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Sustainability, complexity and Canada's race to the bottom in major project impact assessment

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The Canadian federal government has been responding to global economic turbulence through measures to spur national economic activity and reduce economic vulnerability. One suite of these measures has focused on steps to facilitate quick approvals of big resource and infrastructure projects, in hopes that this will enhance regulatory certainty and build investor confidence.[1] Included in the continuing process are initiatives to narrow, expedite and avoid application of federal impact assessment requirements.

Federal authorities led by the Cabinet-level Privy Council Office have framed the deregulatory steps as necessary because "Canada is competing with other countries, such as the United Kingdom, Australia and the United States, to attract investments in large-scale projects" and these competitors "are already working on ways to speed up their decision processes."[2]

Internationally, the competition has the characteristics of a race to the bottom,[3] an economic phenomenon that tends to tread heavily upon the public interest of all participating jurisdictions. Globally, it represents a doubling down on economic growth activities, including expansion of non-renewable resource extraction, that speed rather than reverse our decline into ever deeper unsustainability.

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[1] Canada, *Building Canada Act,* SC 2025, c 2, s 4, https://canlii.ca/t/56s63. See also Canada, Privy Council Office, "Backgrounder: Canada Initiates Process to List Major Projects under the *Building Canada Act,*" 24 June 2026, https://www.canada.ca/en/one-canadian-economy/news/2026/06/canada-initiates-process-to-list-major-projects-under-the-building-canada-act.html.
[2] The full statement is as follows, "Canada is competing with other countries, such as the United Kingdom, Australia, and the United States, to attract investments in large-scale projects. These countries are already working on ways to speed up their decision processes by simplifying steps, reducing repetitive consultations, combining decision-making authorities, and allowing quicker decision-making" – Canada, Privy Council Office, "Getting Major Projects Built in Canada - Discussion Paper on Proposed Legislative, Regulatory, and Policy Reforms," 8 May 2026, https://www.canada.ca/en/one-canadian-economy/services/simplifying-canada-process/engagement-supporting-timely-decision-making/getting-major-projects-built-canada-discussion-paper-proposed-legislative-regulatory-policy-reforms.html.
[3] James Chen, "Race to the Bottom: Impact on Business, Labor, and Regulation," Investopedia, 12 May 2026, https://www.investopedia.com/terms/r/race-bottom.asp.

The main assessment-related de-regulatory initiatives

The suite of federal simplifying and accelerating initiatives includes:

- using a secretive politically-driven process served by a new Major Projects Office to select and pre-approve big resource extraction and infrastructure projects;[4]
- declaring legislated impact assessment to be red tape[5] to be removed by narrowing federal assessment requirements,[6] signing federal-provincial "cooperation" agreements[7] that enable deferral to weak provincial processes,[8] expediting what remains of federal assessment,[9] and exempting more major projects even from expedited assessment, including projects in declared "Federal Economic Zones;"[10]
- focusing on quicker permitting approvals[11] rather than key major project issues (cumulative effects, broad alternatives, project economic viability, public costs and risks, and overall lasting contributions to the public interest);
- establishing new Cabinet powers to compromise current regulatory protections for marine environments, navigable waters, fish and fish habitat, and species at risk, including for species already in jeopardy;[12]

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[4] Canada, *Building Canada Act,* SC 2025, c 2, s 4, <https://canlii.ca/t/56s63> retrieved on 2026-06-14. See also Canada, Privy Council Office, above, note 1.

[5] "For too long, nation-building infrastructure – including ports, railways, energy corridors, critical mineral developments, and clean energy – has been bogged down in red tape, leaving enormous investment on the table. The process was too long, too repetitive, and put the onus on the proponent to navigate the system." – in Canada, Privy Council Office, "Canada's new government to simplify and accelerate Canada's regulatory process" – News Release, https://www.canada.ca/en/one-canadian-economy/news/2026/05/canadas-new-government-to-simplify-and-accelerate-canadas-regulatory-process.html.

