



BUSINESS COUNCIL
OF ALBERTA

FROM BARRIERS TO BREAKTHROUGHS

Building a Regulatory System
that Supports Investment





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About the Business Council of Alberta

The Business Council of Alberta is a non-partisan, for-purpose organization dedicated to building a better Alberta within a more dynamic Canada. Composed of the chief executives and leading entrepreneurs of the province's largest enterprises, Council members are proud to represent the majority of Alberta's private sector investment, job creation, exports, and research and development. The Council is committed to working with leaders and stakeholders across Alberta and Canada in proposing bold and innovative public policy solutions and initiatives that will make life better for Albertans.

This document reflects the views of the Business Council of Alberta based on our own research and on engagement with members and stakeholders. Alberta is a diverse place. In many cases, there are a range of views on an issue within the Council membership. This piece may not necessarily reflect the perspective of all BCA member companies and should not be read as the position of any one member.

PRINCIPAL AUTHORS

Alicia Planincic – Director of Policy & Economics, Business Council of Alberta

Tarran Klopp – Policy Analyst, Business Council of Alberta

Mike Holden – Vice President of Policy & Chief Economist, Business Council of Alberta

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INTRODUCTION

Canada does not have a single regulatory problem. It has a regulatory system problem.

The defining challenge Canadian businesses face today is [death by 130,000 cuts](#) — the cumulative effect of a large and growing number of regulatory requirements with which they must comply. An ever-expanding web of overlapping, prescriptive, and poorly coordinated rules absorbs businesses' time, capital, and attention, diverting resources away from more productive uses.

The consequences of this growing regulatory burden extend far beyond mere paperwork. Lost investment, delayed projects, reduced innovation, and persistent uncertainty discourage long-term planning and weigh heavily on Canadian prosperity. Even if government were to fix the thousand most problematic regulations — a number of which were identified in BCA's companion paper, *Addressing Today's Regulatory Barriers to Investment* — Canada's potential would still be constrained by the 129,000 that remain.

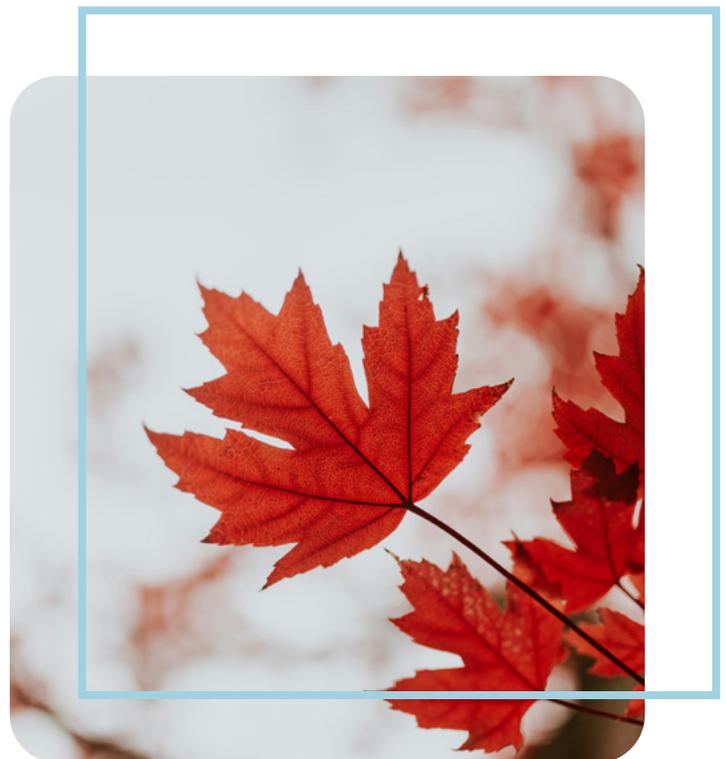
Put simply, a good regulatory system supports economic growth. Canada's does not.

The challenge is systemic. Regulatory requirements continue to accumulate in the absence of strong incentives to prioritize economic growth or minimize regulatory costs, and without effective mechanisms to understand how rules interact or the overall burden evolves over time.

Addressing a problem of this scale requires more than isolated fixes or periodic announcements. It demands sustained commitment and structural reform — building a regulatory system that is clear, consistent, predictable, and actively managed, so that it protects the public interest while enabling prosperity.

This report focuses on that system-level challenge. It sets out practical guidance to rebuild how regulations are designed, assessed, overseen, and coordinated — by reducing the existing regulatory burden, improving future regulatory decision-making, and strengthening the oversight and coordination that govern the system as a whole.

If done well, the payoff will be significant. Canada already offers political stability, abundant natural resources, extensive trade access, and a highly skilled workforce. By fixing how regulations are developed, evaluated, and updated, Canada can turn a long-standing weakness into a competitive advantage — laying the foundation for a more dynamic and prosperous economy.





ABOUT THE FROM BARRIERS TO BREAKTHROUGHS PROJECT

The Business Council of Alberta's (BCA) *From Barriers to Breakthroughs* project examines how federal regulations contribute to Canada's poor record on business investment and what changes are needed to reinvigorate that investment, improve our international competitiveness, and create lasting prosperity for all Canadians.

The focus is on systemic reform. Two other papers in this series examine how to improve Canada's system of major project reviews and permitting by addressing issues such as political uncertainty, lengthy timelines, jurisdictional overlap, and the ever-expanding scope of impact assessments and stakeholder consultations.

Fixing these processes is critically important but only part of the solution. What matters most is creating lasting, system-wide reform by building a globally-competitive approach to the development, implementation and review of regulations in Canada. That's what this paper is focused on.

Finally, to help build momentum towards systemic reform, a companion near-term action report, *Addressing Today's Regulatory Barriers*, identifies a number of present-day issues that illustrate the challenges businesses face. Taking immediate action in these areas will get the ball rolling while broader structural reform takes hold.



THE GAP BETWEEN PRINCIPLES AND PRACTICE: HOW CANADA CAN BUILD A BETTER SYSTEM

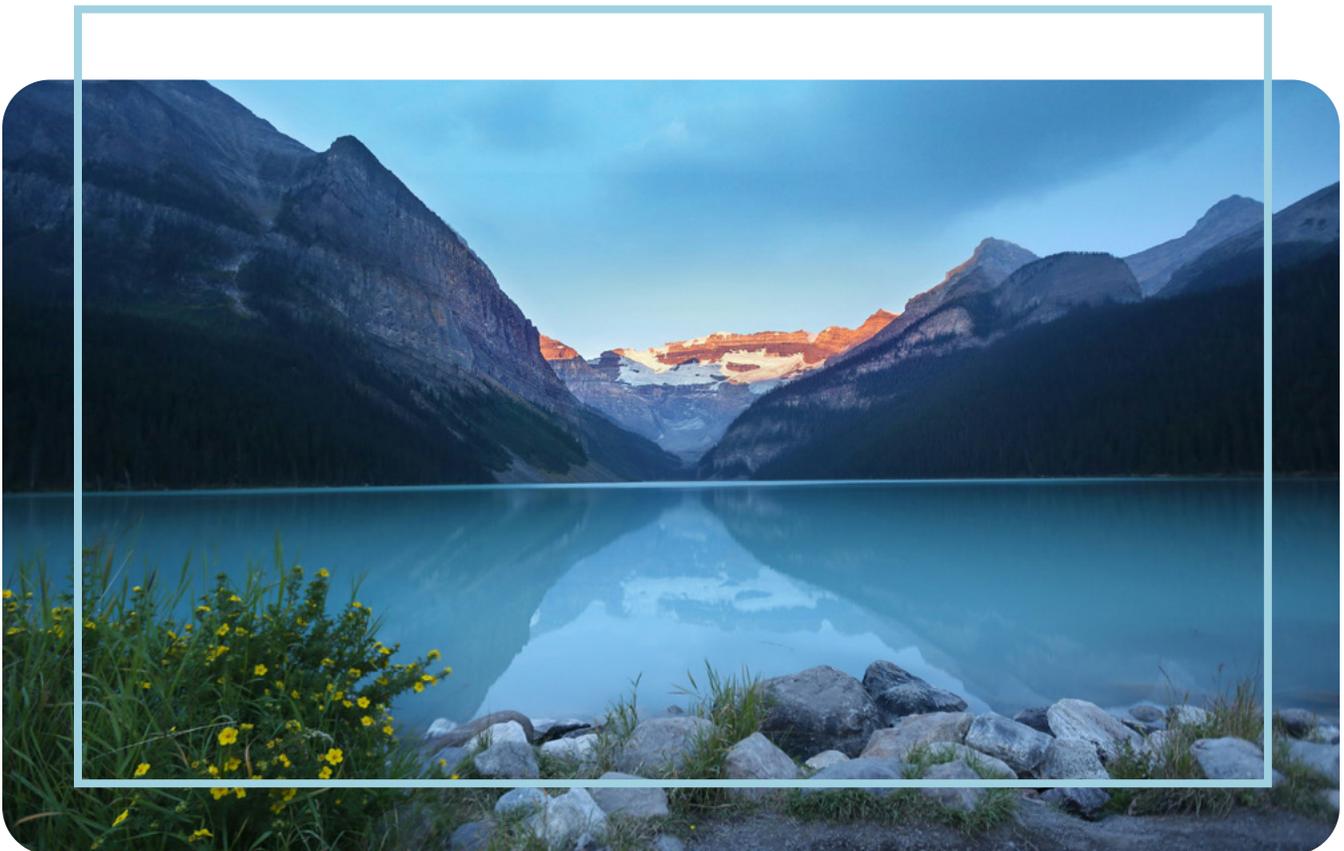
Canada does not lack sound regulatory principles. On paper, the federal government has a clear understanding of what an effective regulatory system should achieve: strong protections alongside economic growth.

As the [Treasury Board Secretariat \(TBS\)](#) notes, regulation should “protect and advance the public interest while supporting economic growth, innovation, and competitiveness.”

Canada’s [Principles for Regulatory Development](#) are intended to support this outcome, emphasizing evidence-based decision-making, transparency, and economic

competitiveness alongside health, safety, and environmental protection — a sound foundation for a high-performing regulatory system.

The challenge is not the principles themselves but how they are applied, particularly in a system of this size and complexity.



THE GOVERNMENT OF CANADA'S PRINCIPLES FOR REGULATORY DEVELOPMENT

The following principles have been established to guide departments in developing, managing, and reviewing regulations:

- 1 Regulations protect and advance the public interest and support good government:** Regulations are justified by a clear rationale in terms of protecting the health, safety, security, social and economic well-being of Canadians, and the environment.
- 2 The regulatory process is modern, open and transparent:** Regulations, and their related activities, are accessible and understandable, and are created, maintained, and reviewed in an open, transparent, and inclusive way that meaningfully engages the public and stakeholders, including Indigenous peoples, early on.
- 3 Regulatory decision-making is evidence-based:** Proposals and decisions are based on evidence, robust analysis of costs and benefits, and the assessment of risk, while being open to public scrutiny.
- 4 Regulations support a fair and competitive economy:** Regulations should aim to support and promote inclusive economic growth, entrepreneurship, and innovation for the benefit of Canadians and businesses. Opportunities for regulatory cooperation and the development of aligned regulations should be considered and implemented wherever possible.

As we detail throughout this report, regulatory decisions in Canada often default to risk avoidance or over-precaution while economic costs to Canadians and businesses of lost economic growth, entrepreneurship, and innovation are insufficiently weighted in regulatory design, evaluation, and oversight.

This gap between stated principles and real-world outcomes stems from structural features within the system: strong incentives to introduce new rules, limited accountability for cumulative economic costs, and few requirements to revisit regulations once they are in place. It also results from regulators' lack of system-wide visibility to understand how new rules interact with existing ones.

The result is uneven analysis, limited consideration of alternatives, and a growing stock of prescriptive and overlapping requirements that steadily undermine competitiveness.

This imbalance has been recognized before. In the [2018 Fall Economic Statement](#), the federal government committed to making “regulatory efficiency and economic growth a permanent part of regulators’ mandates.” That commitment, however, has not been fulfilled: economic growth and regulatory efficiency, while captured in the principles of regulatory development, are not explicitly embedded as core objectives against which regulators are held accountable.

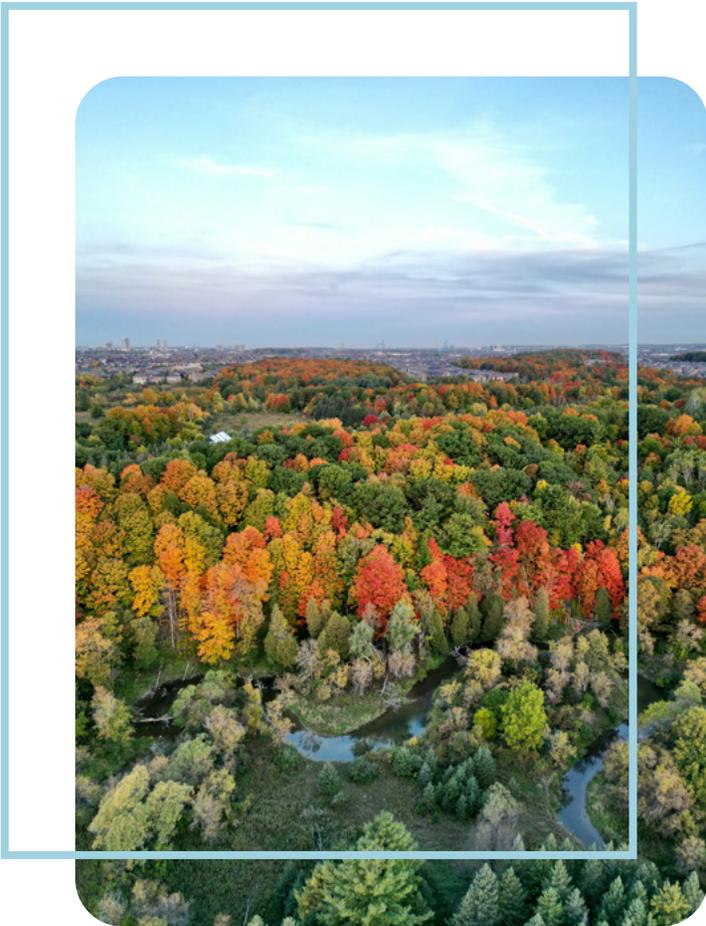
Rebalancing the system therefore requires following through on that earlier commitment by embedding growth and efficiency into regulators’ mandates and translating existing principles into consistent practice across the regulatory life cycle — from design and approval to implementation and review, supported by strong oversight, transparency, and coordination.

