



Canada's Energy Future

Moving Ahead in One Canadian Economy

Expert Group on Canada-US Relations

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Canada's Energy Future

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Disclaimer

This White Paper is intended to stimulate discussion on important issues related to Canadian energy policy. The opinions in this White Paper solely represent the views of the authors. They do not necessarily reflect the views of other members of the Expert Group on Canada-US Relations or the organizations of which both the authors and other members of the Expert Group are members.

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Executive Summary

The Expert Group on Canada-US Relations seeks to build on its earlier recommendations to reduce Canada's dependence on the United States by also addressing the internal challenges that the Government of Canada must overcome to pursue a robust strategy for diversification, economic growth, and productivity, particularly in key sectors such as energy.

Canada is at a pivotal moment in its energy transition, with hundreds of major projects—spanning LNG, hydrogen, wind, nuclear, hydro, pipelines, and Indigenous-led infrastructure—representing over \$600 billion in actual and potential investment¹. These projects offer the potential to generate nearly 50,000 direct jobs, increase GDP by at least \$11 billion per year from LNG alone, and deliver substantial tax revenues and export growth.

The passage of Bill C-5 (One Canadian Economy Act) is a welcome transformative step, empowering the federal government to designate “national interest projects” (NIPs), streamline federal approvals into a single authorization, and target a two-year approval timeline. This new framework is designed to accelerate project launches, attract global investment, and facilitate the development of energy corridors, pipelines, ports, and cleaner technology projects nationwide.

As the government considers its priority infrastructure projects, the energy sector, which is a source of Canada's competitive strength and can help meet the urgent global need for energy produced in democracies with high environmental and human rights standards, should be high on the list.

However, these ambitions can only be realized by addressing significant internal challenges. The compressed timelines for project approvals under Bill C-5 raise concerns about the depth and quality of Indigenous consultation, legal risk, and environmental integrity. Insufficient engagement or rushed reviews can result in legal challenges, costly delays, and reputational harm, as seen in recent major projects.

¹ According to the Government of Canada's Canadian Centre for Energy Information, “In 2023, there were 223 planned (announced, under review, or approved) major energy projects worth \$294 billion, and 120 energy projects under construction worth \$180 billion. There were 233 cleaner technology projects valued at \$159 billion.” Available at: <https://energy-information.canada.ca/sites/default/files/2024-10/energy-factbook-2024-2025.pdf>.

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To mitigate these risks, the government must:

- Deepen Indigenous engagement, as it has acknowledged, to ensure genuine, equitable partnerships and meaningful participation throughout the project lifecycle.
- Implement prudent financial risk management, prioritize projects with strong private sector backing and reserve government support when appropriate for high-risk, high-impact ventures.
- Provide transparent reporting and proactive stakeholder engagement to build public trust and secure broad-based support for major projects.
- Designate immediately—within the next six months—low-risk, high-impact projects that will be critical to validate its new approach, demonstrate early success, and establish a collaborative template for future, more complex initiatives.

It is with these goals in mind—reducing external dependence, addressing internal challenges, and strategically leveraging Canada's key economic sectors—that we offer this report. Our recommendations are designed to help the Government of Canada seize this moment to drive diversification, unlock investment, and secure a resilient, cleaner energy future for all Canadians.

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1. The Strategic Importance of Bill C-5

The Expert Group on Canada-U.S. Relations welcomes the recent passage of *Bill C-5, the One Canadian Economy Act*, and commends the Prime Minister's decisive leadership in expediting this landmark legislation. At a time when Canada faces persistent economic headwinds—ranging from punitive tariffs from the United States to sluggish GDP growth and mounting global competition—Bill C-5 represents a bold and necessary step to secure the nation's economic future and reduce our economic dependence on the United States. The government's commitment to “build big, build bold, and build now” sends a powerful signal to investors, workers, and trading partners that Canada is ready to deliver on major projects and unlock its vast economic potential.

Bill C-5 grants Ottawa new authority to fast-track “nation-building” projects deemed in the national interest. Once designated, these projects will benefit from a single, streamlined federal approval process, coordinated by a new Major Projects Office, which aims to reduce timelines from five years to two years.

