of Canada.

In November 2023, the 2023 Fall Economic Statement announced that the government would undertake the next steps to develop these guidelines.

In October 2024, the Department of Finance Canada provided an update on the plans to develop guidelines, including that it would provide funding to a third party to develop and govern the guidelines.

Source: Based on information from various federal government sources

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Exhibit 8—Public sector organizations in other countries and jurisdictions have begun disclosing climate-related financial risks and opportunities

This is a list of 3 jurisdictions' reporting on climate-related financial disclosures.

The United Kingdom, nationally, requires mandatory climate-related financial disclosures for central government departments, aligned with the Task Force on Climate-Related Financial Disclosures' recommendations. The contents of the disclosures are based on a phased implementation approach from reporting years 2024 to 2026.

The Australian state of New South Wales requires mandatory reporting on climate-related financial disclosures for state government organizations, closely informed by the International Sustainability Standards Board's standard on climate-related disclosures. The requirement for organizations to report was introduced on a phased basis over 3 years, commencing from the 2024–25 fiscal year.

The annual financial reports of the Canadian municipalities of Vancouver, Toronto, and Montréal voluntarily include disclosure guided by the Task Force on Climate-Related Financial Disclosures' recommendations. The implementation began as early as the 2018 reporting year.

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