FROM DIAGNOSIS TO ACTION

This report sets out three priorities, with no intended hierarchy, to deliver that reform. Combined, they address both the existing stock of regulations and the system dynamics that continue to add to it:

- >> **Priority I:** Reduce the Regulatory Burden
- >> **Priority II:** Strengthen Regulations to Drive Results and Growth
- >> **Priority III:** Improve Accountability, Predictability and Alignment

For each priority, we define what success looks like, identify the constraints holding Canada back, and set out practical recommendations to improve regulatory outcomes: supporting investment, competitiveness, and long-term economic growth; while protecting health, safety, and the environment.



WHY THIS TIME CAN BE DIFFERENT

Fixing Canada's regulatory system will require sustained effort and ambition — and a willingness to rethink how the system is managed. Cabinet must set clear expectations; the Treasury Board Secretariat must ensure high-quality decision-making and accountability; and departments must apply standards consistently across the regulatory life cycle. Without leadership and follow-through at each of these levels, even well-designed reforms risk dissipating over time.

The federal government's [2025 Red Tape Review](#) (discussed in more detail below) is the third such exercise in less than 15 years. Past attempts achieved modest progress in some areas but ultimately fell short of the kind of comprehensive reform that is needed.

What distinguishes this moment from those past efforts is not simply renewed attention to regulatory reform, but a fundamental change in what is possible. For decades, regulators have been asked to manage a growing and increasingly complex regulatory system with limited visibility into how requirements interact, where costs accumulate, or which rules deliver the greatest public value. That constraint no longer exists.

Advances in data analytics, artificial intelligence, and modelling now make it feasible to map overlapping requirements across departments, assess cumulative regulatory costs, test the effects of reform or repeal before implementation, and evaluate whether regulations are delivering their intended outcomes. These capabilities represent more than incremental process improvements. They enable a fundamental change in how the regulatory system can be understood, managed, and improved, without adding costs or layers of bureaucracy.

Public expectations have also shifted. After years of weak growth and declining living standards, Canadians are increasingly concerned about the country's economic future and impatient for change. Affordability pressures are squeezing households, productivity growth has stalled, and anxiety is growing, particularly among young Canadians, that the [next generation will be worse off](#). As a result, confidence in the economy is [low](#), and jobs and the economy rank among Canadians' [top concerns](#).

In other words, regulatory barriers holding back investment are no longer an abstract policy issue. Canadians are experiencing the consequences of those barriers directly — through slower wage growth, fewer job opportunities, and a growing sense that the country struggles to build and deliver major projects. As such, public support is increasing for building critical [trade infrastructure](#), [diversifying trade](#), and pursuing policies that prioritize [economic growth](#). A regulatory system that supports investment is foundational to all of these goals.

Canada is not unique amongst its global peers in realizing the need to reform its regulatory system or realizing the opportunities created by digital advances. However, other advanced economies are already taking action. If Canada is serious about attracting investment, restoring competitiveness, and strengthening long-term growth, it can no longer afford to defer action on systemic regulatory reform and modernization.

Clear principles, new analytical tools, and rising public expectations set the stage for the bold, system-wide reform Canada needs by reducing regulatory burden, improving regulatory performance, and strengthening accountability across the system to deliver greater prosperity for Canadians.

PRIORITY I: REDUCE THE REGULATORY BURDEN

Priority I focuses on reducing the existing regulatory burden businesses face today. It advances this objective through two approaches: strengthening the One-for-One Rule to achieve net reductions in the regulatory burden in the short-term; and modernizing red tape reduction efforts.

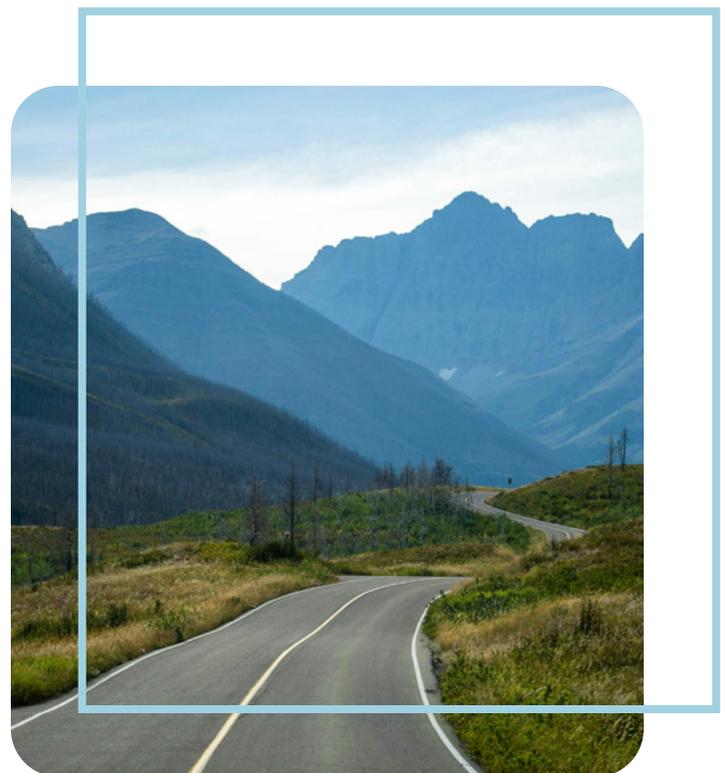
Building a better regulatory system starts with reducing the overall regulatory burden businesses face today. When regulations become overly dense or difficult to navigate, they constrain productivity, deter investment, and ultimately [undermine prosperity](#). Yet despite repeated reform efforts, Canada has struggled to slow regulatory growth and to meaningfully reduce the cumulative burden facing businesses.

Evidence suggests Canada's regulatory system is out of balance. In a recent [Business Council of Canada survey](#), 41% of CEOs identified the domestic regulatory burden as the most significant factor influencing investment decisions.

A companion report to this overarching project, *Addressing Today's Regulatory Barriers to Investment*, sets out ways to address some of the specific regulatory barriers identified by businesses. But that work is only the first step.

Since 2006, the total [number of federal regulatory requirements](#) has increased by 37%, despite multiple reform efforts, including the [2012 Red Tape Reduction Action Plan](#) and the [2018 Targeted Regulatory Reviews](#).

Independent indicators reinforce this trend. Data from the [U.S. Mercatus Center](#), which uses a narrower definition of federal regulation, also shows that Canada's regulatory load has risen substantially and, over the most recent five years of available data (2016–2021), grew at nearly [twice the rate](#) observed in the United States (U.S.).



CONSEQUENCES OF A HIGH REGULATORY BURDEN

The economic implications are significant. [Statistics Canada](#) estimates that, holding other factors constant, regulatory accumulation equivalent to the 37% increase from 2006 to 2021 is associated with approximately 9% lower business investment growth relative to a counterfactual baseline, along with reductions in GDP and employment growth in the business sector of 1.7% and 1.3% points, respectively.

Beyond these direct economic effects, a growing stock of obsolete or ineffective regulations can also undermine regulatory effectiveness. When [outdated rules remain in force](#), they consume time and resources, reducing attention to, and compliance with, rules that genuinely improve health, safety, and market performance. Yet Canada has few mechanisms to systematically review and remove outdated or redundant regulations.

The challenge is not merely the volume of regulation but also their complexity. Federal regulations frequently exceed the Government of Canada's [plain-language guidance](#) of generally keeping sentence length to no more than around 20 words – often doubling it – with [little evidence](#) of progress over time. Increased length and linguistic complexity further increase compliance costs and uncertainty, especially as firms must navigate many evolving requirements across departments.

As a result, businesses direct a large share of their finite resources toward compliance rather than innovation, expansion, or core operations. The average business spends an estimated [735 hours on regulation compliance activities](#) with about 35% of that considered to be duplicative or unnecessary.

In response to these pressures, the federal government has relied primarily on the [One-for-One Rule](#), introduced in 2012, and the newly launched [Red Tape Review](#) to manage the regulatory burden. While both play important roles, they fall short of what is required to meaningfully reduce Canada's regulatory burden.



THE ONE-FOR-ONE RULE

The One-for-One Rule was introduced through the [Red Tape Reduction Act](#). It requires that any new regulation imposing administrative costs — such as additional reporting, record-keeping, or filing requirements — be offset by an equivalent reduction in administrative burden elsewhere.

According to federal estimates, this policy has produced a [modest reduction](#) of roughly \$238 million annually in compliance-related administrative costs. However, those savings are dwarfed by the overall administrative cost of regulatory compliance — estimated at more than \$50 billion per year across all orders of government.



Why the One-for-One Rule Falls Short

There are several reasons why the rule's impact is likely to remain limited.

First, its scope is narrow. The One-for-One Rule applies only to regulations that impose administrative costs, which account for roughly [20% of federal regulations](#). The remaining 80% still generate significant economic impacts but fall outside the rule's scope. Moreover, even within the 20% of regulations that do involve administrative tasks, paperwork is rarely the primary driver of the compliance burden; substantive regulatory requirements typically have far greater implications for competitiveness, investment, and productivity.

Second, the benefits are unevenly distributed across sectors. Under the One-for-One framework, burden reductions can occur in any sector, regardless of where new requirements are introduced. As a result, sectors facing new or expanded regulatory obligations may experience a net increase in administrative costs even if total costs economy-wide show a moderate decline.

Recent federal reporting illustrates this imbalance clearly. In the [2023–24 Annual Report on Federal Regulatory Management Initiatives](#), 99.77% of all administrative burden reductions came from just two changes, both involving digitized forms for importers and exporters at the Canada Border Services Agency (CBSA). While these updates significantly reduced paperwork for export-oriented businesses, their impact on most Canadian firms was modest. Essentially, the reductions from these two changes created the offset needed to allow the administrative burden to continue increasing elsewhere in the system.

Third, the rule is limited in ambition. Its objective is to hold the existing level of administrative burden constant, not to achieve a sustained net reduction. Other jurisdictions have used offsetting rules more aggressively.

The United Kingdom (UK), for example, initially adopted a similar One-in, One-out framework around the same time as Canada, but applied it to overall compliance costs rather than to the administrative burden alone. By 2016, the UK had further strengthened this approach to a One-in, Three-out model, delivering a measurable net reduction in the regulatory burden before ultimately moving beyond offsetting rules toward a more strategic regulatory framework.

Finally, offsetting rules come with trade-offs. While such rules can help focus attention on regulatory costs and incentivize burden reduction in the near term, they are also inherently rigid. Over time, they can encourage accounting-driven reductions and deter reforms that would meaningfully reduce the broader economic burden simply because they involve modest or temporary increases in administrative requirements.

For these reasons, offsetting rules should be considered important transitional tools, alongside other mechanisms, to encourage early action — but not a long-term solution for managing regulatory burden. Once stronger system-wide oversight and more rigorous regulatory analysis are in place, such rules should be phased out in favour of more flexible, outcomes-focused approaches that support continuous improvement and economic growth.

Why the One-for-One Rule Lacks a System-Wide View of the Regulatory Burden

The limitations of offsetting rules, including the One-for-One Rule, point to a deeper, system-wide challenge. Under the current system, government lacks reliable, cost-weighted information on where the regulatory burden is most significant and how it accumulates across departments and sectors. Without that perspective, reduction efforts are likely to remain fragmented and incremental.

The [Administrative Burden Baseline \(ABB\)](#), which is the system used in departmental reporting, provides a partial view of the regulatory burden across government. It tracks the number of active federal regulatory administrative requirements by department and shows that administrative requirements continue to grow across many parts of government. This information is useful in highlighting where rules are concentrated and how they are distributed across institutions.

However, the ABB only tracks the number of discrete requirements, not their relative burden or impact. Each is counted equally, regardless of how complex, time-consuming, or costly it is for businesses to comply with.

Because departmental reporting relies primarily on ABB counts, it can present a misleading picture of where the regulatory burden is most significant. A department may report relatively few administrative requirements but could still impose substantial compliance costs on regulated businesses. The ABB therefore sheds light on the distribution of rules, but not on their economic or administrative impact.

Addressing these limitations is difficult under the current reporting framework. While departments are required to report their ABB annually, there is no equivalent requirement to report cost-weighted administrative burden at the departmental or sectoral level using the monetization methodology already applied under the One-for-One Rule. Even the limited ABB data that is reported is dispersed across more than 30 departmental reports, making it difficult to assess cumulative impacts or identify where the regulatory burden is increasing most rapidly.

Taken together, the limits of offsetting rules and the shortcomings of existing measurement tools show that Canada lacks a system-wide approach to identify, prioritize, and reduce regulatory burden where it matters most.

THE RED TAPE REVIEW

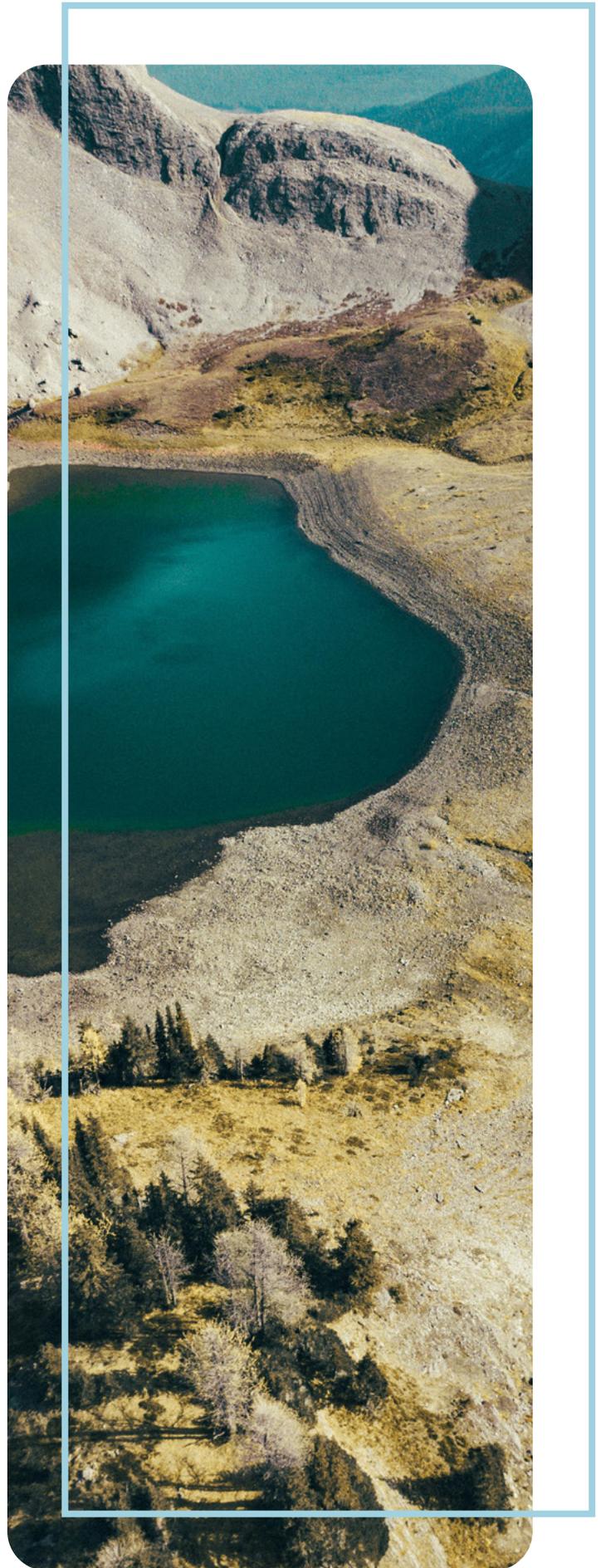
Recognizing these limitations, including the absence of system-wide measurement, the federal government launched the Red Tape Review in July 2025 to support regulatory reform and address the cumulative burden facing businesses.

