



Climate Monster

The Heavy Hand of Climate Regulation

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THE HEAVY HAND OF CLIMATE REGULATION

EXECUTIVE SUMMARY

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One of the problems most frequently cited by businesses in Canada is the growth, cost and pervasiveness of regulations. They are often referred to as “red tape”, meaning the seemingly endless paperwork and reporting requirements imposed by governments that add to operating costs. In fact, the problem of over-regulation is far more extensive and includes almost all aspects of the Canadian administrative state.

This article will focus on the adverse effects of only one set of regulations in Canada - the commitment of the federal government and many provincial governments to the goal of achieving “net-zero” greenhouse gas (GHG) emissions by 2050. Attached as annexes A and B are partial lists of the federal regulations implemented in pursuit of climate policy objectives. There is almost no part of the Canadian economy left unaffected.

Of increasing interest and concern to Canadian firms are the growing number of allegedly voluntary requirements to decrease GHG emissions and to report on the progress in doing so. An example is the International Civil Aviation Organization (ICAO), which runs the *Carbon Offsetting and Reduction Scheme for International Aviation* (CORSIA). Another are the guidelines from the Office of the Superintendent of Financial Institutions (OSFI). OSFI demands that all federally regulated financial institutions (federal trust and loan companies, life insurance companies, property and casualty insurance companies, and federally regulated private pension plans) disclose their operational and “financed” greenhouse gas emissions.

For the Canadian energy industries, the focus of regulatory concern has long been their effect on the time required to obtain approval for major capital projects. The times required for pipeline reviews have recently ranged from 17 to 104 months; those for oil sands from 20 to 77 months, far exceeding the service standards set out in legislation.

The Carney government has passed legislation (the Building Canada Act, or BCA) intended to accelerate the regulatory review of major projects. The BCA did not rescind, or even significantly amend, any of the statutes that place the attainment of net-zero emissions at the forefront of government climate and energy policies. It remains unclear whether the BCA and the process it establishes will provide the efficiency and clarity of process that project proponents need.

The prospect of possible closer integration with the European Union raises a new set of questions about the future burden of regulation. European firms are confronted with a heavy cumulative regulatory burden problem resulting from years of intensive regulatory activity and a recent push to accelerate the EU’s green and digital transitions. It would be ironic if actions intended to protect Canada’s sovereignty over trade were to result in a far great loss of sovereign control to European elites.

THE HEAVY HAND OF CLIMATE REGULATION

"If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place, oblige it to control itself."

James Madison 1788

One of the problems most frequently cited by businesses in Canada is the growth, cost and pervasiveness of regulations. They are often referred to as “red tape”, meaning the seemingly endless paperwork and reporting requirements imposed by governments that add to operating costs. In fact, the problem of over-regulation is far more extensive and includes almost all aspects of the Canadian administrative state.



A Sept. 5, 2025, report, [“Stifled by Red Tape,”](#) by the Business Council of Canada explores the ways in which over-regulation by some 341,000 rules stifles Canadian competitiveness.

Key Takeaways

- Canada’s regulatory burden is growing fast — up 37% since 2006, now exceeding 321,000 requirements.
- The cost is real — our economy is 1.7% smaller, business investment is 9% lower, and employment is 1.3% weaker than it should be.
- Businesses rank regulation as the #1 barrier to investment — even ahead of concerns about Canada–U.S. trade.
- Delays are staggering — it can take 20 years to approve a new mine in Canada, among the slowest timelines in the world.
- Overlap and duplication are rampant — multiple regulators and jurisdictions create confusion, uncertainty, and cost.
- Solutions exist — smarter, more efficient regulation can boost competitiveness without sacrificing public protections.
- The time is now — September 5th, 2025, is the deadline for federal departments and agencies to present plans to reduce red tape.

A regulation is “an official rule or directive issued by a government agency or authority that carries the force of law to control behavior and enforce broader legislation”. In other words, regulations are derived from the broad laws (statutes) passed by legislatures and other government bodies (e.g. municipal councils) to specify in detail how the laws must be carried out in practice. Failure to comply with a regulation can result in legal penalties, fines, or loss of licences and other permits.