However, a directional analysis we conducted of the approval and construction timelines for three major completed projects—Coastal GasLink, the Trans Mountain Expansion and LNG Canada Phase 1 (Kitimat)—combined with an ex-post assessment of the potential timeline savings that Bill C-5 could have provided, indicates that while the anticipated time savings are valuable, they may ultimately be relatively modest—on average a time savings of ~1.5 years.² This is primarily because court challenges, protests, and Indigenous issues have historically been the predominant sources of delay. These findings underscore the imperative for the government to proactively address and mitigate such challenges at the earliest stages of project development.

The government will also have to consider carefully its potential role in assuming some of the financial risks associated with major projects. While governments should, of course, be very prudent with public money, the reality is that those projects that serve broader public policy goals, such as reducing GHGs, are unlikely to go ahead without government-financed derisking.

² For each one of these projects, we developed a detailed vertical ex-post timeline for the project, including regulatory approvals, construction progress, delays caused by protests and court challenges, and the overlaid an ex-post facto analysis of how Bill C-5 might have shortened the process. For each project, we also constructed a GANTT chart to visualize the project's schedule, disruptions caused by regulatory delays, protests, court challenges, etc. and construction timelines to understand better the main causes of the delays.

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Ultimately, it will be crucial to achieve some early successes to establish support for the process and maintain momentum. The government will also need to quickly develop a couple of projects that have the potential to be quick wins.

2. Indigenous Consultation Requirements and Risks

As the federal government has acknowledged, meaningful Indigenous engagement is both a legal obligation and a practical necessity for the success of major energy projects in Canada. This requirement stems from both Section 35 of the Canadian Constitution and the United Nations Declaration on the Rights of Indigenous Peoples Act (UNDRIP), which was enacted by Parliament in 2021. The Act enshrines the requirement of “free, prior and informed consent” (FPIC) as contained in the UN Declaration. However, because the precise content and standards under the FPIC obligation are not entirely clear, legal vulnerability is a significant concern. The absence of clear, enforceable standards for consultation depth and process under Bill C-5 increases the risk of litigation, which can delay or halt projects entirely.

To mitigate this risk, consultation should begin as early as possible and continue throughout the project lifecycle. Providing dedicated funding and independent technical resources is essential to enable effective participation and negotiation. Transparent standards for consultation depth, timelines, and reporting should be established, with public disclosure of outcomes to build accountability. Encouraging Indigenous equity ownership, revenue sharing, and joint governance structures can foster engagement that transcends mere consultation to a true partnership. Finally, incorporating independent and timely dispute resolution mechanisms will help address concerns before they escalate into litigation or direct action.

The success of Bill C-5 in developing Canada's energy resources will depend on moving beyond minimum legal requirements to foster genuine, equitable partnerships with Indigenous peoples. This approach not only reduces legal and reputational risks but also unlocks greater economic and social value for all parties involved.

3. Financial Risk and Management Approach

A prudent financial risk and management approach is essential to the success of Canada's energy megaprojects under Bill C-5. Projects with higher technical, regulatory, or market risks—such as first-of-their-kind hydrogen hubs or large-scale Arctic LNG terminals—will require much greater government involvement in the form of financial guarantees, loan backstops, or targeted subsidies to attract private capital and mitigate investor uncertainty.

Projects that already have strong private sector financial backing, established commercial models, and proven technology, which offer high value for energy development and export, should be prioritized for early approval and implementation.

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This strategy minimizes the fiscal burden on federal and provincial governments, maximizes early wins, and allows scarce public resources to be reserved for derisking only the most challenging but strategically important projects. By aligning the level of government support with the degree of project risk and private sector commitment, Canada can accelerate its energy transition efficiently and responsibly.

Key tools include contracts-for-difference (CfD), green bonds, federal loan guarantees, and first-loss capital for CCS/hydrogen.

Table 1: Summary of Financial Risk and Management Approaches:

Category	Element	Summary
Risks	CCS/Hydrogen Viability	High costs and revenue risks may deter investment without government support.
	Renewable Construction	Rising costs and delays threaten the timely and cost-effective development of wind, solar, and storage projects.
Recommendations	Tax Credits	Expand cleaner energy tax credits, especially for Indigenous and new technology projects.
	Loan Guarantees	Provide guarantees and first-loss capital for high-risk projects like CCS and hydrogen.
	Revenue Guarantees	Offer long-term price guarantees or contracts for difference for renewables and hydrogen.
	Green Bonds/Depreciation	Use green bonds and accelerated depreciation to improve project economics.
	Insurance Pools	Create insurance pools to cover construction and early operational risks associated with renewable energy projects.

