August 25, 2025

The Honourable François-Philippe Champagne, P.C., M.P.
Minister of Finance and National Revenue
Department of Finance
90 Elgin Street
Ottawa, Ontario K1A 0G5

Re: Ideas and recommendations in advance of Budget 2025

Dear Minister Champagne,

The Business Council of Alberta (BCA) is pleased to provide ideas and recommendations to the Government of Canada in advance of its 2025 budget.

BCA is a non-partisan, non-profit policy organization composed of the province's largest enterprise chief executives and leading entrepreneurs. Our members represent the majority of Alberta's private sector investment, job creation, exports, and research and development. We are dedicated to building a better and more prosperous Alberta within a strong Canada.

The new federal government's agenda to build one Canadian economy—the strongest in the G7—is ambitious. The focus on getting big projects built; reducing internal trade barriers; bolstering our national defense commitments and capabilities; and focusing on capital formation represents a welcome change in direction and tone from recent years.

Budget 2025 is being introduced at a critical moment. To our south, our American friends are waging a campaign of economic warfare around the world and Canada will not emerge unscathed. The global, and domestic, impact of higher tariffs and trade policy chaos is only beginning to be felt. And while the trustworthiness of our closest ally and historical strategic partner wavers, geopolitical instability and a re-ordering of the post-War international order raise new threats at home and abroad.

Consequently, Budget 2025 is well-timed to set the foundation for the rest of the government's mandate and position Canada to become more resilient in the face of external pressures.

That said, we can only act on things under our control. And, unfortunately, Canada is not facing these new challenges from a position of economic strength. What little economic growth we've seen over the past several years has been the result of rapid population growth papering over weak economic fundamentals.

At the core of this challenge is a lack of business investment. Canadian businesses are investing at less than half the pace of those in the United States. Unless this trend is reversed, productivity will continue to stagnate, wages will fail to keep pace with our competitors, and our quality of life will decline.

Canadians are clearly aligned on wanting a government that creates a **strong Canada** and **a good life** for everyone. To do this, we need to create a policy environment where the private sector can build, trade, compete, and win. We will also need a renewed commitment to achieving long-term fiscal sustainability—all without undermining our international competitiveness and economic growth.

This is what it will take to become the strongest economy in the G7.

In this context, we offer the following ideas for consideration as the Government of Canada prepares Budget 2025.

A Strong Canada. A Good Life.

Through Budget 2025, the federal government has the opportunity to boost economic growth, improve productivity, and build the strongest economy in the G7.

Build, Trade, Compete, and Win:

The Canadian public is aligned behind the need to get major projects built; expand our international trade; encourage private sector investment; and kickstart our lagging productivity. To seize the moment, Budget 2025 should do the following:

Fix Canada's Major Project Approval Processes

Canada used to be a place where the private sector felt comfortable risking significant capital outlays on getting major projects built safely and efficiently. Today, our regulatory systems have become costly and unpredictable; driving investment dollars out of the country. And even when projects do come forward, it takes far too long for them to get approved, much less built.

The ambition of the recently passed *Building Canada Act* (within Bill C-5) is encouraging, but it is not a complete strategy. Canada needs to solve the fundamental problems tied to major project assessment and permitting so that all projects—not just government-approved ones—can be assessed and approved much faster and more efficiently. Canada should apply the lessons learned from the C-5 experiment, and in the meantime work on addressing the systemic regulatory problems hiding beneath the surface.

Accordingly, Budget 2025 should signal a willingness to rebuild world-leading review systems with the goal that they become Canada's competitive advantage. This will require adjusting, and where necessary, fundamentally reworking project review and permitting legislation and regulation, including the following changes:

- Achieving true federal/provincial cooperation on project reviews and permitting;

- Ending the bureaucratic disruption of narrow construction windows in the permitting phase;
- Dramatically shortening project review timelines;
- Reining in the expanding scope of reviews by adjusting regulatory risk tolerance to avoid rehashing well-understood and easily mitigatable risks;
- Ensuring the lead review agency has the incentives and power to keep all participating government departments on track and within scope, including with permitting and conditions compliance activities;
- Reducing the scope of review-disrupting, repetitive, and inapplicable stakeholder interventions; and
- Improving and streamlining Indigenous participation and engagement in project reviews.