Image licensed from Adobe Stock. Generated by AI by [Porawit](#) (colorized green)

Today, the scope of regulation extends far beyond simple rules that must be followed. Regulations govern the ways in which government organizations must operate, the scope of their authority, reporting requirements on individuals and firms, and thousands of other matters in which governments have decided that they will control people’s lives. In the case of major capital projects, regulation includes the system by which proposals are reviewed by governments to determine whether they will be permitted, and the procedures and standards by which governments decide.

Few people are aware of the burden regulations impose. According to a recent [study](#) by the Canadian Federation of Independent Businesses, **regulatory compliance costs Canadian businesses \$51.5 billion annually.**

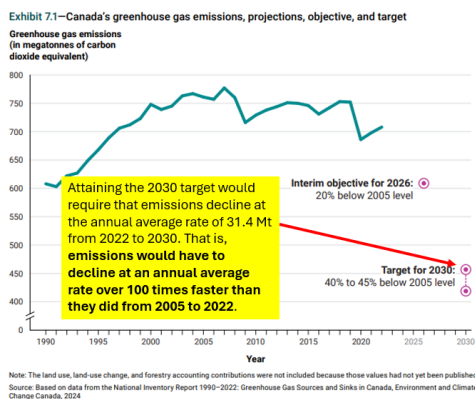
Approximately \$18 billion of this total represents avoidable, redundant red tape. The costliest regulatory categories are those related to the tax system (complex multi-tier filings and coping with changing tax rules), environmental permitting, and dealing with overlapping federal-provincial mandates in labour and environmental laws.

REGULATION AND CLIMATE POLICY

This article will focus on the adverse effects of only one set of regulations in Canada - the commitment of the federal government and many provincial governments to the goal of achieving “net-zero” greenhouse gas (GHG) emissions by 2050. Hydrocarbons now supply roughly 70 to 75% of Canada’s primary energy consumption, so achieving this goal would require significant reductions in the consumption of hydrocarbon energy sources (i.e. oil,

natural gas and coal). While there is [no legal requirement](#) to reduce emissions, the political goal is enshrined in several pieces of legislation including the *Net-Zero Emissions Accountability Act*, the *Greenhouse Gas Pollution Pricing Act*, the *Impact Assessment Act*, the *Canada Energy Regulator Act*. It is supplemented by other environmental legislation (e.g. the *Oil Tanker Moratorium Act*).

Attached as annexes A and B are partial lists of the federal regulations implemented in pursuit of climate policy



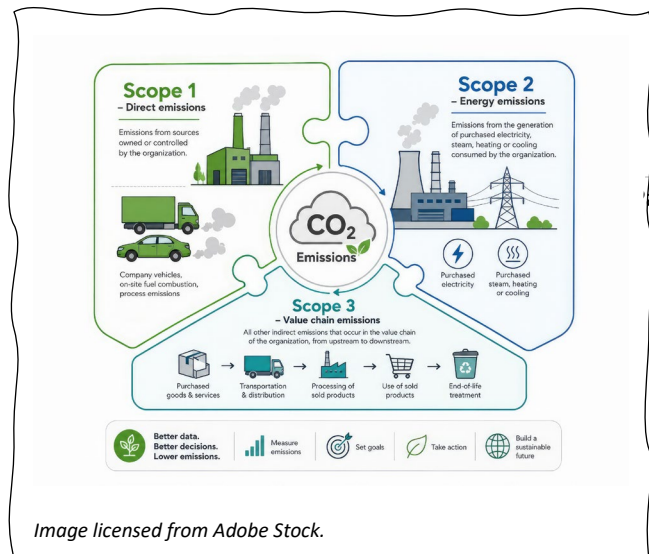
objectives. There is almost no part of the Canadian economy left unaffected. In addition to these, one must consider the broad scope of regulation by federal and provincial energy regulatory bodies, including the Canada Energy Regulator, the provincial regulators of resource conservation and development (such as the Alberta Energy Regulator) and the electricity regulators. In provinces like Ontario, electricity regulators have played prominent roles in promoting and imposing emissions reductions requirements, even when that has conflicted with their traditional mandates as protectors of consumers' interests. This has been frequently [documented](#) by retired banker Parker Gallant.