4. Urgency of Proof of Concept: Prioritizing “Low-Hanging Fruit”

To build momentum and validate the government's ambitious “nation-building” goals, Canada must move quickly on projects that are essentially expansions of existing, successful infrastructure projects with established supply chains, stakeholder relationships, and regulatory groundwork.

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Some of the best potential prospects, for example, are LNG Canada Phase 2 and Ksi Lisims LNG, which would be supplied by the Prince Rupert Gas Transmission (PRGT) pipeline. Ksi Lisims LNG falls under federal jurisdiction due to its marine impacts. LNG Canada Phase 2 already has regulatory approvals, environmental assessments, and Indigenous agreements in place. The federal policy most hindering LNG Canada Phase 2 is not federal approval or permits, but the federal government's emissions cap (which is not affected by Bill C-5). The project is now waiting for a Final Investment Decision (FID) from its proponents (such as Shell and partners), which is a business decision to commit capital and start construction. This decision is being delayed, not due to regulatory holdups, but because of uncertainty surrounding whether the project can operate profitably under the federal emissions cap.

The now-operational Trans Mountain pipeline expansion demonstrates the feasibility of large-scale, multi-jurisdictional energy infrastructure and offers a model for intergovernmental and Indigenous partnership. There is technical potential to increase capacity on the existing line by 200,000 to 300,000 barrels per day through operational enhancements, such as the use of drag-reducing agents and increased pumping capacity.

Success with these projects—and others where a strong business case already exists—will demonstrate Bill C-5's effectiveness, reduce approval timelines, and create political capital for more complex projects. They will also set a compelling precedent for federal, provincial, and Indigenous cooperation on future projects.

5. The Next Six Months: Critical Actions for Success

The passage of Bill C-5 is only the beginning. The next six months will be decisive in translating legislative intent into tangible economic outcomes. We recommend the following actions:

- ⇒ **Designate Priority Projects Immediately:**
The federal cabinet should publish a list of “national interest” projects to be fast-tracked under the new Bill C-5 regime. This should include LNG, oil, nuclear, hydrogen, and renewable energy infrastructure, all of which have broad economic and strategic significance.
- ⇒ **Deepen Indigenous Engagement:**
Launch a formal process for co-developing benefit-sharing and equity agreements with Indigenous nations for all designated projects.
- ⇒ **Secure and Deploy Financing:**
Allocate new federal funds for cleaner energy and hydrogen projects and accelerate the disbursement of existing credits and incentives for projects that align with federal priorities.
- ⇒ **Communicate and Build Public Trust:**
Provide transparent reporting, stakeholder engagement, and clear articulation

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of project benefits to secure broad-based support and ensure the long-term success of Canada's energy strategy.

5. Conclusion

Bill C-5 marks a potential turning point in Canada's approach to nation-building projects, offering tools to drive economic recovery and sustainable growth. Immediate action on low-risk, high-impact projects will provide proof of concept, build momentum, and establish a collaborative template for more complex initiatives. With discipline, focus, and genuine Indigenous partnerships, Canada can seize this moment to deliver over \$ 100 billion in investment, 50,000+ jobs, and a resilient, cleaner energy future.

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Expert Group on Canada-US Relations

The Expert Group on Canada-U.S. Relations is focused on developing the key elements of a comprehensive Canadian strategy for Canada-U.S. relations. Its work is supported by The Norman Paterson School of International Affairs, Carleton University, and the Canadian Global Affairs Institute.

Co-chairs

The Honourable Perrin Beatty, PC, OC, is a director and business advisor. He is the former President and CEO of the Canadian Chamber of Commerce and served as minister in seven different portfolios, including the Treasury Board, National Revenue, Solicitor General, National Defence, National Health and Welfare, Communications and External Affairs.

Fen Osler Hampson, FRSC, is the Chancellor's Professor and Professor of International Affairs at Carleton University and President of the World Refugee & Migration Council. A graduate of the University of Toronto, the London School of Economics, and Harvard University, he is a Fellow of the Royal Society of Canada and the author and co-editor of 48 books on Canadian foreign and economic policy, as well as international relations.

Members

Thomas d'Aquino is the Founding CEO and Distinguished Life Member of the Business Council of Canada, formerly known as the Canadian Council of Chief Executives. He is also a founder and Chair Emeritus of the North American Forum and has served as a director of several of Canada's leading global enterprises. He has also served as a Special Assistant to the Prime Minister of Canada and as a Professor of International Trade and Business Transactions at the University of Ottawa Law School. He is the author of the #1 national best-seller, *Private Power Public Purpose*.

