

# Intelligence MEMOS



**From:** Charles DeLand and Brad Gilmour  
**To:** Canadian Major Project Watchers  
**Date:** April 16, 2024  
**Re:** CANADA NEEDS MORE MAJOR PROJECT INVESTMENT: HERE ARE SOME IDEAS

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It has not been easy for Canadian companies to plan and complete major projects in Canada recently. Hydroelectric dams, pipelines, mines, rail hubs, and port expansions and others are inherently complex and tough to build anywhere, but policy has made these projects extraordinarily hard to get approved, let alone complete in our own country. Here are some options for Canadian policymakers to make the project approval process faster and more transparent, yet still rigorous.

Over the past ten years, large project proponents have faced many unexpected headwinds such as low commodity prices, wildfires, an uncertain international trade relationship, and a pandemic affecting labour and input supply chains. Canada's lengthy and uncertain regulatory and permitting procedures have further compounded matters. More recently, a Supreme Court [ruling](#) held that several sections of Canada's *Impact Assessment Act* that impinge on matters outside of federal jurisdiction proper, are unconstitutional has also brought this conversation to the forefront.

Critically, the federal government is now deciding how to deal with that ruling while also planning its annual budget release on April 16. These present Ottawa with a well-timed opportunity for improvement.

Impact-free major projects do not exist. Canadians rely on regulatory and permitting processes to understand costs to people, animals, air, and water as well as the substantial benefits and tradeoffs between various courses of action. Canadians expect a system that is independent, fact-based, fair, expert, efficient and predictable. In a forthcoming C.D. Howe Institute paper, we examine some potential changes that could help smooth our regulatory procedures.

Why does it matter? Because Canadian living standards are at stake.

Productivity, the value of the goods and services created compared to the effort and inputs that go into making them, is foundational to Canadian living standards. Canadian productivity growth is weak, and therefore, a big problem. Last month, the Bank of Canada said it's time to ["break the glass" on productivity](#) – in other words, this is an emergency, and investment can only help our eyebrow-raising productivity from here.

While Canada needs more investment of all kinds, major projects are especially crucial and provide ways to import the things we need, extract or manufacture products, provide routes to export markets, and make and transmit the electricity needed to power it all. In a forthcoming paper, we propose that provincial and federal governments agree on who the primary decision-maker is regarding a project; that we leave the decision-making to expert tribunals rather than politicians and courts; we assess whether existing review processes achieve the objective of improving the environmental performance of projects (i.e. are we getting a "bang for our buck"); that proponents can count on the process and approvals; and that participants consistently and sincerely adhere to respectful consultation procedures with Indigenous groups.

Canada's federal government acknowledges there's a problem. Its 2023 [Fall Economic Statement](#) recognized that "...more needs to be done to ensure major projects get built in a timely manner." Among other initiatives, the government also formed the [Ministerial Working Group on Regulatory Efficiency for Clean Growth Projects](#), a cross-ministry body formed to take "...action to improve federal regulatory and permitting processes to make them more efficient, transparent and predictable."

Many of the group's themes align with our recommendations but this is all meaningless unless swift and serious action is taken. And it should apply to all kinds of major projects, not only those with "clean" credentials.

Indeed, we worry the government does not fully comprehend how badly Canada needs all kinds of investment. Framing certain projects as "clean" – presumably those with certain positive environmental attributes – misses the point: No project is without some negative impact. Needlessly carving things up into "clean" and some other, undefined but less-desirable, category undermines consistency, and confuses investors who don't know whether their project fits. It's well past time to drop the special "clean" label imposed from the top. Canada needs all sorts of capital and technological investment, and they all should meet the same rigorous standards.

Policymakers face many complex decisions in improving and streamlining Canada's regulatory system. Greater cooperation, depoliticizing things, acknowledging the primary decision-maker upfront, challenging regulators to justify the benefit of each additional step, and ensuring sincere consultation with Indigenous communities would help. Overarching all of this, simple principles such as no "good" or "bad" investment category, and more investment is good for Canada need to be kept in mind. Our living standards depend on it.

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