Of increasing interest and concern to Canadian firms are the growing number of allegedly voluntary requirements to decrease GHG emissions and to report on the progress in doing so. For example, while there are no regulations in place that require Canadian airlines to reduce GHG emissions, those flying internationally must follow a mix of global rules concerning purchasing emissions offsets (tradable credits representing one metric tonne of carbon dioxide equivalent reduced, removed, or avoided by a project), meeting new and demanding technology standards, and complying with regional carbon dioxide taxation regimes. The International Civil Aviation Organization (ICAO) runs the *Carbon Offsetting and Reduction Scheme for International Aviation* (CORSIA), under which a requirement to offset aviation emissions has been implemented on a voluntary basis since 2021; this requirement becomes mandatory for virtually all international flights starting in 2027. The goal of this program is that airlines buy offsets that exceed 85% of their 2019 baseline emission levels. The result, of course, will be higher fares for airline passengers and for air-transported freight.



Sylvera is one of many carbon-compliance consultancy firms. <https://www.sylvera.com/reports/corsia-countdown>
They offer many interesting reports on the world of carbon trading, something most taxpayers know nothing about.

Another set of troublesome “near regulations” are the guidelines from the Office of the Superintendent of Financial Institutions (OSFI). OSFI demands that all federally regulated financial institutions (federal trust and loan companies, life insurance companies, property and casualty insurance companies, and federally regulated private pension plans) disclose their operational and “financed” greenhouse gas emissions. Since 2024, financial institutions have had to report on their operational emissions (“Scope 1”) and emissions from purchased energy (“Scope 2”). By 2028 their financed (“Scope 3”) emissions (i.e. those produced by the companies to which they lend) must be reported to align with the Canadian Sustainability Standards Board standards. It is not even clear that this data will be available; assuming that it is, gathering it and reporting it in terms acceptable to OSFI will impose potentially unprecedented reporting costs on the financial institutions and those they serve.



TIMING OF CANADIAN ENERGY PROJECT APPROVALS

For the Canadian energy industries, the focus of regulatory concern has long been their effect on the time required to obtain approval for major capital projects (those costing over \$1 billion), and the related concern about the financial viability of these projects.

TIMING OF CANADIAN PROJECT APPROVALS: A SURVEY OF MAJOR PROJECTS

KURTIS REED, BRADLEY GRANT,
CAMERON ANDERSON, AND JONATHAN S. DRANCE*

This article provides a detailed canvassing of the Canadian energy project approval process, beginning with an examination of the evolution of the project approval process in Canada and the current legal framework under the Canadian Environmental Assessment Act, 2012. The article then applies the framework to numerous major energy project approvals in Canada from 2010 to present day, and provides a comparative analysis to the project approval processes in both the United States and Australia in order to find possible solutions to the issues plaguing our current system. This article identifies and discusses current, practical issues and provides recommendations for how the project approval process in Canada can become more efficient for all those involved.

<https://albertalawreview.com/index.php/ALR/article/view/469/461>

The Alberta Law Review has produced an authoritative [study](#) of the timing of energy project approvals since the revised *Canadian Environmental Assessment Act* (CEAA) was passed in 2012. That study examined five major categories of projects: pipelines; oil sands plants; liquified natural gas (LNG) plants; power generation; and power transmission. The timelines for project reviews and (where granted) approvals was as follows: pipelines - a range of 17 to 104 months, with an average of 49 months; oil sands - a range of 20-77 months with an average of 42

months; LNG - a range of 27-42 months with an average of 32 months; power generation - a range of 14 to 68 months, with an average of 37 months; and transmission - a range of 14-57 months, with an average of 26 months.

The grant description goes on to read:

"WCEL aims to establish the conditions under which a) opposition parties holding a parliamentary majority work together to enact a legislative tanker ban under a minority government and/or incorporate a ban promise in their manifestos, committing them to act following an election that produces a majority government, and b) First Nations declare their own bans on transportation of tar sands crude oil through their territories and waters."



Following

If I am elected Prime Minister, the Northern Gateway Pipeline won't become a reality.

#CdnPoli

11:15 AM - 18 Jun 2014

Manufacturing a Climate Crisis: How Tax-subsidized, Foreign-funded ENGOs Impact the Canadian Economy
<https://blog.friendsofscience.org/2019/02/04/manufacturing-a-climate-crisis/>

According to the study, the longest duration project reviews were the Northern Gateway Pipeline (104 months); Mackenzie Gas (77 months); Jackpine Expansion (77 months); Joslyn North Mine (70 months); Darlington new nuclear power plant (68 months); Labrador-Island link (57 months); Energy East (54 months); and Trans-Mountain Expansion (43 months).