Unlike the One-for-One Rule, which is limited to administrative costs for businesses, the Red Tape Review represents a more comprehensive assessment of regulations across government, including inefficiencies, duplication, and outdated requirements. To support this work, a dedicated [Red Tape Reduction Office](#) was established within the Treasury Board Secretariat to oversee progress and ensure continuity beyond the episodic initiatives that have characterized past efforts.

The Red Tape Review represents an important step forward in scope and intent. Early indications, however, suggest it risks falling short for the same reasons previous red tape initiatives failed to deliver meaningful results.

Public reporting to date, through available departmental Red Tape Review updates, has focused primarily on process-oriented changes, such as streamlining templates and modernizing internal processes, with limited identification of specific regulations for repeal, consolidation, or substantive amendment that would materially reduce compliance costs for businesses. While it remains too early to assess results, this emphasis points more to internal process improvement than to measurable reduction in the regulatory burden.

For the Red Tape Review to deliver tangible outcomes, it must overcome two longstanding shortcomings: a lack of clear accountability for results; and insufficient ambition to drive measurable reductions. It must also leverage new data and analytical capabilities to identify system-wide opportunities that earlier reform efforts could not.



The first of these shortcomings, accountability for results, is largely about how success is defined and measured. Achieving the initiative's stated goal of providing "[clear visibility into cost savings and productivity gains](#)" requires transparent, objective measurement frameworks that focus on outcomes rather than activity. Metrics should capture not only the number of regulatory requirements, but also their complexity and their impacts on business costs, investment decisions, and productivity. Tools such as regulatory budgeting and digital analytics, which are already used in other jurisdictions to track cumulative compliance costs, can help generate a more complete picture of system-wide efficiency. Equally important is incorporating the experience of regulated entities themselves: if businesses do not experience tangible reductions in regulatory burden, even well-intentioned reforms will fail to deliver meaningful results.

The second shortcoming is ambition. International experience demonstrates that significant reductions in regulatory burden are achievable when governments establish explicit, rigorous targets. In the early 2000s, for example, the [Netherlands](#) committed to reducing the administrative costs of regulation to business by 25% and achieved that goal within a few years.

Finally, accountability and ambition cannot deliver results without a genuinely system-wide view of the overall regulatory burden. Until recently, it was difficult — if not impossible — to assess how regulatory requirements accumulate across departments and sectors, where obligations are most concentrated or costly, or which reforms would deliver the greatest impact. As a result, past efforts have relied on fragmented, department-by-department reviews that struggle to address the cumulative burden.

New analytical tools have materially changed this reality. With the support of AI and advanced data technologies, regulators can now map regulatory requirements across the federal system, identify overlapping and duplicative obligations, analyze their interaction and cumulative effects, and identify high-impact opportunities for simplification, consolidation, or repeal. These capabilities allow governments to move beyond incremental process improvements and instead strategically target areas where regulatory burden is highest and least justified.

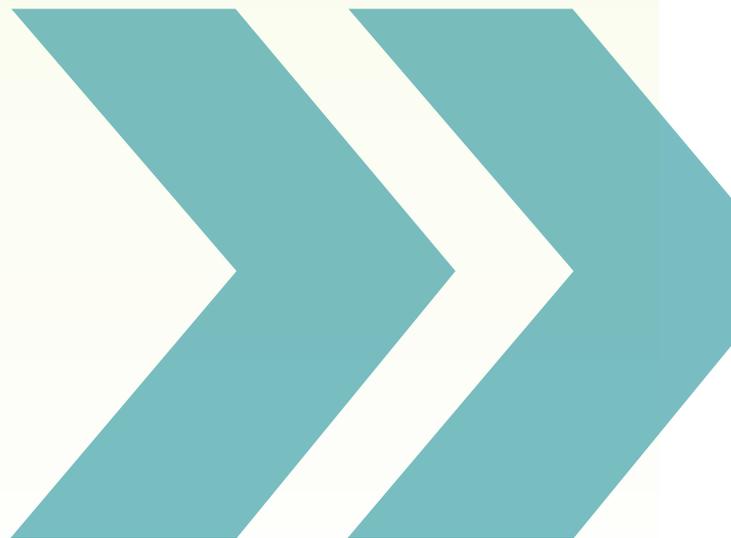
Few policy challenges are better suited to the federal government's [AI Strategy for the Federal Public Service](#) than regulatory burden reduction. The strategy's focus on improving public-sector efficiency, decision-making, and service delivery aligns directly with the need to understand, manage, and reduce the cumulative regulatory burden. Making regulatory mapping and system efficiency a core application of these tools would ensure Canada's AI agenda delivers economic benefits for Canadians, improving how the regulatory system is assessed and continuously improved.



Recommendations:

Building on the One-for-One Rule and the Red Tape Review, we recommend the following to drive meaningful reduction in the federal regulatory burden across Canada:

- >> **Treat the One-for-One Rule as a transitional tool and strengthen it to drive net reductions in burden.** Strengthen the One-for-One Rule to require sustained net reductions over time, while recognizing that rigid offsetting rules should not be permanent. As regulatory measurement and oversight improve, shift from narrow administrative offsets toward system-wide management of total compliance costs, consistent with international best practice.
- >> **Modernize how regulatory burden is measured and reported across government.** Replace fragmented ABB reporting with a consolidated, digital measurement framework that tracks regulatory burden by department and sector, and incorporates cost-weighted measures using the monetization methodology already applied under the One-for-One Rule. This would provide a clearer picture of where the regulatory burden is accumulating and where reductions would have the greatest impact.
- >> **Prioritize burden reduction in strategic and high-impact sectors.** Use improved burden measurement to focus reform efforts on sectors with high regulatory intensity, high compliance costs, strategic economic importance, or significant trade exposure. Engage regulated firms to identify high-impact, low-risk opportunities for simplification, consolidation, or removal of requirements.
- >> **Establish clear, outcome-focused accountability for regulatory reform.** Require the Red Tape Reduction Office to track and publicly report standardized outcome metrics capturing regulatory volume, complexity, and impacts on business costs, investment, and productivity. Regularly validate these metrics through standardized feedback from regulated businesses to ensure reforms deliver tangible, real-world reforms.
- >> **Set bold, measurable targets to drive sustained reductions in regulatory burden.** Adopt explicit, long-term burden targets informed by international experience, such as the Netherlands' 25% reduction in administrative costs, and progressively expand targets to encompass total compliance costs. Clear targets should guide departmental priorities and reinforce accountability.
- >> **Make red tape reduction a core priority of the federal AI Strategy.** Leverage advanced analytics and AI tools, such as regulatory mapping and impact simulations, to evaluate system-wide regulatory burdens and inform targeted, evidence-driven reforms.



PRIORITY II: STRENGTHEN REGULATIONS TO DRIVE RESULTS AND GROWTH

Priority II focuses on improving the quality of new regulations so that regulatory costs do not continue to accumulate and the regulatory system actively supports economic growth. It advances this objective by strengthening regulatory design, evaluation, and decision-making to ensure new rules deliver results at the lowest possible economic cost.

Specifically, Priority II advances this objective through three complementary reforms:

- >> **Enhance Regulatory Impact Assessments to Improve Decision-Making**
- >> **Evaluate Regulations to Ensure Effectiveness**
- >> **Adopt an Outcome-Focused, Innovation-Enabled Approach**

ENHANCE REGULATORY IMPACT ASSESSMENTS TO IMPROVE DECISION-MAKING

Reducing the cumulative regulatory burden is only one part of building a high-performing regulatory system. Another is ensuring that new regulations are designed and implemented in ways that maximize public benefit while minimizing unnecessary cost and complexity. Preventing the creation of new burdens — and improving the quality of regulatory decisions — is essential for supporting innovation, investment, and long-term economic growth. Together, burden reduction and stronger regulatory design form the foundation of a modern, competitive regulatory system.

A central tool for achieving this balance is the Regulatory Impact Assessment (RIA) process. RIAs evaluate the expected economic, social, and environmental effects of proposed rules and weigh them against alternative approaches. As the [U.S. Mercatus Center](#) notes, “a good RIA does not just calculate monetary costs and benefits, but identifies, verifies, and explains the source of the problem and demonstrates with evidence why the proposed solution is the most effective means of solving the problem.”



When carried out rigorously, RIAs ensure that regulations address clearly defined problems or risks of sufficient magnitude to warrant intervention, deliver benefits that outweigh costs, and avoid unnecessary barriers to productivity or technological adoption. RIAs also help determine whether regulatory intervention is necessary at all or whether alternative, less prescriptive tools would be more appropriate, particularly in cases of low or routine risk. In this way, they complement burden-reduction initiatives by preventing the accumulation of new costs and strengthening the overall effectiveness and credibility of the regulatory system.

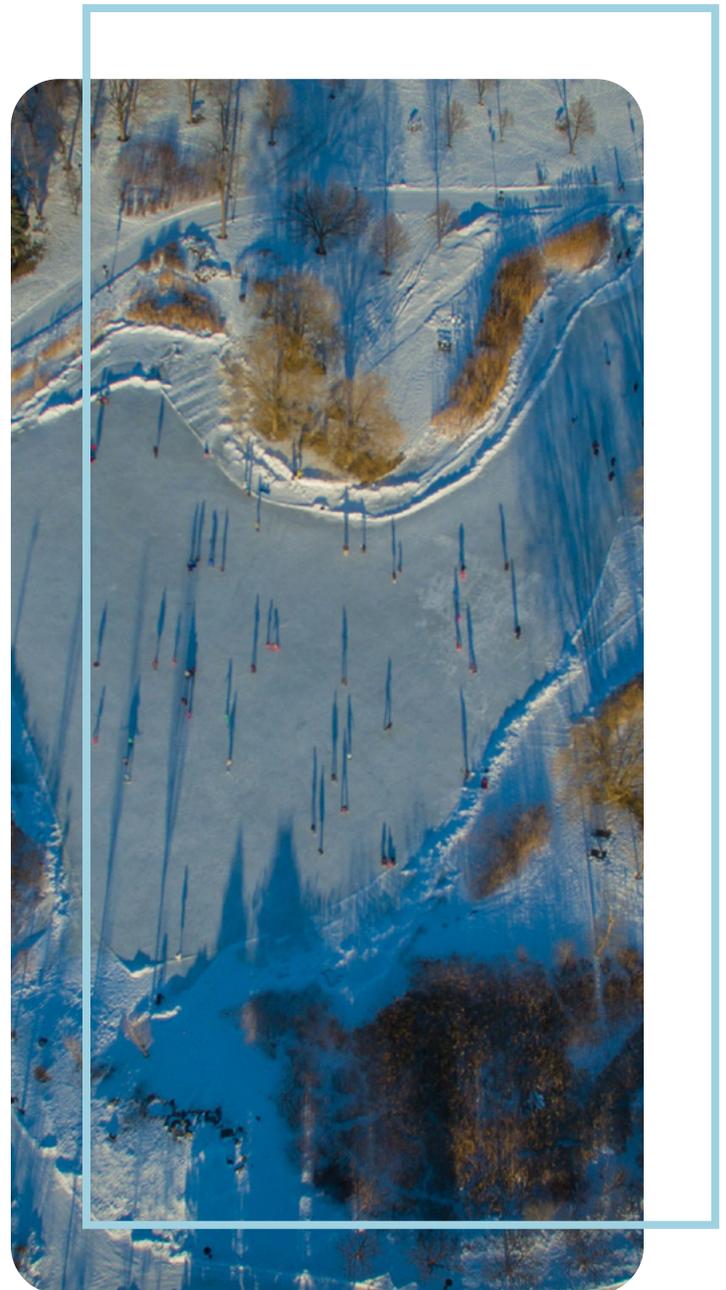
In Canada, this analysis for regulations is disclosed through the Regulatory Impact Analysis Statement (RIAS), a document required under the Cabinet Directive on Regulation (CDR) for all major regulatory proposals. The RIAS draws on internal research, stakeholder input, and departmental analysis, with the depth and scope of the assessment expected to be “[proportional to the expected impact of a regulatory proposal](#).”

Once completed, the RIAS is published in the [Canada Gazette](#) alongside the draft regulation for public comment, creating an important opportunity for transparency and feedback. While responsibility for final decisions rests with policymakers, the RIAS remains a cornerstone of evidence-based regulation and is critical to ensuring that new rules protect the public interest without imposing unnecessary costs on households and businesses.

International comparisons suggest that Canada performs relatively well on the basic elements of RIA design. For primary laws, Canada ranks 10th among [OECD countries](#) in terms of the quality of its RIA process based on OECD regulatory policy indicators. The execution of that process, however, is uneven; significant gaps remain in rigour, consistency, and oversight. In addition, RIA in Canada is often conducted late in the policy development process.

Although a RIAS is formally required before publication, in practice key policy choices are frequently settled before analysis is finalized, limiting the extent to which RIA meaningfully shapes regulatory decisions rather than serving primarily to justify a preferred approach.