BCA's *Future Unbuilt* project provides a good starting point for improving review and permitting processes. However, BCA is undertaking a new effort to expand on these findings and design an ideal regulatory system. These recommendations will be public in late-2025.

Build Canada into an Energy Powerhouse:

Canada possesses some of the world's most abundant energy resources, ranking third globally in oil reserves and fifth in natural gas. These resources have historically supported hundreds of thousands of high-paying jobs, generated billions in government revenues, and advanced important social goals, including Indigenous economic reconciliation.

However, overly burdensome regulations and a policy environment that is at best indifferent, and at worst openly hostile, to energy development has prevented the sector from reaching its full potential. Moreover, Canada's reluctance to embrace its strategic energy advantage has weakened both its economic and geopolitical standing.

Amidst today's geopolitical uncertainty and an unstable trade relationship with the United States, nearly 80% of Canadians now support building pipelines from coast to coast as a way to boost national energy independence and reduce trade vulnerability. With the right leadership and policies, Canada can revitalize its energy sector, strengthen its sovereignty, and become a globally recognized energy powerhouse. By so doing, the country can foster economic resilience, protect its strategic interests, and meet environmental goals without sacrificing domestic prosperity.

To help realize Canada's energy potential, Budget 2025 should:

- Signal the government's intention to allow and support oil and gas production and egress to expand alongside global demand for our products.
- Stabilize the Output-Based Pricing System and ensure its design remains competitive and in the national interest.

- Abandon investment-deterring policies such as the proposed oil and gas emissions cap; the Clean Electricity Regulations, the updated methane regulations, and the greenwashing provisions added to the *Competition Act*.
- Spur carbon capture, utilization and storage (CCUS) project development by expanding the pool of funding available for broad-based carbon contracts for difference (CCfDs); and make enhanced oil recovery projects applicable for the full federal CCUS Investment Tax Credit.
- Per the recommendations above, fix Canada's major project review and permitting systems to improve their efficiency and predictability, such that Bill C-5 is no longer needed to bypass a high-quality, capital-attracting regulatory process.

Boost Trade and Restore Competitiveness:

Our economy had already been facing serious headwinds, with struggling per capita GDP, stagnant business investment, and falling productivity. In fact, Canadian investment in the US has tripled the pace of US investment in Canada over the last 10 years.

Now, with US tariffs in place and an uncertain global trade environment, Canada's vulnerabilities have been laid bare. Our dependence on a single trading partner and our lack of economic dynamism leaves us poorly equipped to face these challenges.

Canada must refocus on competitiveness by modernizing its tax system, removing internal trade barriers, and building the infrastructure needed to reach new global markets. The threats from the US are a wake-up call, providing the impetus to rebuild a more resilient, competitive, and globally engaged Canadian economy. Bill C-5 and the capital gains tax reversal were a good start, but more needs to be done.

To do this, Budget 2025 should take the following measures:

- Expand on the efforts of the *One Canadian Economy Act* by making a portion of federal-provincial transfers such as Equalization payments contingent on provinces immediately reducing inter-provincial trade and mobility barriers.
- Work with provinces and territories to achieve mutual recognition of regulations, rules, standards, and policies to enable the free movement of goods, labour, and services across Canada.
- Conduct a review of business tax policy in Canada with the goal of simplifying the overall system and ensuring it incentivizes investment and business growth.
- Exempt all profits invested in new capital, machinery and equipment from taxation. Only distributed profits would be taxable.
- Support ways to build additional export capacity for Canada's goods and commodities including further pipeline development, LNG terminals, improved port capacity and performance, increased air cargo capacity, and a system of national infrastructure corridors.

- Create a 25-year plan to develop, grow, and enhance Canada's trade infrastructure, focusing solely on enhancing access to international markets and the most nationally significant projects.
- Invest in innovation and automation to improve efficiency and reduce operating costs at Canada's major ports.

Retract and Repeal Bad Policies:

Over the past decade, federal regulation and policy have been misaligned with the conditions necessary to attract private capital and improve our economic performance. Instead of creating good, predictably consistent policy, the federal government has chosen to layer costly policies on top of one another, harming investor sentiment and imposing unnecessary costs on doing business in Canada.