The duration of these reviews contrasts with the service standards set out in legislation. CEAA 2012 set a standard of 24 to 30 months for completing project reviews, and the subsequent *Impact Assessment Act* of 2019 set a range of durations for different projects, the maximum of which was 870 days, or under 30 months. The disparity between legislated standards and actual performance should make Canadians skeptical about the significance of setting newer and shorter legislative standards, as currently proposed by the Mark Carney Government.

The Carney government has passed legislation that is intended to accelerate the regulatory review of major projects. The *Building Canada Act* (BCA) was given royal assent on June 26, 2025. Its main feature is that it establishes a Major Project Office (MPO) to coordinate the performance of duties and functions under the Act, to serve as a source of information

A BIT OF HISTORY

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Reviews of the public interest concerning proposed oil pipelines did not always take so long, as is illustrated by the origin of the TransMountain oil pipeline. In 1951, five companies applied to the Board of Transport Commissioners for Canada (the predecessor of the National Energy Board) to build an oil pipeline from the vicinity of Edmonton to the vicinity of Vancouver. The applications were heard together at a one-day hearing in Ottawa on December 10, 1951. At the hearing it was found that only TransMountain was prepared to proceed with its application. The Commission reported on December 13, 1951 (yes, THREE DAYS later), that it was satisfied with the evidence, that construction of the pipeline appeared to be in the public interest and that an order for leave to construct the pipeline should be granted with the provision that the construction of the pipeline was to be completed on or before October 31, 1954 (which it was). It would be difficult to conclude that any public interest or indigenous peoples' interest has been harmed by more than 70 years of TMPL operation; rather, an enormous amount of public interest "good" has been achieved.

and point of contact for project proponents, and to advise the responsible Minister (and, through the Minister, Cabinet) on whether a project should be deemed “in the national interest” and thus be subject to some acceleration in its review. The government claims that the Act will shorten the process for review and approval of projects in the national interest to two years.

The BCA did not rescind, or even significantly amend, any of the statutes that place the attainment of net-zero emissions at the forefront of government climate and energy policies. Notably, both the *Impact Assessment Act* (IAA) and the *Canada Energy Regulator Act* (CERA) still require that the responsible Ministers and Cabinet consider “the extent to which the project contributes to sustainability” and “the extent to which the effects of the project hinder or contribute to the Government of Canada’s ability to meet its environmental obligations and its commitments in respect of climate change” as well as a long list of other policy considerations such as the factors related to gender and sex.

It is unclear whether the BCA and the process it establishes will provide the efficiency and clarity of process that project proponents need. A recent [paper](#) by the CD Howe Institute neatly summarizes the continuing problem.

“None of these mechanisms address the fundamental sources of uncertainty in Canada’s regulatory system: political decision-making over individual projects and open-ended criteria that require regulators to consider broad public policy objectives.

The BCA does not resolve these underlying problems. Rather it creates a new process for a subset of projects and further centralizes decision-making in the federal executive. It also leaves important questions unresolved, including how “national interest” will be defined, how listing interacts with existing regulatory approval processes, and the “additionality” of the MPO – that is, what it adds to existing federal efforts to coordinate and streamline reviews.”

It is too early to know whether the actions of the Mark Carney government will substantially hasten the regulatory processes that govern major project reviews and approvals in Canada. A year and a half into his tenure as Prime Minister, and fifteen months after the passage of the BCA, no major energy projects have even completed the first phase of assessment by the Major Projects Office. Canadians have gained no insights into how the Carney Cabinet will determine what is a “national interest project” and what is not. The volume of rhetoric and skillful political messaging has far exceeded the progress of regulatory review of new projects.