Strengthening the RIA process is therefore essential to ensuring that new regulations support Canada’s competitiveness, growth, and resilience in a rapidly evolving economic environment.



Level of Rigour

Achieving high-quality regulatory outcomes requires analytical standards that match the scale of a regulation's expected impact. In practice, however, the rigour of analysis in Canada varies considerably. This reflects, in part, differences in departmental capacity: the responsibility for preparing the RIAs lies with the sponsoring department, but expertise is uneven across the public service. Larger departments often have access to specialized economists, data analysts, and regulatory experts, while smaller regulators may lack the resources or technical training needed to conduct robust modeling or sensitivity testing.

As a result, some proposals receive comprehensive analysis while others rely on more limited or qualitative assessments. This inconsistency affects the overall credibility of the regulatory system and increases the likelihood that important trade-offs are overlooked or insufficiently assessed.



Cost-Benefit Analysis

Cost-benefit analysis of proposed new regulations is a critical component of the RIA process. These analyses are intended to ensure that regulations produce benefits that justify their costs, consistent with [OECD best practices](#), but their application in Canada is uneven and the level of rigour varies widely across regulations.

Only regulations expected to impose more than \$1 million in annual costs, based on total economic costs rather than administrative burden alone, are required to quantify and monetize costs and benefits. This creates a rigid threshold that exempts most proposals — roughly 87% in recent years — from detailed economic scrutiny. Many lower-cost regulations therefore proceed without clear evidence that benefits exceed costs, even when they fall just below the threshold. The government itself acknowledges the importance of monetizing costs and benefits to understand the overall [net economic impact](#) of a regulation, suggesting that too many decisions are being made without the information needed to assess net impacts.

Concerns also extend to higher-cost regulations, where analytical standards should be strongest. Government reporting shows that a substantial proportion of high-impact regulations lack fully monetized estimates of costs and benefits. In [2021-22](#), only 19 of 33 newly-introduced high-impact regulations included both monetized costs and benefits, while 10 included neither. Though that represented a year in which several emergency EI and tax measures were exempted from standard CDR requirements, the next year's results were similar: in [2022-23](#), 15 of 25 major new regulations included fully monetized costs and benefits while four included neither. The [most recent year](#) showed similar results: 16 of 24 included both costs and benefits, while eight reported only costs.

This inconsistency highlights gaps in both departmental practice and central oversight. It suggests that, despite formal challenge processes, analytical requirements are not being applied with the level of discipline necessary for sound decision-making.

Moreover, even when costs and benefits are fully quantified, assessments of the former often focus narrowly on compliance and administrative costs. They give limited attention to broader economic effects on investment, innovation, competition, or technological adoption. Neither do they reflect [unintended consequences](#) such as regulatory complexity deterring new entrants or slowing the adoption of emerging technologies. The result is a systematic underestimation of trade-offs and a higher risk that regulations will be implemented that are more burdensome or restrictive than intended.

Finally, the distribution of those costs is also important but not considered in the current process. Peer jurisdictions often complement cost-benefit analysis with consideration of whether costs are concentrated within a small number of regulated entities, which could affect economic outcomes even when total costs are not extraordinary.

Evaluation of Alternative Options

A modern regulatory system must ensure not only that benefits exceed costs, but also that no more effective or less burdensome option exists. Although the RIAS formally requires departments to assess alternative options, these assessments are often cursory.

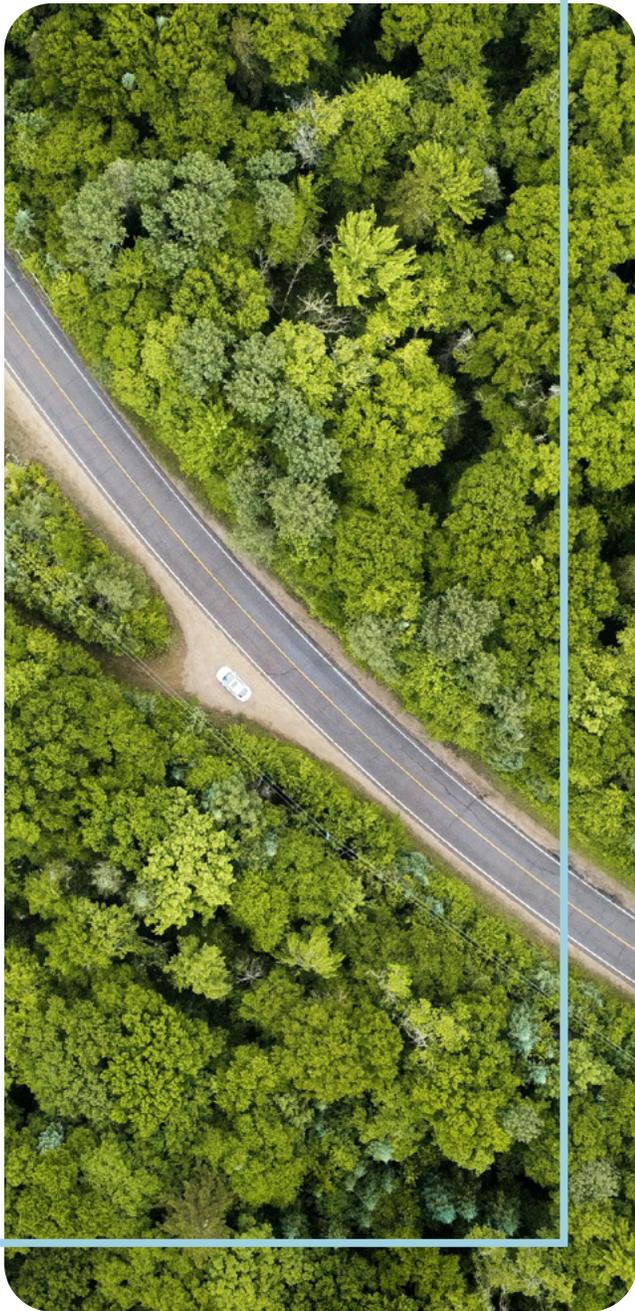
In practice, many proposals proceed with limited exploration of alternative approaches such as varying levels of stringency or non-regulatory options. As a result, regulations may move forward without a clear demonstration that the chosen approach is the most effective means of achieving the desired policy objectives.

The quality of alternatives analysis is also constrained by timing. When analysis occurs late in the policy development process, earlier commitments can narrow the range of options considered, increasing the likelihood that regulations advance without a rigorous comparison of approaches.

Recent high-profile examples illustrate the consequences of insufficient alternatives analysis. For the proposed [Oil and Gas emissions cap](#), which is no longer expected to be [implemented](#), the primary alternative — adjusting the existing output-based pricing system — received only limited assessment, despite clear implications for both cost-effectiveness and administrative simplicity.



Without a thorough comparison of options, it is difficult for policymakers, stakeholders, or the public to evaluate whether the proposed approach offers the greatest net benefit. When trade-offs are underexplored even for high-impact regulations, the federal government is less able to make fully informed choices, and confidence in regulatory decision-making and the broader system is weakened.



Oversight and Accountability

Strong oversight is essential to ensuring that regulatory analysis is credible, consistent, and aligned with broader public policy objectives. Yet oversight remains a well-documented weakness of Canada’s regulatory system. Internationally, the country ranks 19th among [OECD countries](#) on measures of regulatory oversight and quality control, reflecting limited authority and uneven enforcement of analytical standards.

Within the federal system, regulatory oversight primarily rests with the Treasury Board Secretariat, which supports the Treasury Board — a statutory Cabinet committee responsible for approving most Governor in Council regulations before they are published in the Canada Gazette. Within TBS, the Regulatory Affairs Sector carries out a “[review and challenge function](#),” examining draft regulations and their accompanying RIAS for compliance with the [Cabinet Directive on Regulation](#). This review evaluates whether departments have clearly defined the policy problem, considered alternative approaches, undertaken sound cost-benefit analysis, engaged stakeholders appropriately, and met all procedural requirements.

Despite this formal role, TBS’s leverage is largely procedural. While it can challenge regulatory analysis, final decisions rest with ministers and the outcomes of any challenge are not routinely made public. That makes it difficult to assess whether analytical weaknesses are fully addressed before regulations are approved — an especially important consideration for high-impact proposals.

These constraints create predictable incentives: sponsoring departments are rewarded for advancing proposals, while the system offers limited incentive to ensure alternatives, costs, and uncertainty are treated with consistent rigour.

Transparency challenges also weaken accountability. Data, assumptions, and models underlying RIAs are typically not publicly available or appear only in highly summarized form, reducing opportunities for external experts, stakeholders, and the public to scrutinize regulatory analysis or challenge decisions.

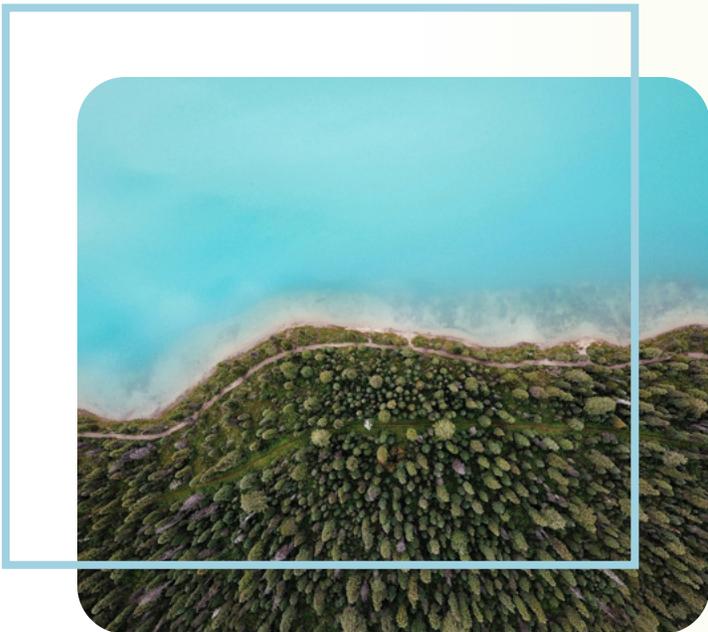
While some improvements have been made, such as the publication of the [Annual Report on Federal Regulatory Management Initiatives](#) and requirements to disclose stakeholder consultations under the cost-benefit process, major gaps remain. These initiatives provide only aggregate insights and do not reveal how individual regulations meet analytical standards. Without access to detailed data and assumptions, external scrutiny is limited, and public confidence in the system remains vulnerable.

These factors illustrate that oversight in Canada is better designed to ensure procedural compliance than to consistently drive high-quality regulatory design. Addressing these limitations through stronger authority, clearer incentives, and improved transparency will be critical to ensuring that new regulations support public policy objectives while minimizing unnecessary costs and complexity.

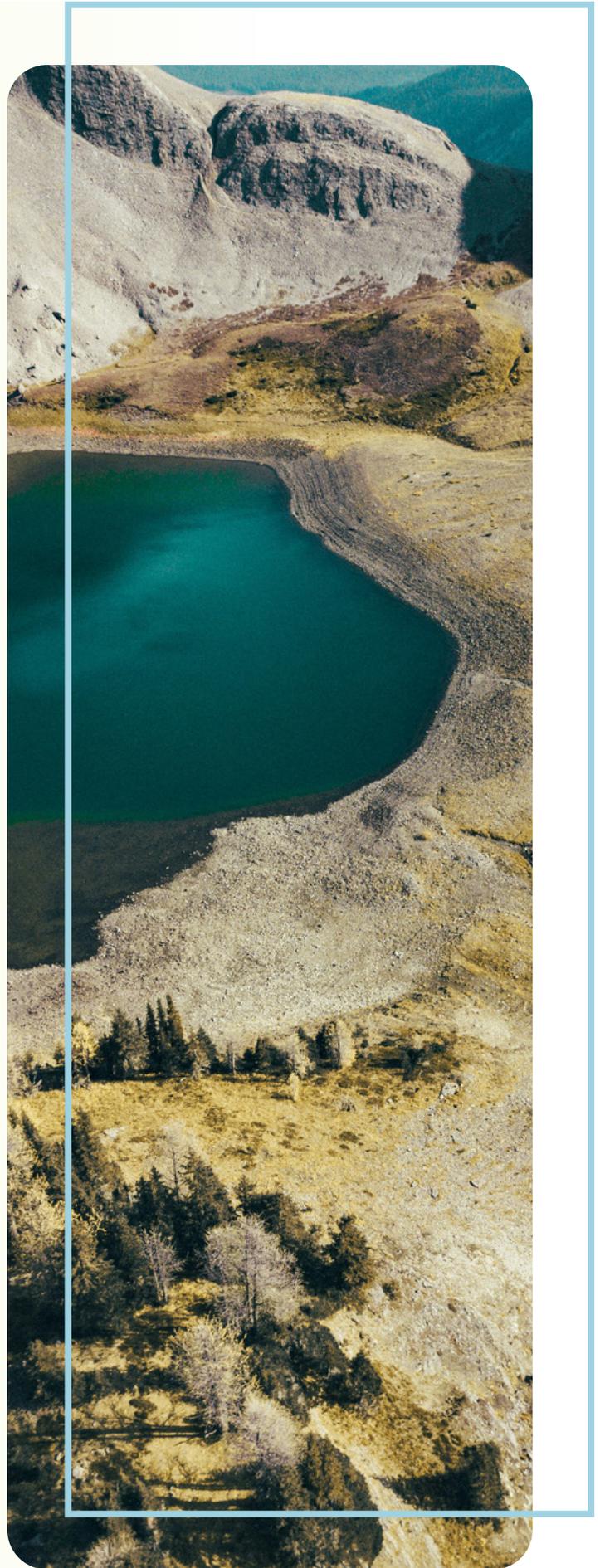
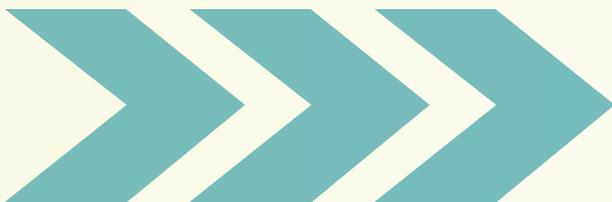
Recommendations:

To strengthen regulatory design and ensure high-quality, evidence-based decision-making, we recommend the following:

- >> **Require proportionate analysis for lower-impact regulations.** Introduce a simplified cost-benefit analysis (CBA) requirement for proposals with expected annual costs between \$250,000 and \$1 million. This would ensure that key cost drivers and non-monetary impacts are quantified while keeping resources aligned with expected regulatory impact, including cases where costs are modest in aggregate but concentrated on a small number of regulated entities.
- >> **Mandate robust analysis of alternatives for high-impact proposals,** with initial alternatives analysis completed early in the policy development process, before a preferred regulatory approach is finalized. Require departments to rigorously compare and, where feasible, quantify multiple regulatory and non-regulatory options using standardized criteria, with particular attention to cases where regulatory costs are concentrated on a small number of regulated entities.
- >> **Ensure objectivity of high-impact regulatory proposals.** Require that regulatory proposals and RIAs with expected costs above \$5 million be co-developed with an independent team within the Treasury Board Secretariat rather than exclusively by the sponsoring department. This would enhance analytical rigour and ensure compliance with the Cabinet Directive on Regulation and the Policy on Cost-Benefit Analysis.