[6] The narrow approach is evident in the IAAC, Tailored Impact Statement Guidance (TISGs), https://www.canada.ca/en/impact-assessment-agency/services/policy-guidance/practitioners-guide-impact-assessment-act/tailored-impact-statement-guidelines-projects-impact-assessment-act.html#_Toc15652087. The narrowing has extended beyond the focus on federal constitutional jurisdiction required by the Supreme Court of Canada, *Reference re Impact Assessment Act,* 2023 SCC 23 (CanLII), https://canlii.ca/t/k0l1g. The current approach effectively abandons all other considerations that are relevant to the broad set of legislated requirements to determine whether adverse effects in federal jurisdiction can be justified in the overall public interest under the *Impact Assessment Act,* sections 22(1) and 60-63 (https: //laws.justice.gc.ca/eng/acts/i-2.75/FullText.html), including effects on meeting Canada's environmental obligations and climate commitments and on contributions to sustainability.

[7] Canada, Impact Assessment Agency of Canada, "Agreements related to assessments," https://www.canada.ca/en/impact-assessment-agency/corporate/acts-regulations/legislation-regulations/environmental-assessment-agreements.html.

[8] For an independent analysis centred on the Canada-Alberta Agreement, see Nigel Bankes, "The Proposed Co-operation Agreement on Environmental and Impact Assessment between Canada and Alberta" (18 March 2026), online: ABlawg, http://ablawg.ca/wp-content/uploads/2026/03/Blog_NB_IAA.pdf.

[9] Canada, Privy Council Office, above, note 2.

[10] *Ibid.*

[11] *Ibid.*

[12] *Ibid.*

- making a multi-decade commitment to expanded hydrocarbon development, including more bitumen extraction, despite climate change mitigation targets and requirements;[13] and
- reiterating respect for Indigenous rights through the assessment process, while cutting the time and information base needed for effective engagement.[14]

Also, while many of the projects targeted for quick approval[15] could have lasting merits, an overall increase in financial and ecological debt to future generations is at least probable, especially if the projects are implemented without open and credible assessments. The current legislative and policy initiatives emphasize de-risking private sector project investments.[16] They make no commitment to open examination of broader project economic viability. They do not propose to assess the downside risks of substantial public funding costs or damages due to relaxed environmental protections. They do not mention overall cumulative effects, broad alternatives or lasting consequences.

Finally, the whole suite of initiatives is presented as an extraordinary once-in-a-lifetime opening to take bold steps. More likely, the current turbulence is an early warning of things to come as international powers shift, technologies disrupt, climate change worsens, migrations increase and the oil economy fights for to extend its life.

A response to immediate economic turbulence at the expense of sustainable futures
In sum, Canada's assessment-related policy moves have been sacrificing social and ecological protections and climate responsibility to double down on old time extraction and trade. Because the deliberations are not transparent, it is not clear whether or to what extent the federal policy makers have done critical analyses of alternative options for addressing the current political and economic challenges (threats to national sovereignty and solidarity, vulnerable supply chains, concentrated corporate power, minimally governable technologies, etc.).

Even less evident is whether any attention has been paid to matters of sustainability or, more to the point, unsustainability. The federal *Impact Assessment Act* (2019, with amendments to address constitutional concerns in 2024), establishes the extent to which an assessed project's effects "contribute to sustainability" as one of the three key considerations for decision makers in determining "justification in the public interest."[17] While application under the Act has been disappointing, recognition of sustainability as core to the public interest remains in the law.

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[13] Terry Winnitoy, "Energy Does Not Make Us (Canada) Prosperous When it's Sitting in the Ground" – Resources Minister Tim Hodgson Addresses Global Energy Show Audience in Calgary," *EnergyNow Media,* https://energynow.ca/2026/06/energy-does-not-make-us-canada-prosperous-when-its-sitting-in-the-ground-resources-minister-tim-hodgson-address-global-energy-show-audience/ [includes the text of Minister Hodgson's speech].
[14] Canada, Privy Council Office, above, note 2.
[15] Canada, Privy Council Office, Major Projects Office, "Projects referred to the MPO," https://www.canada.ca/en/privy-council/major-projects-office/projects/national.html
[16] Canada, Privy Council Office, above*,* note 2.
[17] Canada, *Impact Assessment Act* (S.C. 2019, c. 28, s. 1), s.63(a), https: //laws.justice.gc.ca/eng/acts/i-2.75/FullText.html.

Disregard for sustainability in the assessment-related economic initiatives amounts to dismissal of a foundational public interest concern.