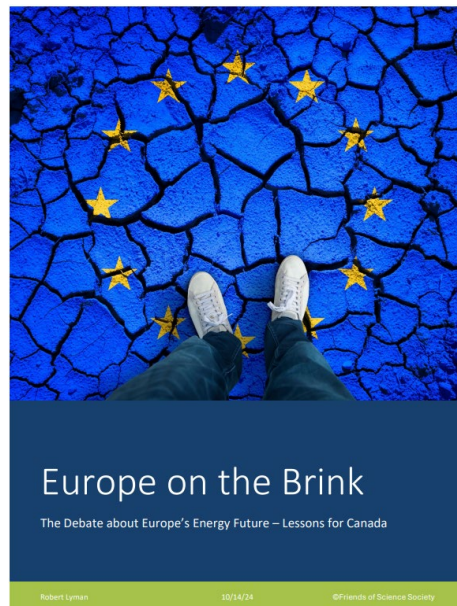
THE PROSPECT OF CLOSER INTEGRATION WITH THE EUROPEAN UNION (EU)

Prime Minister Carney has for over a year been discussing with EU leaders the possibility of much closer ties between Canada and the European Union, including possibly some form of special or associate membership. The details of what this would mean have not been explained, but it is important to understand what it could mean if

Canada were to commit to participate in EU regulatory regimes as these apply to GHG emissions and other environmental subjects.

European firms are confronted with a heavy cumulative regulatory burden problem resulting from years of intensive regulatory activity and a recent push to accelerate the EU's green and digital transitions. The high costs and legislative uncertainty associated with it are hurting companies trying to stay ahead of the competition and weather the already complex global economic environment.

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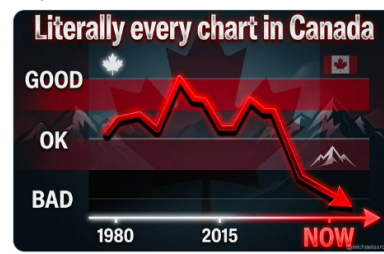
Michael A. Arouet @MichaelAArouet · 47m

Canada's charts since 2015 look like a ski jump off a Banff cliff. Headline GDP grew only because Canada imported more people, output per person barely moved. Real GDP per capita rose about 1% over a decade while the U.S. posted 20% and the OECD 15%. That is last in the G7. Business investment per worker collapsed after 2015, machinery and equipment per worker is down 20%. Housing became a luxury good and household debt stayed among the worst in the G7. Federal debt roughly doubled. The "growth" was immigration plus debt-fueled real estate, living standards went the other way.

What is the 2026 response? Not a serious supply-side reset. Brussels floated "associate membership", Ottawa jumped in.

Joining or half-joining the EU does not fix Canadian zoning, interprovincial barriers, weak business investment, or a construction sector whose productivity has gone backwards. It adds complexity to a country that already prefers process to output. Europe's per-capita record is not much better than Canada's.

Joining the EU instead of doing overdue work will not solve anything. Why not try real reforms instead?



On September 9, 2024 Mario Draghi, the former Italian Prime Minister and former President of the European Central Bank, delivered a [report](#) to the European Commission offering his recommendations as to how the countries of the European Union could “reignite sustainable growth”.

The report started with a statement of alarm – that “a wide gap in GDP has opened between the EU and the US”, and that unless Europe addresses its lagging productivity growth, it may fall into an irreversible economic decline. Read “Europe on the Brink” (2024) <https://blog.friendsofscience.org/2024/10/15/europe-on-the-brink-the-debate-about-europes-energy-future-lessons-for-canada/>

For example, the European Climate Law sets out a legally binding set of measures to make the region “climate-neutral” (i.e. presumably zero-emission) by 2050, with an interim target of 90 % reduction from 1990 GHG emissions levels by 2040. These targets are significantly more stringent than the political targets already set for Canada. All EU members must submit National Energy and Climate Plans to demonstrate their performance is consistent with those targets.

If Canada adopted EU rules, firms would have to participate in the EU Emissions Trading System, which currently involves carbon trading prices significantly higher than those that now apply in Canada. New oil and gas production may be constrained or not permitted.¹ Much more stringent rules would apply to methane emissions, industrial

¹ Canada already has an agreement with France, one that most Canadians are unaware of, that pushes decarbonization, fossil fuel phase-out, and a price on carbon ‘pollution’. <https://www.canada.ca/en/environment-climate-change/corporate/international-affairs/partnerships-countries-regions/europe/canada-france-agreement.html>

power contracts and farming (including requiring a 20% reduction in fertilizer use). European climate finance rules could apply to Canada, including those set out by the *EU Corporate Sustainability Due Diligence Directive*, the “Green Taxonomy Rules” and the *Corporate Sustainability Reporting Directive*; and. Canada would have to implement a Carbon Border Adjustment Mechanism, a European system that places a tax on goods imported into the EU from countries that impose less stringent and costly carbon taxes. This would worsen further the already extremely strained trade relations with the United States.