- >> **Increase transparency and accessibility of underlying analytical materials.** Require departments to publish the full analytical basis of the RIAS — including datasets, models, assumptions, sensitivity analyses, and methodological notes — alongside draft regulations in the Canada Gazette. Materials should be provided in accessible, machine-readable formats to enable external scrutiny and independent replication.
- >> **Strengthen enforcement and accountability of analytical standards.** Clarify and formalize TBS’s authority to require substantive analytical revisions, including documented conditional sign-off where standards are not met. To reinforce accountability, publish concise, non-attributed post-approval review summaries for high-impact proposals completed by sponsoring departments but reviewed by TBS (those with expected costs above \$1 million and below \$5 million), using a standardized template that requires disclosure of both strengths and material analytical limitations, focusing on analytical quality rather than policy judgment.
- >> **Strengthen analytical capability through audit and training.** Create an annual audit mandate within Treasury Board requiring that a fixed proportion of approved regulatory proposals (e.g., at least 10%) be audited for methodological quality and procedural compliance. Use audit findings to inform mandatory RIA training and targeted capacity-building across departments, focusing support where analytical weaknesses persist.



EVALUATE REGULATIONS TO ENSURE EFFECTIVENESS

Even strong analysis pre-implementation isn't enough; government needs to test whether rules work as intended and identify those that should be refined, replaced, or repealed.

Done well, these evaluations can feed directly into future RIAS development, reinforcing a culture of evidence-based learning and continuous improvement. When regulations are not routinely evaluated, ineffective or outdated rules remain in force, adding to the cumulative burden on businesses and the economy — contributing to the [death by 130,000 cuts](#) that now characterizes Canada's regulatory system.



Post-Implementation Evaluation in Canada

In Canada, post-implementation evaluation is limited, uneven, and not applied systematically across individual regulations. Although the Cabinet Directive on Regulation calls for a [“life-cycle approach”](#) to regulation, it imposes no binding requirements for when, how, or even whether post-implementation reviews must occur — even for regulations with significant economic impacts. As a result, evaluation of individual regulations is largely discretionary and inconsistently prioritized across departments.

Responsibility for evaluation falls instead under the broader Treasury Board [Policy on Results](#). However, this policy is broad in scope, requiring departments to review major programs — defined as the full set of activities, policies, and regulations designed to achieve specific outcomes — on a rolling five-year cycle.

Individual regulations may be considered in these reviews, but typically only indirectly and only to the extent that they are a part of a broader program assessment. The focus is on whether the program as a whole is meeting its objectives, not on whether specific regulations remain effective or necessary.

As a result, there is no systematic requirement to review individual regulations, even those within a major program. For the many regulations that fall outside these programs, post-implementation evaluation is effectively out of scope altogether.

In other words, only a limited subset of regulations is assessed, and typically only indirectly, leaving most regulations in place indefinitely without review, even as economic conditions, technologies, and policy objectives evolve.

Ad Hoc Regulatory Reviews

Beyond program-level evaluations, Canada occasionally undertakes one-off initiatives, such as the [Targeted Regulatory Reviews](#), which assessed regulations in sectors including agri-food, health, and transport to identify barriers to innovation and economic growth. While these reviews can provide useful insights, they are limited in scope, methodology, and rigour. They cover only a subset of regulations and cannot substitute for a comprehensive system of post-implementation evaluation.

Gaps in Oversight and Quality Assurance

Even when reviews do occur, there is no assurance they meaningfully assess regulatory performance. In the absence of formal guidance, quality control, or oversight, evaluations may lack rigour, and departments have limited incentives to critically examine their own regulations. The OECD's 2021 *Regulatory Policy Outlook* notes that ex post evaluations in Canada “are not always done regularly by individual ministries” and recommends strengthening [guidance, processes, and oversight](#).

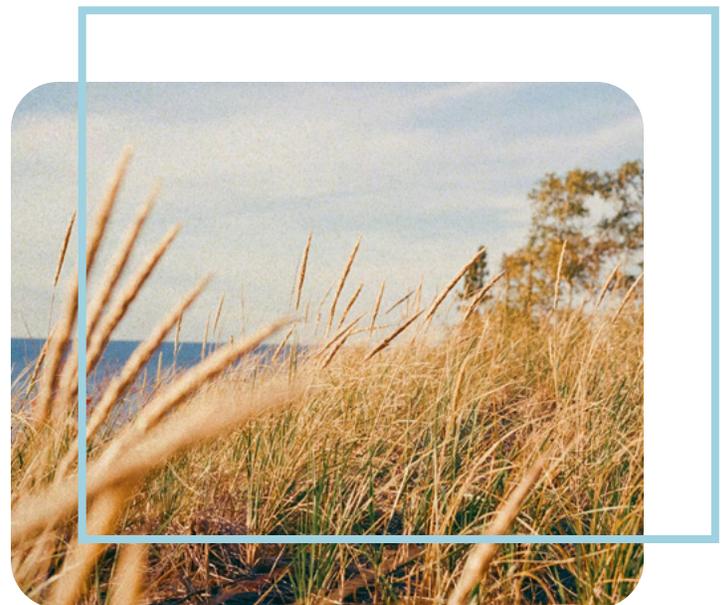
Costs of Inaction

Without strong oversight, the consequences of inaction accumulate. Failing to systematically evaluate regulations means missed opportunities to refine, replace, or repeal rules that do not deliver value; and to ensure that the risks they were designed to manage remain material enough to warrant intervention. That means more red tape for businesses and a less effective regulatory system: keeping ineffective rules in place [undermines the effectiveness](#) of those that genuinely do protect health, safety, and market performance.

This lack of oversight also prevents government from testing the assumptions underlying regulatory analyses, risking the continued use of flawed models and limiting the system's adaptability. The result is that decision-making becomes less evidence-based, and the regulatory system grows increasingly complex and rigid, with no real mechanism for reform.

International Comparisons

Canada's largely discretionary approach to post hoc evaluation of regulations contrasts sharply with peer jurisdictions that follow OECD best practices and treat post-implementation review as a core requirement. In [Australia](#), agencies must conduct a review for all major economic regulations within two years of their implementation. In the [U.K.](#), secondary legislation typically includes a statutory review clause; for regulations affecting businesses, ministers are legally required to include a review provision unless it is deemed inappropriate. By requiring systematic, timely reviews, these jurisdictions ensure regulations are effective and do not impose unnecessary costs on business, supporting investment, innovation, and competitiveness.



Recommendations:

To improve regulatory evaluation and ensure effectiveness, the federal government should:

- >> **Mandate and publish post-implementation evaluations of high-impact regulations.** Require departments to conduct post-implementation evaluations of all major regulations with an annual expected cost of at least \$1 million within a defined timeframe (e.g., two to five years after implementation), with the scope and rigour of the evaluation proportional to the regulation's expected impact. Departments should publish clear summaries of findings for internal learning and external accountability.
- >> **Prioritize additional post-implementation review of medium-impact regulations in strategic sectors** such as those with high regulatory counts, high cost-weighted ABB, strategic economic value, or significant trade exposure. Departments should prioritize reviews in areas most critical to Canada's global competitiveness and prosperity, rather than in areas of limited economic relevance.
- >> **Conduct regular internal audits of evaluation quality.** Like the RIAS audit function described above, TBS should annually audit a proportion of completed post-implementation evaluations. This would ensure methodological rigor and consistency, and that lessons inform future regulatory design.
- >> **Standardize evaluation methodology and metrics.** Develop clear guidance for conducting post-implementation reviews, including standardized indicators of effectiveness, costs, and unintended impacts. Ensure that evaluations systematically assess whether original assumptions and projected outcomes were accurate.
- >> **Integrate evaluation results into future policy design.** The Treasury Board Secretariat should annually synthesize post-implementation evaluation findings and as needed, propose updates to the Policy on Regulatory Development, the Policy on Cost-Benefit Analysis, and the Regulatory Impact Analysis framework, ensuring that lessons from past regulations directly inform the design and analysis of future rules.
- >> **Refine pre-implementation burden estimates to updated regulatory burdens.** Use insights from post-implementation reviews to update cost-weighted regulatory burden metrics by department and sector, helping the government identify strategic targets for burden reduction efforts.



ADOPT AN OUTCOME-FOCUSED, INNOVATION-ENABLED APPROACH

Stronger analysis at the design stage and more systematic post-implementation evaluation improves regulatory decision-making and helps reduce unnecessary burdens being placed on businesses. But regulatory outcomes also depend on how rules are structured. Prescriptive requirements can limit flexibility and slow innovation, even when the fundamental objectives are sound. Outcomes- and risk-based approaches address this by focusing regulation on results rather than methods.

In an outcomes-based model, regulators define the results to be achieved rather than prescribing the specific processes or technologies firms must use. Clear, measurable objectives give businesses greater flexibility to determine the most efficient means of compliance, reducing unnecessary complexity and supporting innovation and technological adoption. In this way, outcomes-based regulation complements earlier improvements to Regulatory Impact Assessments by ensuring that regulatory design itself enables more adaptive, efficient, and innovation-friendly compliance pathways.

Such frameworks are [most effective](#) when objectives are specific and enforceable; timelines are practical; and sectors have strong historical compliance. They also depend on setting requirements proportionate to the level of risk, so that lower-risk sectors and activities are not unnecessarily burdened. This, in turn, requires clear guidance to help regulators distinguish material from perceived risk, and apply risk-based approaches consistently across sectors and proposals.

Implementing this approach requires regulatory innovation, supported by tools such as sandboxes, pilot programs, and experimental frameworks. These mechanisms allow regulators to test new compliance pathways, validate alternative methods, and refine risk criteria over time, providing the evidence needed for implementation. Outcomes-based regulation and regulatory innovation reinforce one another: the former sets the direction, and the latter provides the means to achieve it.

In leading jurisdictions, regulatory experimentation is increasingly supported by advanced analytical tools that help regulators test and de-risk outcomes-based approaches before they are fully implemented. Rather than relying on static assumptions, regulators in countries such as the U.K. and the U.S. use scenario-based modelling to assess how different regulatory designs perform under varying compliance behaviours, technology choices, and risk conditions. This allows regulators to stress-test outcome targets, calibrate performance thresholds, and evaluate alternative compliance options before rules are finalized, reducing uncertainty while maximizing regulatory efficiency. When paired with pilots or sandboxes, these tools generate evidence that supports iterative improvement rather than locking in a single prescribed approach.

Despite pockets of progress, Canada has yet to develop a coherent, system-wide framework to operationalize outcomes-based regulation at scale. The system remains anchored in [prescriptive rules](#), with limited tools for experimentation, uneven departmental uptake, and weak incentives to adopt more flexible or risk-based approaches. As stated in the [Evaluation of the Centre for Regulatory Innovation](#), “regulatory innovation and experimentation require a skill set that is not common in the Government of Canada,” underscoring the constraints that limit adoption even where policy intent exists.

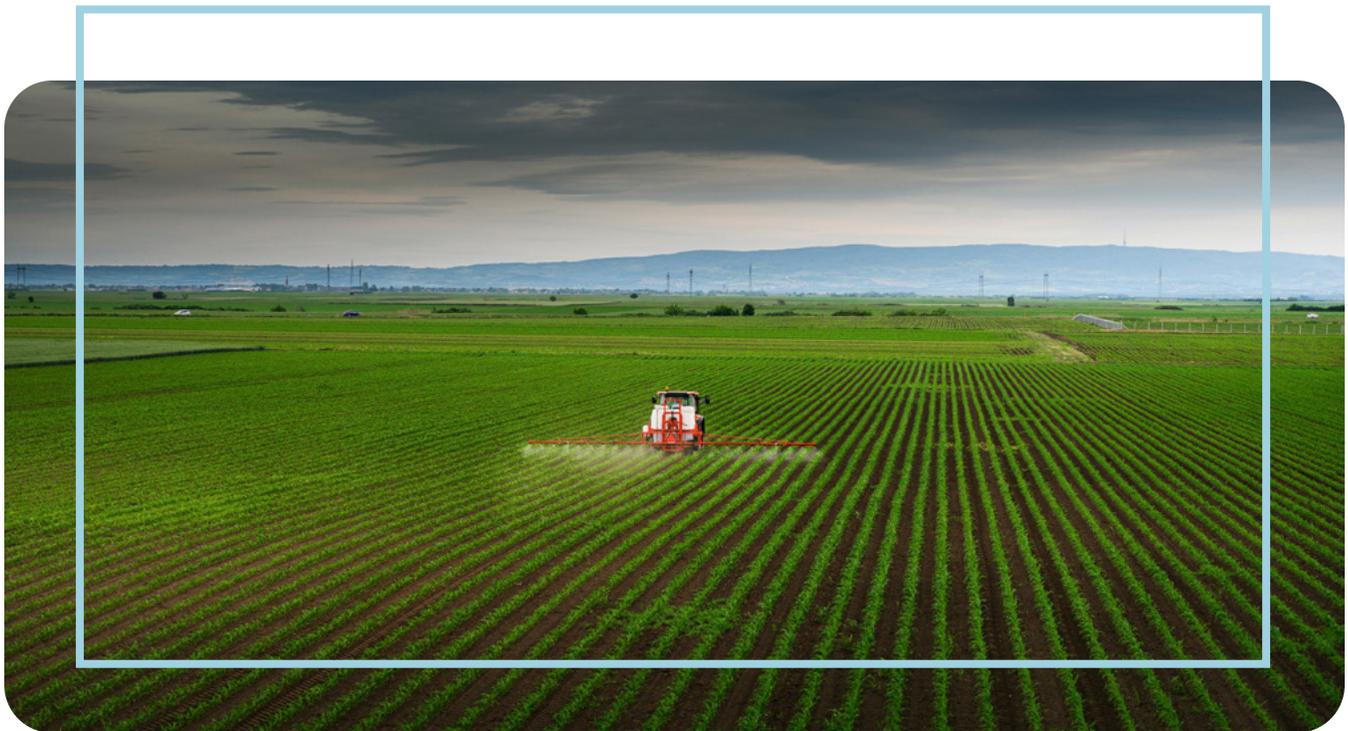
Current Canadian Efforts and Limitations

Canada has taken preliminary steps toward outcomes-based regulation through [targeted regulatory reviews](#) and sector-specific regulatory roadmaps. These roadmaps are [intended to](#) “include legislative and regulatory changes, updated policies and practices, and opportunities to support emerging technologies...helping make Canada’s regulatory framework more adaptable and responsive to the needs of business while continuing to protect the health, safety and security of Canadians and the environment.” Coordinated by the Treasury Board Secretariat and sectoral departments, the roadmaps cover agrifood, transportation, health and biosciences, clean technology, digitization, and the blue economy (i.e., sustainable use of ocean resources).