For 40 years, we've been monitoring the deepening of global unsustainability and the spread of its consequences. The entwined problems of poverty and environmental degradation publicized by the Brundtland Commission in the mid-eighties[18] are now worse, despite the huge gains in overall wealth and capability. Prospects for future wellbeing are already imperilled and the trajectory is fatal:

- our still increasing demands on the biosphere are degrading ecological services[19] as well as climate stability[20] a little more every day;
- the misdistribution of development benefits still leaves billions of people without the basics for health;[21]
- worsening inequities now give the richest 0.001% more than three times the wealth of the poorest half of the global population);[22] and, most importantly,
- these entwined trajectories worsen each other in the real world of complex, interactive cumulative effects.

Unsustainability is the fundamental global-to-local context for Canada and other countries re-considering their economic futures. Any potentially adequate response entails transformative change to reverse direction. Unlike the further sacrifices of environment and deliberation featured in the race-to-the-bottom initiatives, change towards sustainability respect the interdependence of social, economic and environmental goals. Instead of trade-offs, it requires initiatives that combine environmental stewardship, sufficiency, equity, and economy for sustainable futures – and deliver them in mutually supporting and reinforcing ways.

These are not pie-in-sky matters. Transition to more sustainable economic systems and practices represents the only practicable route out of our worsening global predicament. That route is clearly aligned in a direction fundamentally different from the one represented by the extract, trade and race-to-the-bottom option now on offer.

It is also quite different from what we have been doing through most of the history of project development assessment and permitting. With few exceptions, impact assessment has been and is still aiming only to mitigate additional damage when continued wellbeing depends on

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[18] World Commission on Environment and Development, GH Brundtland, chair (1987), *Our Common Future,* Oxford University Press, Oxford/New York.

[19] In 2005, the Millennium Assessment found that 60% of global ecosystems that deliver crucial ecosystem services for humans and other life were being degraded or used unsustainably. See http://millenniumassessment.org/en/Synthesis.html. No equivalent subsequent study has been done to determine the extent of further overall degradation. But well-documented continuing biodiversity declines are an indicator of further ecosystem impairment. See https://www.cbd.int/gbo/gbo5/publication/gbo-5-spm-en.pdf.

[20] Intergovernmental Panel on Climate Change, *Synthesis Report of the Sixth Assessment Report,* March 2023, https://www.ipcc.ch/assessment-report/ar6/.

[21] United Nations, *The Sustainable Development Goals Report 2025,* https://unstats.un.org/sdgs/report/2025/The-Sustainable-Development-Goals-Report-2025.pdf.

[22] Lucas Chancel et al., *World Inequality Report 2026,* pp.12-15, 31-43, https://wir2026.wid.world/.

restoration, still focusing on cumulative effects at the project level when whole regions are involved, and still weighing the trade-offs between economic, social and environmental objectives when we need to align the three together.

A race to the top

The most obvious alternative to a race-to-the-bottom is a race-to-the-top that addresses economic turbulence and national divisions in ways that help transition to more sustainable futures. Jurisdictions could choose to compete jointly for investors seeking long term gains, community support, innovative capacities and potential for scaling up and out.

Its great advantage would a potentially viable destination. It would avoid extending dependence on economic options that add to ecological and climate damage and concentrate more wealth and opportunity in fewer hands. Instead, the goals would favour initiatives designed to deliver multiple, mutually reinforcing benefits.

Major projects in the national interest could be included. But, recognizing continuing global uncertainties and the exploratory nature of all desirable transitions, the preferred supports would be for many small, quick and diverse initiatives – nimble, adaptable, renewable and restorative, promising for creative combinations and wider adoption, based where people live, relatively low-risk, and likely to deliver lasting livelihood opportunities and a fairer distribution of benefits and risks.

Initiatives would have to be identified and developed in open processes, with explicit criteria and diverse expertise. Efficiencies as well as effectiveness would arise from multiple gains, credible processes, broad learning, manageability and flexibility. Investment attractions, especially in comparison to megaprojects, would include lower capital demands, lower risk of cost overruns, greater likelihood of community support and potentially quicker returns.

None of this would be easy. But such transformative options are more realistic than initiatives that ignore the present state of the planet. In contrast to the current approach, a race to the top would have the advantage of hopeful potential. Certainly, it would have the edge in good cheer.

Any delays would make the necessary transformations more difficult. They would shrink the window of opportunity, extend dependence on unsustainable current practices, increase adverse effects, and expand potential for desperation and conflict.