

Departmental quarterly financial report

Q2/2025-26



Environment and
Climate Change Canada

Environnement et
Changement climatique Canada

Canada

Statement outlining results, risks and significant changes in operations, personnel and programs

Introduction

This second quarterly report has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) and in the form and manner prescribed by the [Treasury Board \(TB\)](#). This quarterly report should be read in conjunction with the 2025-26 Main Estimates.

This quarterly report has not been subject to an external audit or review.

Authority, mandate and program activities

Environment and Climate Change Canada (ECCC) leads and supports a wide range of environmental issues, including taking action on clean growth and climate change, pollution, conserving nature, and predicting weather and environmental conditions. The Department addresses these issues through various actions and initiatives including leading Canada's efforts to transition to a net-zero economy and strengthening resilience to climate change, protecting more of our lands and waters, strengthening protection and recovery for species at risk and their habitats, and providing environmental and weather information to Canadians. To achieve its mandate, the Department works with provinces, territories, Indigenous peoples, civil society, industry, and international partners, and undertakes monitoring, science-based research, policy and regulatory development, and enforcement of environmental laws and regulations.

The Department's program focus reflects the interdependence between environmental sustainability and economic well-being.

Under the *Department of the Environment Act*, the powers, duties and functions of the Minister of Environment and Climate Change extend to matters such as:

- the preservation and enhancement of the quality of the natural environment, including water, air and soil quality, and the coordination of the relevant policies and programs of the Government of Canada
- renewable resources, including migratory birds and other non-domestic flora and fauna
- meteorology
- the enforcement of rules and regulations

A summary description of the ECCC Raison d'être and core responsibilities can be found in [Part II of the Main Estimates](#) and the [Departmental Plan](#).

Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the ECCC's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2025-26 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before money can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts, or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed an appropriation for the fiscal year in which it is issued.

The Department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of the fiscal quarter and the fiscal year-to-date (YTD) results

Authority analysis

The Statement of Authorities presented in this quarterly financial report (see Table 1) reflects the authorities that were approved as of September 30, 2025. The funding available for use includes the 2025-26 Main Estimates and allocations from Treasury Board (TB) Central Votes including the Operating and Capital budget carry-forwards.

ECCC's total available authorities for use for the year ending March 31, 2026 is higher by approximately \$361.0M (\$3,195.3M - \$2,834.3M)¹ when compared to the same quarter of the previous year. This difference is explained by an increase in Budgetary Statutory authorities of \$739.9M (\$862.3M - \$122.4M) offset by decreases in Vote 1 – Net Operating of \$27.9M (\$1,183.5M - \$1,211.4M), Vote 5 – Capital of \$19.3M (\$98.8M - \$118.1M), and in Vote 10 – Grants and Contributions of \$331.7M (\$1,050.7M - \$1,382.4M).

Vote 1 – Net Operating authorities

The \$27.9M decrease compared to last fiscal year in the net Operating authorities is mainly due to the following decreases:

- \$37.3M to establish the Canada Water Agency

¹ See also Statement of Authorities – Tables 1 and 2.

- \$9.8M related to the Refocusing Government Spending Reductions (B2023)
- \$5.7M related to the implementation of the fuel Charge Proceeds Return Program managed by the Canada Revenue Agency
- \$5.7M to strengthen environmental protections and address concerns raised by Indigenous groups regarding the Trans Mountain Expansion Project
- \$4.3M related to climate change mitigation activities
- \$2.1M related to the Oceans Protection Plan
- \$2.1M related to Safeguarding Access to High Performance Computing for Canada's Hydro-Meteorological Services
- \$2.0M related to Net-Zero Advisory Body and Net-Zero Challenge
- \$1.8M related to the implementation of Canada's new marine conservation targets

Offset by the following increases:

- \$23.1M related to the renewal of the Chemical Management Plan
- \$17.2M related to the compensation allocations from Treasury Board for the newly signed collective agreements
- \$2.6M related to a higher amount carried forward from the previous year to continue work on specific projects

Operating Authorities are netted of spendable revenues. Revenues at Environment and Climate Change Canada come from sales of goods and information products and services of a non-regulatory nature. Major revenue items include, for example: Oil Sands monitoring activities, Ocean disposal permit applications, Hydrometric services, Ocean disposal monitoring fees, and Weather and environmental services.