However, progress remains uneven and limited in scope. While [Transport Canada](#) and the [Canadian Food Inspection Agency](#) have embraced output-based approaches, other departments continue to rely heavily on prescriptive rules.

A notable example is Environment and Climate Change Canada, which administers the *Canadian Environmental Protection Act* (CEPA). Although CEPA provides broad authority to regulate toxic substances, it offers limited mechanisms for differentiating regulatory requirements by level of risk. As a result, regulations under the Act — including those related to air quality, GHG emissions, and plastics — often set uniform performance thresholds and mandate specific testing protocols or technologies regardless of the actual risk to public health and safety.

Even when governments adopt what appears to be an outcomes-based approach, flexibility is sometimes constrained by mandatory interim targets or prescribed indicators of progress. While intended to ensure accountability, these requirements can act as unnecessary controls by requiring specific pathways, timelines, or technologies even where alternative approaches could deliver equivalent or superior outcomes down the road. As a result, regulatory frameworks that are outcomes-based in principle may be more process-driven in practice, limiting innovation, flexibility, and adaptability.



Regulatory innovation tools have also seen limited uptake. The [Centre for Regulatory Innovation \(CRI\)](#), created in 2018 to help regulators keep pace with technological change and support regulatory experimentation, has piloted initiatives in areas such as light sport aircraft, digital credentials, and supply-chain labelling. However, its mandate remains narrow, and adoption in high-impact sectors such as oil and gas and natural resources has been limited.

[Capacity constraints](#) within regulatory departments and agencies further hinder uptake. Many departments have limited understanding of how regulatory experimentation can be applied in practice, and the [application process](#) for funding through the Regulatory Experimentation Expense Fund (REEF) — which supports regulatory pilots and sandboxes — is highly technical, with unclear approval criteria.

[Budget 2024](#) included a commitment to amend the *Red Tape Reduction Act* to “broaden the use of regulatory sandboxes across government” while [Budget 2025](#) proposed specific legislative changes to enable this across ministries. However, these amendments have not yet been enacted into law, so current sandbox use remains limited to existing policies and pilots.

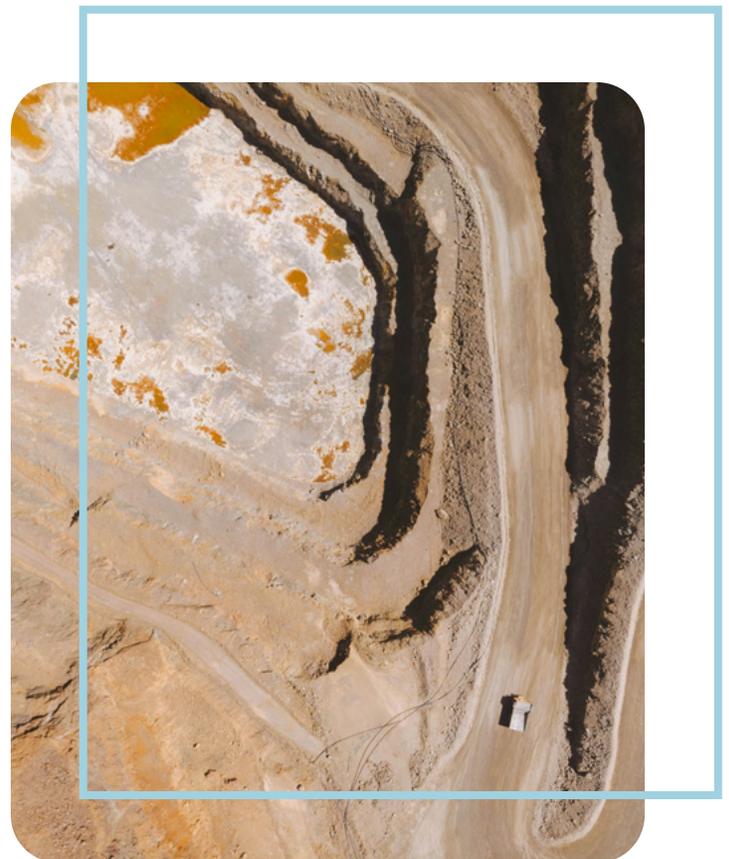
Lessons from International Practice

International experience demonstrates that outcomes-based and innovation-enabled approaches can improve regulatory effectiveness while maintaining strong protections. In the U.S., for example, the *Clean Air Act* incorporates risk-based approaches that adjust regulatory stringency according to actual environmental and health impacts rather than applying uniform limits across sectors. Technology-based frameworks such as the U.S.’s Best Available Control Technology (BACT) create incentives for earlier adoption of cleaner technologies while ensuring standards remain technically and economically feasible.

Likewise, countries such as Singapore and the UK actively deploy regulatory sandboxes to trial new technologies in fintech, health tech, and clean energy. These tools allow regulators to learn and adapt in real time while managing risk, providing models for how Canada could enable more flexible, outcomes-focused regulation in high- and low-risk sectors alike.

Prioritizing Key Sectors

Reforms aimed at applying outcomes- and risk-based approaches to regulation should prioritize sectors where Canada has a competitive advantage, significant employment, or substantial contribution to GDP. These include oil and gas, mining, critical minerals, and other natural resources industries. Supported by sandbox-style experimentation, applying these approaches could reduce uncertainty, improve investment confidence, and support economic growth while maintaining strong environmental and safety standards.



Recommendations:

To advance a more responsive, flexible, and innovation-friendly regulatory system, the federal government should:

- >> **Require outcomes- and risk-based regulation as the default approach across government.** Departments should define clear, measurable outcomes; apply risk-based compliance frameworks (including technology-based standards such as BACT where appropriate); and allow flexible compliance pathways supported by common guidance and templates.
- >> **Require scenario testing and risk modelling for high-impact regulatory proposals.** For high-impact regulations, require use of scenario-based analysis to test outcomes under different compliance behaviours, technology pathways, and risk conditions. This analysis should be used to stress-test outcome targets, calibrate performance thresholds, and assess alternative compliance options before rules are finalized.
- >> **Expand regulatory review and roadmap development to cover priority sectors.** Prioritize trade-exposed, high-impact industries such as oil and gas, mining, and critical minerals and require sector specific roadmaps to identify opportunities for outcomes- and risk-based regulation, reduced prescriptive requirements, and targeted innovation pilots, with regular public updates on progress.
- >> **Enable regulatory innovation across government.** Amend the *Red Tape Reduction Act* to allow sandboxes and pilot programs in all departments, with a focus on testing alternative compliance pathways and generating evidence to support outcomes- and risk-based regulation. Require departments to identify and report at least one regulatory experiment in a high-impact or emerging area within a defined timeframe.
- >> **Link experimentation to enforceable outcomes and iterative learning.** Ensure regulatory sandboxes and pilot programs include clear objectives, monitoring requirements, and milestones that allow approaches to be refined, scaled, or discontinued based on evidence, while maintaining proportionate safeguards for higher-risk activities.
- >> **Build analytical and innovation capacity across departments.** Provide mandatory training on outcomes- and risk-based regulation, scenario modelling and risk analysis, sandbox design, and pilot evaluation. Use audits to identify gaps in skills or methodology and target support where needed.



PRIORITY III: IMPROVE ACCOUNTABILITY, PREDICTABILITY AND ALIGNMENT

Priority III focuses on strengthening regulatory governance to ensure predictability, coherence, and consistency across departments, jurisdictions, and borders. It addresses gaps in oversight, transparency, and coordination that undermine confidence and allow unnecessary costs to persist — even when individual regulations are well designed.

Priority III advances this objective through four system-level reforms:

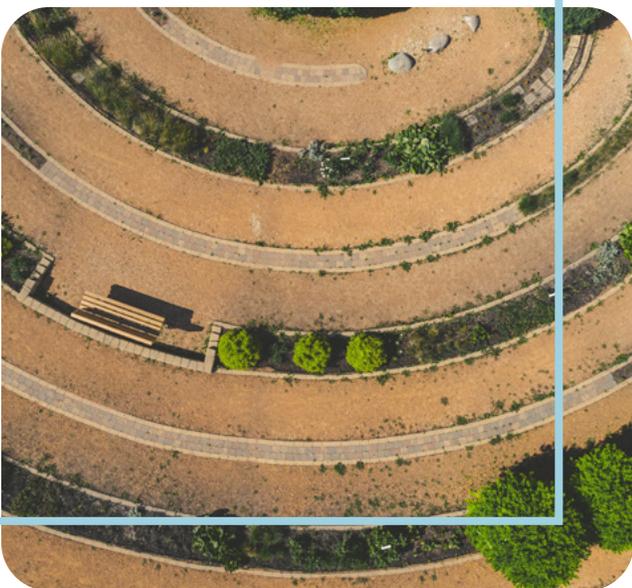
- >> **Strengthen Oversight and Accountability Across Government**
- >> **Improve Stakeholder Communication and Transparency**
- >> **Coordinate Regulatory Efforts Across Orders of Government**
- >> **Advance Strategic International Regulatory Alignment**

STRENGTHEN OVERSIGHT AND ACCOUNTABILITY ACROSS GOVERNMENT

As outlined in the Priority I and II sections above, improving regulatory tools alone is not sufficient. Without effective oversight and accountability, even well-designed policy tools — such as RIAs and post-implementation reviews — can be applied unevenly, thus undermining their ability to contribute to effective decision-making across government.

At its core, Canada’s regulatory challenge is a lack of effective, system-wide accountability to ensure analytical standards are consistently met and that evidence meaningfully informs decisions. As discussed in Priority II, international comparisons place Canada well behind peer jurisdictions on regulatory oversight, reflecting not a lack of tools but a lack of mechanisms to ensure consistent application and accountability.

Evidence from other jurisdictions reinforces this diagnosis, demonstrating that strong oversight that combines internal review with independent scrutiny is critical to ensuring that regulatory analysis meaningfully informs decisions and drives better outcomes.



Internal Oversight: The Role of the Treasury Board Secretariat

In Canada, internal oversight is primarily exercised through the Treasury Board Secretariat, which performs an important review-and-challenge function for regulatory proposals and their accompanying Regulatory Impact Analysis Statements. This role is essential to coordinating regulatory policy and supporting Cabinet decision-making.

However, TBS's position within government creates inherent constraints. Its review and challenge function aims to strengthen regulatory analyses, but because these interactions are not publicly visible and final decisions rest with ministers, proposals can still proceed despite analytical weaknesses. While TBS can raise the bar for quality through internal challenge and guidance, it cannot provide independent or publicly transparent assurance of analytical quality.

These limitations do not reflect a lack of effort or expertise; they stem from the way oversight is designed. When oversight lacks independence, transparency, or credibility, analytical standards are applied unevenly, incentives favour advancing proposals over rigorously testing alternatives, and, over time, cumulative regulatory costs continue to grow. Strengthening oversight is therefore not about slowing regulation, but about ensuring regulatory decisions are credible and consistent across the system.

External Accountability: The Case for an Independent Expert Body

To address these structural limits, internal oversight should be complemented by an independent external accountability mechanism. An arm's-length regulatory oversight body – similar in design to the Parliamentary Budget Officer but focused on regulatory analysis – modeled on the [UK Regulatory Policy Committee \(RPC\)](#) would provide transparent, expert assessment of regulatory analysis without encroaching on ministerial decision-making.

Such a body would not make policy decisions or replace ministerial authority. Instead, it would provide transparent, public evaluations of regulatory analysis, applying consistent standards across departments and over time. Importantly, this function does not require a large new bureaucracy. A small, expert body that is focused on high-impact regulations and core analytical standards can increase accountability without duplicating departmental work.

By publicly assessing whether high-impact proposals meet analytical expectations, an independent body would:

- > Strengthen incentives for departments to produce robust analysis.
- > Improve consistency of regulatory quality across government.
- > Enhance public trust by distinguishing technical evidence from political judgment.



Adding this mechanism increases credibility and reinforces accountability without slowing decision-making when designed to operate in parallel with existing processes. Combined with strengthened TBS oversight, an independent body would reinforce earlier reforms on RIA quality, alternatives analysis, outcomes-based regulatory design, and transparency of data and assumptions, ensuring analytical improvements translate into better policy outcomes.

Over time, better oversight would also reduce friction within the system. Clear expectations and consistent enforcement of analytical standards can shorten review cycles, reduce late-stage pushback on modelling and assumptions, and improve confidence in decisions, helping regulations move forward more efficiently.

Why Strong Oversight Matters

Ultimately, without rigorous oversight, even reforms designed to reduce red tape or enable innovation risk inconsistent application. Poor oversight allows ineffective regulations to persist, inflates compliance costs, and diminishes the impact of innovation-enabling tools such as regulatory sandboxes. By embedding accountability into the system, Canada can ensure that reforms meaningfully reduce the regulatory burden, support economic growth, and maintain public trust in regulatory outcomes.