Louise Blais served as Ambassador and Deputy Permanent Representative of Canada to the United Nations from 2017 to 2021 and was responsible for the 2030 Agenda and the campaign for the Security Council. She also served on the UNICEF Executive Board, which has a \$7 billion budget, where she was elected Vice Chair in 2019. She was appointed co-facilitator by the President of the UN General Assembly for the resolution of the 31st Special Session on COVID-19. She began her career as an Art Theft Analyst at Interpol. She then served as Program Manager for the National Archives Development Program from 1992 to 1996 before joining the Department of Foreign Affairs in 1992. Abroad, she was first posted to the Washington Embassy, then to Tokyo and Paris. During her 5-year mandate in France, she and the team at the Embassy were responsible for preparing the Canadian participation at the G8 Summit in Deauville and the G20 in Cannes. In Ottawa, she held the positions of Director of Public Diplomacy and Executive Director of Human Resources Management, overseeing over 2,000 rotational employees worldwide.

Carlo Dade is the Director of International Policy at the University of Calgary's School of Public Policy. He was previously the founder and Director of the Trade and Trade Infrastructure Policy Research Centre at Canada West Foundation. Among other notable accomplishments, he made significant contributions to the development of a national trade infrastructure plan and the revitalization of Canada's trade corridors.

Laura Dawson is the Principal Program Manager (Americas) at Amazon Web Services Institute at Amazon Web Services. Named one of Canada's Top 100 foreign policy influencers by the Hill Times in 2014, Dawson is a speaker, writer, and thought leader on Canada-U.S., NAFTA, TPP, and

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international trade issues. Previously, she was the Director of the Wilson Centre's Canada Institute, served as a senior advisor on economic affairs at the United States Embassy in Ottawa, and taught international trade and Canada-U.S. relations at the Norman Paterson School of International Affairs. Dawson continues to serve as Emeritus Advisor at Dawson Strategic, which provides advice to businesses on cross-border trade, market access and regulatory issues. She is a Fellow at the Canadian Defence & Foreign Affairs Institute and serves on the board of the Council of the Great Lakes Region.

Heather Exner-Pirot is a Senior Fellow and Director of Energy, Natural Resources and Environment at the Macdonald-Laurier Institute in Ottawa, Special Advisor to the Business Council of Canada, Research Advisor to the Indigenous Resource Network, and Global Fellow at the Wilson Centre in Washington D.C. She has twenty years of experience in Indigenous, Arctic and resource development and governance. She obtained a PhD in Political Science from the University of Calgary in 2011. Exner-Pirot sits on the boards of the Saskatchewan Indigenous Economic Development Network and the Canadian Rural Revitalization Foundation. She is a member of the Canadian Defence and Security Network and serves as a Network Coordinator for the North American and Arctic Defence and Security Network. She is the Managing Editor of the Arctic Yearbook (an international, peer-reviewed annual volume), a member of Yukon's Arctic Security Advisory Council, and the former Chair of the Canadian Northern Studies Trust.

Martha Hall Findlay is the Director of the School of Public Policy at the University of Calgary and the former Chief Sustainability Officer, then Chief Climate Officer for Suncor Energy and former President and CEO of the Canada West Foundation.

Jonathan Fried is a senior adviser with the Albright Stonebridge Group in Washington, D.C., and an adviser to Independent Economics Consulting in London, United Kingdom. Before retiring from the Canadian government, he served as the coordinator for international economic relations and concurrently as the personal representative of Prime Minister Trudeau for the G20 from 2017 to 2020.

Lawrence L. Herman is an international trade lawyer with Cassidy Levy Kent LLP (Ottawa & Washington) and Herman & Associates (Toronto). He was previously a member of Canada's mission to the UN and the GATT. He has advocated cases before the Canadian International Trade Tribunal (CITT), NAFTA panels, and Canadian courts.

Meredith Lilly, Ph.D., is a full Professor and Simon Reisman Chair in International Economic Policy at Carleton University's Norman Paterson School of International Affairs. Her research focuses on North American trade relations, Canada's trade diversification strategy, economic sanctions, and the application of research evidence in policymaking. Before her appointment at Carleton, she served as Foreign Affairs and International Trade Advisor to Canadian Prime Minister Stephen Harper. She is a member of the CD Howe Institute's International Economic Policy Council, a non-resident scholar at Rice University's Baker Institute for Public Policy, and an Advisory Board member for the Canadian Global Affairs Institute. She serves as the Academic Partner for Canada's delegation to the North American Forum.