The 2024 Fall Economic Statement – Climate-related Measures
<https://blog.friendsofscience.org/2024/12/18/the-2024-fall-economic-statement-climate-related-measures/>

At a time when Canadians are being warned that their economic sovereignty is threatened by the trade demands of the Trump Administration in the United States, it would be ironic if Canada were grant to organizations like the European Commission control over some of our most sensitive and important national resource policies. A recent [article](#) by Canadian historian Tammy Nemeth discusses this at length.

CONCLUSION

Regulation is only one of the policy tools being used in pursuit of Canada’s climate policy objectives, but there are so many regulations and their impacts on how Canadians live are so widespread that it would take a book, not an article, to adequately describe them. Regulation differs from other policy instruments like subsidies and taxes in that it removes the choices concerning which actions will be taken from the citizens and assigns them to officials in government and, potentially, to the courts.

Climate activists prefer regulation because from their perspective it better assures the certainty of outcome in reducing emissions, and enables the state to punish those who fail to comply. The costs to the economy are less transparent, even though requiring businesses to adhere to complex rules and prolonged processes requires

extensive paperwork and effort, specialized staff, and new systems, all of which act as a hidden tax on the economy. The expenses to businesses are often passed on to consumers as higher prices. **Regulation that delays and ultimately blocks the construction of major projects deprives Canadians of the economic benefits they would have yielded and discourages future investments.**

I began this article with a quotation from James Madison noting that governments that seek to control the governed will ultimately be obliged to control themselves. Exercising power over the electorate can be intoxicating, but in democracies the public will eventually push back.



PARTIAL LIST OF CLIMATE POLICY-RELATED REGULATIONS

Clean Electricity Regulations

Clean Fuel Regulations

Energy Efficiency Act Regulations (See Annex B)

Heavy Duty Vehicle and Engine Greenhouse Gas Regulations

Locomotive Emissions Regulations

Landfill Methane Regulations

Marine Spark Ignition, Vessel and Off-Road Recreational Vehicle Emission Regulations

Off-Road Small Spark Ignition Engine emission Regulations

Passenger Automobile and Light Truck Greenhouse Gas Emission Regulations

Reduction of Carbon Dioxide Emissions from Coal-Fired Generation of Electricity Regulations

Regulations Limiting Carbon Dioxide Emissions from Natural Gas-Fired Generation of Electricity

Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic

Compounds (Upstream Oil and Gas sector)

Renewable Fuels Regulations

PARTIAL LIST OF PRODUCTS REGULATED UNDER THE ENERGY EFFICIENCY ACT

Household Appliances

- Clothes dryers and washers
- Dishwashers
- Electric ranges
- Freezers
- Gas Ranges

Heating and Air Conditioning Equipment

- Furnaces
- Ground-source heat pumps
- Boilers
- Air conditioners

Water heaters

- Electric and gas-fired water heaters

Commercial refrigeration Equipment

- Commercial refrigerators and refrigerator-freezers

Electronic Products

- Battery Chargers
- Televisions
- Video products

Lighting Products

- Ceiling fans
- Compact florescent lamps

Plumbing Products

- Faucets and Showerheads

ABOUT THE AUTHOR

Robert Lyman is an economist with 27 years of experience as an analyst, policy advisor and manager in the Canadian federal government, primarily in the areas of energy, transportation, and environmental policy. He was also a diplomat for 10 years. Subsequently he has worked as a private consultant conducting policy research and analysis on energy and transportation issues as a principal for Entrants Policy Research Group. He is a frequent contributor of articles and reports for Friends of Science, a Calgary-based independent organization concerned about climate change-related issues. He resides in Ottawa, Canada. [Full bio.](#)

ABOUT FRIENDS OF SCIENCE SOCIETY

Friends of Science Society is an independent group of earth, atmospheric and solar scientists, engineers, and citizens that is celebrating its 24th year of offering climate science insights. After a thorough review of a broad spectrum of literature on climate change, Friends of Science Society has concluded that the sun is the main driver of climate change, not carbon dioxide (CO₂).

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