Walking back the proposed changes to the capital gains tax sent a good, early signal, but more needs to be done to increase private sector confidence in the ability to invest in nation-building projects.

This includes reducing government overreach and halting the introduction of policies that breed uncertainty. Rolling back harmful regulations is a straightforward and cost-effective way to improve affordability, restore investor confidence, and help Canadians build a better future. Canada needs to make swift changes to the following regulations, which we regard as among the most damaging examples of how Canada is currently holding itself back:

- Repeal the Clean Electricity Regulations.
- Retract the Oil and Gas Emissions Cap.
- Reduce excessive taxes and fees on air travel.
- Remove the greenwashing provisions added to the *Competition Act.*
- Repeal the *Oil Tanker Moratorium Act.*
- Repeal the Zero-Emissions Vehicle mandate.

A Renewed Commitment to Long-term Fiscal Sustainability

Budget 2025 needs to reverse the decade-long trend of unsustainable government spending and non-transparent, ever-changing fiscal anchors. With each successive budget and fall economic update, spending expanded beyond previous government-championed red lines—and core government services failed to improve proportionately.

To its credit, the new federal government has signaled its intention to rein in operational spending in two ways:

First, Cabinet ministers have been directed to find ambitious cost savings prior to Budget 2025, and the government is preparing for a "Comprehensive Expenditure Review". These are both welcomed moves, as the size of government and the expansion of the public service have dramatically outpaced both population growth and economy-wide productivity trendlines for some years.

Government revenues and the sustainability of expenditures are in the crosshairs as economic risks mount. Potential or actualized tariff threats; a softening job market (especially for young Canadians); a wave of mortgage renewals at higher rates; and long-needed national defense spending initiatives all threaten sustainable budgeting. Furthermore, borrowing costs will be higher than normal as tens of billions in government pandemic spending matures this fiscal year.

As such, the federal government needs to take a strategic cost-savings approach for its Comprehensive Expenditure Review. This review cannot just be a call for government departments to find internal savings across the board. Rather, the government should: identify its core functions, develop performance indicators to measure outcomes and determine spending levels; and be willing to cut non-core departments and/or programs.

Second, the government has promised to adopt UK-style budget accounting practices that separate operational and capital spending.

In theory, this makes sense. While implementation details remain sparse, there is merit to considering and controlling operational expenses differently than capital expenses.

However, the devil is in the details. For instance, splitting capital and operational spending can create the illusion that balancing operational spending is all that matters for promoting fiscal sustainability, but both can contribute to unmanageable deficits and debt servicing costs. Fiscal anchors on capital spending, not just operational spending, are needed.

Furthermore, not all capital spending is equal. Capital spending is generally considered to be an investment in a value-generating asset, but historically governments commonly frame any large expenditure as an 'investment,' even if the economic returns are modest or unclear.

And finally, just because a government makes a capital investment doesn't mean the expenditure represents the best possible use of that money. Governments need to have an accurate measure of the ROI on its capital outlays, including a reading of the opportunity cost associated with not spending that money elsewhere, especially considering that government priorities might differ from those that yield the highest economic returns.

With that in mind, to support long-term fiscal sustainability, Budget 2025 should include the following measures:

- A clear and widely agreed-upon definition of what constitutes capital spending for budgeting purposes.

- A plan to integrate Artificial Intelligence (AI) and other technologies into government operations to maintain or increase the effective delivery of government services with fewer employees.
- A commitment to long-term fiscal sustainability, including fiscal guardrails that
    - consider both operational and capital outlays; and
    - are maintained and respected over a multi-year time horizon.
- A clear and transparent ROI determination for government investment outlays—one that includes the opportunity cost of not investing that money elsewhere.

Thank you for considering our priority areas as you prepare this year's budget. We look forward to continuing to work with you to build a stronger and more competitive Canada, and would welcome the opportunity to meet to discuss these priorities further.

Sincerely,

Adam Legge
President

cc: Ryan Turnbull, M.P., Parliamentary Secretary to the Minister of Finance
Chris Forbes, Deputy Minister, Finance Canada
Ian Foucher, Chief of Staff to the Minister of Finance and National Revenue
Alison O'Leary, Associate Deputy Minister, Finance Canada
Jessica Fullerton, Senior Policy Advisor, Office of the Minister of Finance