Gary Mar is President and CEO of the Canada West Foundation and the former President and CEO of the Petroleum Services Association of Canada (PSAC). He has had broad experience in government, having served as a Member of the Legislative Assembly in the Province of Alberta from 1993 to 2007 and held several senior Cabinet portfolios.

Marie-Lucie Morin is the Vice-chair of the Board of the Asia Pacific Foundation of Canada. She served as Executive Director for Canada, Ireland, and the Caribbean at the World Bank from 2010 to 2013. Before joining the World Bank, Ms. Morin pursued a 30-year career in the Federal Public Service. She was appointed National Security Advisor to the Prime Minister and Associate Secretary to the cabinet (2008 – 2010); previously served as Deputy Minister for International

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Trade and as Associate Deputy Minister of Foreign Affairs (2003 -2008). During the earlier years of her career with the Department of Foreign Affairs and International Trade, Ms. Morin completed assignments in San Francisco, Jakarta, London, and Moscow. She was appointed Ambassador to the Kingdom of Norway with concurrent accreditation to the Republic of Iceland (1997 – 2001). Ms. Morin was awarded the Governor General's 125th Anniversary of the Confederation of Canada Medal, was named Chevalier de la Légion d'honneur in 2012 and became a member of the Order of Canada in 2016.

Vice-Admiral (Retired) Mark Norman retired from the Royal Canadian Navy in the rank of Vice-Admiral in August of 2019 after over 39 years of service. Norman started his naval service as a reserve diesel mechanic in 1980 and rose through the ranks to be the Vice-Chief of Defence. His military career has seen him serve at sea domestically and internationally, command a warship, the Canadian Atlantic Fleet, and ultimately the Royal Canadian Navy itself. Since retirement, Norman has applied his energy to a variety of pursuits, including as Champion for the Royal Canadian Benevolent Fund, Senior Defence Strategist at Samuel Associates, contributing to the critical debate about security and defence issues in Canada as both a fellow with the Canadian Global Affairs Institute and as a member of the Conference of Defence Associations Board.

Vincent Rigby is the Slater Family Professor of Practice and formerly the McConnell Visiting Professor for 2022-2023 at McGill University. He recently retired from Canada's Public Service after 30 years in senior posts in various departments and agencies across the government, including the Privy Council Office, Global Affairs Canada, Public Safety, the Department of National Defence, and the former Canadian International Development Agency.

Colin Robertson is a former Canadian diplomat and Vice President and Fellow at the Canadian Global Affairs Institute and hosts its regular Global Exchange podcast. He is an Executive Fellow at the University of Calgary's School of Public Policy, a Distinguished Senior Fellow at the Norman Paterson School of International Affairs at Carleton University and a member of the Defence Advisory Board of the Department of National Defence.

Tim Sargent is a senior fellow and Director of the Domestic Policy Program at the Macdonald-Laurier Institute. He is also a distinguished fellow at the Centre for International Governance Innovation, a Waterloo-based think-tank that addresses significant global issues at the intersection of technology and international governance. Before joining MLI, Sargent was deputy executive director at the Centre for the Study of Living Standards. He also spent 28 years in the federal government, where he held deputy minister and associate deputy minister positions at Fisheries and Oceans, International Trade, Finance, and Agriculture and AgriFood, as well as senior positions at the Privy Council Office. At Fisheries and Oceans, he oversaw the passing and implementation of major overhauls of the Fisheries Act and the Oceans Act, and the Canadian Coast Guard's multi-billion-dollar fleet renewal plan. At International Trade, he oversaw the successful negotiations for the Canada-US-Mexico Agreement (CUSMA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Sargent has a PhD in Economics from the University of British Columbia, an MA in Economics from Western University and a BA (Econ) from the University of Manchester.

John Weekes is an international trade policy adviser, experienced in trade agreements and the settlement of trade disputes. From 1991 to 1994, he served as Canada's chief negotiator for NAFTA. He was Ambassador to GATT during the Uruguay Round of multilateral trade negotiations, as well as Chair of the GATT Council in 1989 and Chair of the Contracting Parties to the GATT in 1990.