Recommendations:

To embed oversight and accountability at the center of Canada's regulatory system and ensure analytical reforms drive tangible results:

- >> **Establish an independent regulatory oversight body.** Create an arm's-length regulatory policy committee, modeled on the UK RPC, to evaluate the quality of analysis for proposed regulations, focusing on high-impact proposals.
- >> **Clarify roles between internal and external oversight.** Maintain TBS's role as central coordinator for process, guidance, challenge, and Cabinet support, while assigning the independent body responsibility for public, expert evaluation of analytical quality and adherence to best practices.
- >> **Mandate transparency and public reporting.** Require the independent body to publish assessments after regulatory approval and produce an annual report on regulatory performance and departmental compliance with analytical standards.
- >> **Resource oversight functions adequately.** Provide sustainable funding and staffing to ensure TBS and the independent body operate effectively, maintain analytical depth, and preserve independence.



IMPROVE STAKEHOLDER COMMUNICATION AND TRANSPARENCY

Effective stakeholder communication and transparency are also essential to a predictable, accountable regulatory system. Engagement should not be treated as a single procedural step, but as a continuous process across the regulatory life cycle — from design, to implementation, to review. When communication breaks down at any stage, businesses face higher compliance costs, uncertainty, and reduced confidence in regulatory outcomes.

The federal government recognizes the importance of transparency and stakeholder engagement. The [Cabinet Directive on Regulation](#) requires departments to engage stakeholders at each stage of the regulatory process, while the [Policy on Regulatory Transparency and Accountability](#) establishes principles of accessibility, predictability, and engagement. Yet, in practice, stakeholders continue to report unclear guidance, inconsistent communication, and engagement that is often procedural rather than substantive — issues that arise in the design phase and continue as regulations move forward.

There are some notable areas of progress. Efforts such as the [Government of Canada's Digital Standards](#), which emphasize user-focused design and accessible information, reflect a recognition that clearer communication can improve outcomes. But much more is needed across all three stages of the regulatory process to reduce uncertainty and improve outcomes.

PRINCIPLES TO ACHIEVE REGULATORY TRANSPARENCY AND ACCOUNTABILITY

According to the [Policy on Regulatory Transparency and Accountability](#), the Government of Canada has established the following three principles:

- 1 Accessibility:** information about how regulations are developed and managed should be:
 - > publicly available
 - > easily obtained
 - > written in clear and concise plain language
- 2 Predictability:** publicly available information on regulations should be:
 - > timely
 - > meaningful
 - > accurate
 - > up to date
- 3 Stakeholder engagement:** stakeholders should:
 - > be made aware of the government's regulatory initiatives
 - > have opportunities to provide their feedback
 - > be notified of opportunities to influence regulatory development

Design: Early and Targeted Consultation

Meaningful engagement begins in the design phase, where targeted consultations are critical for shaping practical, effective regulation. Early input from affected stakeholders — especially in technical sectors such as aviation, energy, food safety, and manufacturing — helps identify regulatory design flaws, anticipate unintended consequences, and improve regulatory outcomes.

Despite their importance, the CDR provides limited guidance on conducting targeted consultations, selecting participants, or defining what constitutes adequate engagement. Practices vary across departments, increasing the risk that important perspectives are overlooked. Follow-up communication is also inconsistent, leaving stakeholders unsure whether their feedback was reflected, or even considered, in regulatory decisions.

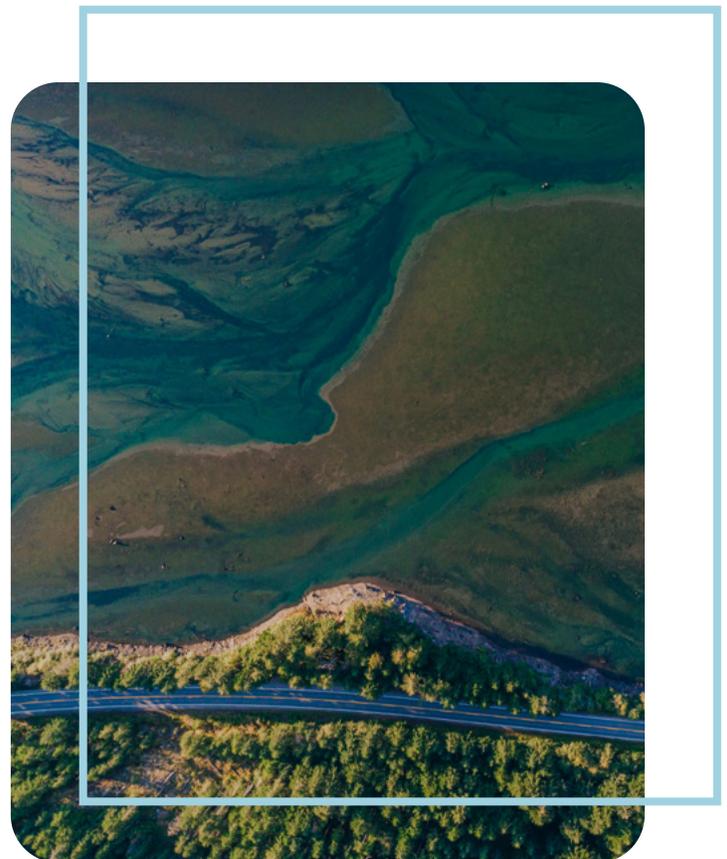
Other countries offer clearer guidance. [Australia's Policy Impact Analysis](#) requirements, the [EU Better Regulation Toolkit](#), and [New Zealand's Impact Analysis Requirements](#) all define targeted consultations, establish criteria for their use, and require documentation of who was consulted and why. These models demonstrate how more structured and accountable engagement could be embedded in Canada's regulatory process.

Alongside targeted engagement, broad-based consultations ensure that a wider range of stakeholders — including industry groups, smaller businesses, and the public — can provide meaningful input. Canada has taken steps through digital platforms such as the [Let's Talk Federal Regulations](#), managed by the Treasury Board Secretariat. However, [promotion is limited](#) and availability, inconsistent. While the Canada Gazette fulfills legal obligations, its reach — particularly among small and medium-sized enterprises — is limited.

Stakeholders continue to [report](#) inconsistent processes, unclear communication, and difficult-to-navigate consultations. Strengthening these processes requires consistency, broader promotion, and accessible tools to enable meaningful participation.

Across targeted and broad-based consultations, a persistent challenge is the accessibility of consultation materials. Reports, summaries, and technical documents are often scattered across multiple websites, and key details — including data, assumptions, and models underlying RIAS — are frequently unavailable or heavily summarized. Dense, technical language further reduces accessibility, particularly for smaller businesses.

Fragmented and complicated materials limit stakeholders' ability to provide meaningful feedback, undermine trust, and minimize the evidence base for regulatory decisions. Improving the transparency, consistency, and accessibility of consultation materials is therefore essential.



Implementation: Guidance and Forward Regulatory Plans

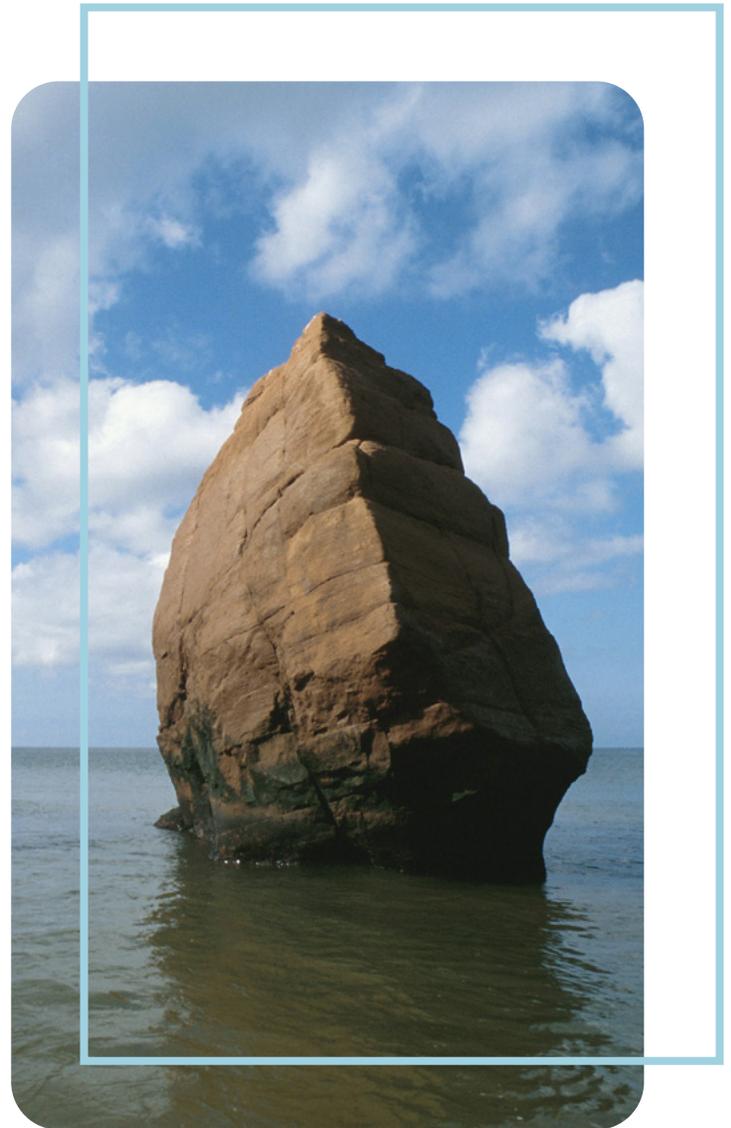
Communication remains critical during the implementation phase of regulatory development. Forward Regulatory Plans (FRPs), which departments are required to publish, provide stakeholders with a helpful overview of planned regulatory initiatives, typically over a 24-month horizon. Published each spring, these plans function as a regulatory calendar, signaling priorities and helping stakeholders anticipate regulatory changes.

Beyond early signaling from FRPs, some individual regulators provide additional, informal engagement opportunities through lunch-and-learns, conferences, and town-hall style meetings, or by distributing information through email lists.

However, across these channels, Treasury Board Secretariat guidance remains limited, promotional efforts vary, and engagement is [at the discretion](#) of the regulator. Without clearer expectations around forthcoming regulatory changes and early access to technical documents and guidance, businesses can lack critical information needed to provide meaningful input, assess impacts, and prepare for compliance.

Review: Ex-Post Engagement and Feedback

Effective communication must continue even after regulations are implemented. Yet, post-implementation engagement is even more limited than engagement at earlier stages of regulation development. As mentioned, few regulations undergo systematic post-implementation review, and even fewer have formal opportunities for businesses to provide feedback on real-world impacts, unintended consequences, or administrative burdens. This deprives regulators of critical insights to inform refinement, improvement, or future regulatory design.



Recommendations:

To strengthen transparency, stakeholder engagement, and trust in the regulatory system, the federal government should:

- >> **Define clear standards for targeted consultations.** Mandate structured guidelines for when consultations are required, how participants are selected, and how feedback is incorporated, with documentation of who was consulted and why. Targeted consultations should focus on regulated parties and relevant technical experts.
- >> **Standardize minimum expectations for broad-based consultation processes and outreach.** Require consistent processes, clear timelines, and proactive promotion through reliable, well-maintained digital platforms.
- >> **Strengthen and standardize oversight of Forward Regulatory Plans.** Require all departments to publish Forward Regulatory Plans using a consistent template that sets out rationale, timelines, and consultation opportunities. The Treasury Board Secretariat should periodically review FRPs as part of its existing oversight and guidance role to promote clear signaling, early engagement, and consistent quality.
- >> **Strengthen and standardize implementation guidance.** Establish clear expectations that early regulatory signaling be accompanied by plain language, standardized explanatory materials — including technical guidance and public walkthroughs — to help regulated parties interpret requirements and reduce reliance on informal or case-by-case interpretation.
- >> **Create a single federal portal for regulatory consultations.** Consolidate existing consultation platforms and related materials into a single, searchable [online portal](#) for all regulatory consultations and related materials. That portal would enable direct comment submission and public access to submissions, improve transparency and reduce fragmentation — particularly for stakeholders with limited capacity.
- >> **Mandate comprehensive post-implementation engagement for high-impact regulations.** Require formal opportunities for stakeholder input after regulations come into force, with published “what we heard” summaries and documented use of feedback in updates.



COORDINATE REGULATORY EFFORTS ACROSS ORDERS OF GOVERNMENT

Effective regulatory coordination across orders of government is a core component of a predictable, accountable regulatory system. Even where individual regulations are well designed and appropriately overseen, misalignment between federal and provincial regimes can significantly increase compliance costs, create uncertainty, and slow investment — without delivering better public outcomes.

Unlike international alignment, which focuses on market access and competitiveness (discussed below), coordination across orders of government is about clarifying *who regulates what* within Canada and ensuring that a single jurisdiction is accountable for a given regulatory outcome wherever possible.

This challenge is most acute in areas of shared or overlapping jurisdiction where businesses may face multiple regulatory regimes governing the same activity. A clear example is land-based activity. While provinces hold primary constitutional responsibility for most land-use decisions under section 92 of the *Constitution Act*, federal regulation has increasingly layered additional requirements on top of existing provincial regimes. Where provinces already regulate effectively, this expanded federal involvement often duplicates existing requirements, adding complexity rather than value and undermining both regulatory efficiency and investment confidence.

Canada already has tools within its regulatory framework to address these coordination challenges. In particular, equivalency and administrative agreements provide two distinct mechanisms for aligning federal and provincial regulation — one focused on substitution and the other on coordinated implementation — while preserving accountability for outcomes.

[Equivalency agreements](#) — such as those enabled under the *Canadian Environmental Protection Act* and the *Fisheries Act* — allow federal requirements to be set aside where provincial regimes are demonstrated to deliver equivalent outcomes. Administrative agreements, by contrast, focus on implementation rather than substitution, enabling governments to coordinate through shared reporting systems, single points of contact, or delegated administrative responsibilities. [Section 10](#) of the *Species at Risk Act*, for example, allows provinces to administer recovery strategies and management plans under federal legislation.

Importantly, equivalency is not intended to treat federal standards as the default benchmark. Rather, it is a mechanism for assessing whether regulatory objectives can be achieved through different approaches and for determining which order of government is best placed to set and enforce the relevant standard, taking into account constitutional responsibilities, existing provincial regimes, and demonstrated regulatory performance. Where provinces already regulate effectively, any additional federal involvement should be justified by clear incremental value, rather than assumed as the baseline.

When used effectively, these tools can streamline regulation, reduce duplication, and ensure that a single jurisdiction is responsible for regulating a given activity — particularly in sectors facing overlapping environmental requirements.

Current Limitations

Equivalency and administrative agreements remain underutilized relative to their potential and are difficult to implement in practice due to institutional incentives, process complexity, and legislative constraints.

While legislative and policy frameworks exist to support coordination in areas of shared or overlapping jurisdiction, they do not, on their own, drive meaningful reductions in regulatory duplication.

For one, in practice, federal standards are often treated as the benchmark against which provincial regimes are assessed. This can tilt negotiations by placing the burden on provinces to demonstrate equivalency, rather than requiring the federal government to show clear incremental value when maintaining or layering additional requirements.

Importantly, once federal regulatory requirements are established, there is often a strong institutional tendency to maintain them — even where equivalency or administrative agreements are available. As a result, frameworks that emphasize coordination without requiring the substitution or withdrawal of federal requirements can leave parallel regulatory systems largely intact and limit real reductions in the regulatory burden.

Even where there is a willingness to pursue equivalency or administrative agreements, practical implementation challenges constrain their use. Developing equivalency and administrative agreements is often lengthy and resource-intensive, frequently taking years to complete. This reflects, in part, the absence of clear and consistently applied standards for assessing data, modelling, and analysis across departments. Negotiations typically require complex technical alignment of federal and provincial regimes, including:

- > Validation and alignment of data inputs, modeling assumptions, baselines, and measurement methodologies.
- > Reconciliation of regulatory design choices, including scope, compliance mechanisms, penalties, incentives, and cost-benefit analysis.
- > Amendments to provincial regulations where changes are required to establish equivalency.

These challenges are compounded by structural constraints in federal legislation. Equivalency agreements can only be pursued where enabling statutes explicitly authorize them, limiting their availability across government. Even where authority exists, agreements often include fixed expiry dates — five years under CEPA, for example — creating uncertainty for regulated entities and imposing recurring administrative costs associated with renegotiation, regardless of whether regulatory outcomes continue to be met.

Taken together, these factors mean that coordination mechanisms intended to reduce duplication and improve efficiency often fall short of their potential. Without clearer expectations, lower transaction costs, and broader legislative authority, equivalency and administrative agreements risk remaining exceptions rather than becoming standard tools for managing shared jurisdiction.



Recommendations:

To improve regulatory efficiency and reduce duplication across orders of government, Canada should:

- >> **Make provincial equivalency and administrative agreements the default approach in areas of shared or overlapping jurisdiction.** Require that new federal regulations in these areas default to equivalency or administrative agreements where provinces can deliver comparable outcomes unless federal-only regulation is clearly justified by demonstrated incremental value.
- >> **Expand statutory authority to enable broader use of coordination agreements.** Establish, through framework legislation, default authority for equivalency and administrative agreements across shared jurisdiction statutes, **eliminating the need for statute-by-statute authorization**, with explicit carve-outs where federal-only regulation is warranted.
- >> **Increase the durability and predictability of equivalency agreements.** Equivalency agreements should remain in force indefinitely unless a time limit is explicitly required, with departments providing a clear rationale for that limit. This would reduce uncertainty and avoid unnecessary renegotiation where regulatory outcomes continue to be met.
- >> **Prioritize the use of provincial expertise, data, and regulatory systems.** Where provinces already regulate an activity, require federal regulators to rely, to the extent possible, on provincial data, modeling, and implementation capacity when developing equivalency or administrative agreements.
- >> **Establish clear processes, timelines, and evaluation criteria for agreement development.** Ensure that assessments of equivalency are grounded in objective, evidence-based standards rather than presuming federal requirements as the default benchmark. Support agreement development with consistently enforced analytical standards and independent review to improve transparency, consistency, and timeliness across government, and to reduce transaction costs for both orders of government.





FLEXIBLE LEGISLATION TO MAXIMIZE EFFICIENCIES

Coordinating regulatory efforts across governments is essential to reducing duplication and improving efficiency when overlapping requirements create barriers to investment. This need is particularly acute in Canada's major project review and permitting systems, where multiple federal and provincial processes frequently apply to the same activity.

As part of the *From Barriers to Breakthroughs* project, *Restoring Confidence in Major Project Reviews Parts I and II* set out structural reforms to the *Impact Assessment Act* (IAA) and the *Canadian Energy Regulator Act* (CER Act). Those recommendations aim to clarify regulatory leadership, reduce unnecessary duplication, and ensure that project reviews are conducted by the jurisdiction and regulator best positioned to deliver effective and timely decisions.

The recommendations from this report will complement those in *Restoring Confidence*. However, any legislative changes resulting from either set of recommendations must have the built-in flexibility to consolidate decision-making authority and streamline regulatory coordination such that duplication is avoided and process efficiencies maximized – no matter which frameworks or jurisdictions an activity is regulated under.



ADVANCE STRATEGIC INTERNATIONAL REGULATORY ALIGNMENT

Finally, for a trade-exposed economy like Canada, the strength and competitiveness of its regulatory system also depend on effective regulatory cooperation with other countries.

International alignment, however, differs in important ways from coordination within Canada. Whereas coordination across orders of government is a core element of good regulatory design, international regulatory alignment should be pursued strategically, as a tool to advance market access and competitiveness rather than as an end in itself.

Alignment is also not always desirable. In some cases, other jurisdictions use regulation as a non-tariff barrier to trade or adopt standards that are not grounded in evidence. In such circumstances, Canada's interests may be better served by challenging those barriers or advocating for science- and evidence-based standards internationally.



Where alignment is pursued, it can take many forms, ranging from mutual recognition and equivalency to convergence or, in limited cases, full harmonization. The appropriate approach depends on the sector, the trading partner, and the extent to which alignment advances Canada's economic and policy objectives. International alignment may be achieved through cooperation with specific trading partners or through the adoption of internationally recognized standards that apply across multiple jurisdictions.

When pursued in the right circumstances, international alignment can be a critical enabler of trade diversification and export growth, and an increasingly important priority for Canadian prosperity amid rising trade barriers and uncertainty in key export markets.

Specifically, mutual recognition can reduce input costs by allowing Canadian firms to source goods, components, and equipment without duplicative certification requirements. It can also free up regulatory capacity by avoiding the need to reassess products — including pharmaceuticals or industrial technologies — that have already been approved in jurisdictions with comparable scientific and safety standards. Likewise, adopting internationally recognized best practices can prevent unnecessary reinvention of regulatory frameworks in areas where credible models already exist.

A substantial body of evidence — including the federal *International Standards: Targeted Regulatory Review – Regulatory Roadmap* — links [regulatory standardization](#) and cooperation to higher labour productivity, increased investment, and stronger economic growth. This is particularly important for Canada, where international trade accounted for roughly [65% of GDP](#) in 2024, compared to about 25% in the U.S. Alignment with key trading partners can further amplify these gains.

Recognizing this potential, the federal government launched its [Regulatory Roadmap on International Standards](#) in 2021 to promote the “strategic use of international standards in regulations to increase regulatory cooperation, facilitate trade, and foster innovation.” It has also advanced complementary, system-wide initiatives, including the development of a [National Standards Strategy](#) in 2022 to strengthen Canada’s standards ecosystem and international engagement, alongside departmental efforts to incorporate international standards more consistently into regulatory frameworks.

Despite these potential benefits, progress on international regulatory alignment has been uneven and slow.

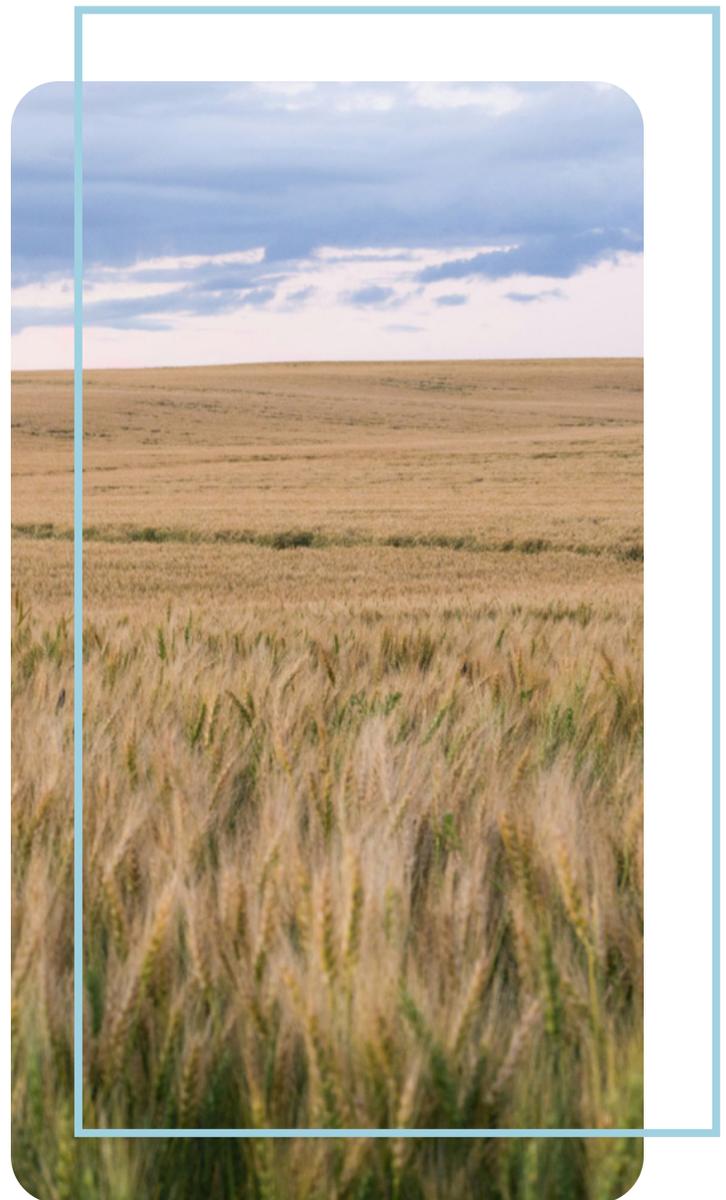
Slow and Incremental Progress Towards International Alignment

Progress on international regulatory alignment has been limited. The adoption of international standards is inherently technical and incremental, requiring sustained coordination across jurisdictions, regulators, and standards bodies. In practice, this has contributed to slow uptake and uneven application across the regulatory system.

Stakeholders have repeatedly highlighted these challenges. During consultations for the [What We Heard: Report on Regulatory Modernization](#), businesses emphasized the importance of adopting international standards in a timely manner, noting that delays in adopting standards already used in other jurisdictions can create unnecessary costs and compliance burdens. Stakeholders also raised concerns that Canada’s regulatory process often fails to keep pace with updates to international standards, resulting in outdated references in regulations and further misalignment over time.

Weak Accountability for International Regulatory Alignment

These challenges are compounded by weak accountability mechanisms. While the [Cabinet Directive on Regulation](#) encourages departments to consider international standards and regulatory cooperation, it does not require departments to clearly justify when alignment or equivalency is pursued — or when it is not — nor does it impose accountability for those decisions. As a result, decisions rest largely with individual departments, contributing to inconsistent application and uneven progress across the regulatory system.



Although Canada's early efforts to promote international regulatory alignment were constructive, the absence of clear expectations around when alignment should be considered, how decisions should be documented, and how progress should be monitored has contributed to a loss of momentum in areas where alignment could reasonably advance trade and competitiveness objectives. There has been no meaningful public update on the international standards initiative since 2023, and participation across government has been uneven — particularly among departments responsible for high-impact regulatory areas such as environmental and climate regulation.

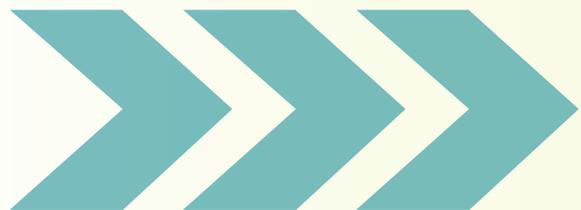
Limited Progress on Environmental Standards

Environmental regulation provides a clear illustration of both the risks of misalignment and the benefits of a more strategic approach. While Canada should retain autonomy over its environmental objectives, aligning environmental performance standards with international counterparts, where appropriate, can improve predictability and lower administrative burdens without compromising outcomes. Reinvigorating Canada's approach to international regulatory standardization — particularly in areas such as environmental regulation — would support trade diversification, enhance competitiveness, and reinforce the credibility and coherence of the regulatory system.

Recommendations:

To strengthen regulatory alignment with international standards, Canada should:

- >> **Reaffirm a government-wide commitment to the strategic use of international regulatory cooperation tools.** This should include standards adoption, mutual recognition, and equivalency — where they demonstrably reduce trade barriers and support competitiveness while preserving Canadian policy autonomy.
- >> **Systematically identify priority harmonization opportunities.** Conduct a comparative assessment of regulatory and environmental performance standards across major trading partners to target areas that reduce trade barriers while maintaining policy objectives.
- >> **Expand departmental participation in international standards harmonization.** Require engagement across all major economic sectors, including departments responsible for environmental and climate regulation, in areas where international alignment could reasonably advance trade or competitiveness objectives.
- >> **Modernize the maintenance of references to international standards.** Establish a centralized AI-enabled system to monitor updates to international standards and require timely regulatory updates by departments where continued alignment has been identified as appropriate.



CONCLUSION

Canada’s regulatory challenge is not a lack of good intentions or sound principles. The challenge is that we have a system that allows cost, complexity, and risk to accumulate faster than regulations are tested, updated, or removed.

The reforms in this report provide a practical path from incremental fixes to lasting improvement: reducing the existing regulatory burden, strengthening the quality and discipline of new regulatory decisions, and reinforcing the governance needed to ensure consistent, high-quality decision-making and coordination across departments, jurisdictions, and borders.

The next step is execution. Government must set clear objectives and timelines, empower the Treasury Board Secretariat and independent oversight to enforce analytical and transparency standards, and require departments to measure and report outcomes that businesses can actually experience — lower compliance time and costs, faster updates to outdated rules, clearer guidance, and more predictable regulatory outcomes.

Done well, this agenda will not weaken public-interest protections. It will strengthen them by ensuring regulation is focused on outcomes, grounded in evidence, and accountable for results. The reforms across *From Barriers to Breakthroughs* offer a clear path to turning Canada’s regulatory system from a persistent drag on investment into a strong foundation for competitiveness, productivity, and long-term prosperity.





BUSINESS COUNCIL OF ALBERTA

#1600-635 8 Avenue SW
Calgary, AB, T2P 3M3

BusinessCouncilAB.com
info@businesscouncilab.com
media@businesscouncilab.com