Vote 5 – Capital authorities

The \$19.3M decrease compared to last fiscal year in the Capital authorities is mainly due to the following decreases:

- \$7.9M related to a lower amount carried forward from the previous year to continue work on specific projects
- \$5.6M to conserve Canada's land and freshwater, protect species, advance Indigenous reconciliation, increase access to nature and continue efforts to protect species at risk (Enhanced Nature Legacy)
- \$5.0M related to Adapting Canada's Weather and Water Services to Climate Change
- \$0.8M for various other initiatives

Vote 10 – Grants and contributions authorities

The \$331.7M decrease compared to last fiscal year in the Grants and Contributions authorities is mainly due to the following decreases:

- \$530.0M related to Canada's National Adaptation Strategy, for the up-front multi-year contribution funding to the Green Municipal Fund
- \$48.3M related to natural climate solutions in Canada
- \$28.4M to establish the Canada Water Agency
- \$25.0M related to the British Columbia Old Growth Nature Fund
- \$9.3M related to the Refocusing Government Spending Reductions (B2023)
- \$8.5M related to Canada's International Climate Finance
- \$6.4M to strengthen environmental protections and address concerns raised by Indigenous groups regarding the Trans Mountain Expansion Project
- \$3.0M to address imminent threats to wood bison herds

Offset by the following increases:

- \$300.0M related to a grant for the Northwest Territories Our Land for the Future Project Finance for Permanence
- \$26.9M related to the Low Carbon Economy Fund (LCEF)
- \$0.3M for various other initiatives

Statutory authorities

The \$739.9M increase compared to last fiscal year in the budgetary statutory authorities is due to the following increases:

- \$466.5M related to the distribution of revenues from Fuel Charge Proceeds Fund for Indigenous Governments
- \$261.2M related to the distribution of revenues from excess emissions charge payments under the Output-Based Pricing System
- \$12.2M related to the contributions to Employee Benefit Plans

In order to align with best practices, planned spending against statutory authorities have been included in the 2025-26 ECCC Main Estimates which explains the significant increases in statutory authorities for distribution of revenues from Fuel Charge Proceeds Fund for Indigenous Governments and from excess emission charge payments under the Output-Based Pricing System.

Expenditures analysis by vote

Details of expenditures by vote are presented in Tables 1 and 2.

In the second quarter of 2025-26, total budgetary expenditures were \$910.6M compared to \$447.8M reported for the same period in 2024-25, resulting in an increase of \$462.8M. Year-to-date expenditures as of September 30, 2025, were \$1,353.3M, which represents a decrease of \$18.3M (\$1,353.3M – \$1,371.6M) compared to the same period in 2024-25.

Vote 1 – Net Operating expenditures during the second quarter of 2025-26 totalled \$277.4M, which represents a decrease of \$15.4M ($\$277.4\text{M} - \292.8M) compared to the same period last year. Year-to-date expenditures as of September 30, 2025, were \$517.2M, which represents a decrease of \$44.0M ($\$517.2\text{M} - \561.2M) compared to the same period last year. Both variances are mainly due to a decrease in personnel expenditures. The year-to-date variance is also due to a decrease in professional and special services expenditures.

Vote 5 – Capital expenditures during the second quarter of 2025-26 totalled \$22.6M, which represents a decrease of \$7.7M ($\$22.6\text{M} - \30.3M) compared to the same period last year. Year-to-date expenditures as of September 30, 2025, are \$30.3M, which represents a decrease of \$6.8M ($\$30.3\text{M} - \37.1M) compared to the same period last year. Both variances are mainly due to a decrease in professional and special services expenditures, in acquisition of land, buildings and works expenditures and in acquisition of machinery and equipment expenditures. Variances are also offset by an increase in personnel expenditures.

Vote 10 – Grants and Contributions expenditures during the second quarter of 2025-26 totalled \$399.0M, which represents an increase of \$309.8M ($\$399.0\text{M} - \89.2M) compared to the same period last year. Year-to-date expenditures as of September 30, 2025, are \$421.0M, which represents a decrease of \$285.9M ($\$421.0\text{M} - \706.9M) compared to the same period last year. The quarterly variance is mainly due to a single contribution payment to indigenous-led conservation initiatives to support long-term, large-scale protection of lands and inland waters in the Northwest Territories. The year-to-date variance is also due to an up-front contribution payment, in 2024-25, to the Green Municipal Fund to build strong and resilient communities by reducing the impacts of climate-related disasters, improving health and well-being, protecting and restoring nature and biodiversity, building and maintaining resilient infrastructure and supporting the economy and workers.

Budgetary Statutory Authorities – Budgetary Statutory expenditures during the second quarter of 2025-26 totalled \$211.6M, which represents an increase of \$176.2M ($\$211.6\text{M} - \35.4M) compared to the same period last year. Year-to-date expenditures as of September 30, 2025, are \$384.8M, which represents an increase of \$318.4M ($\$384.8\text{M} - \66.4M) compared to the same period last year. Both variances are mainly due to an increase related to the Fuel Charge Proceeds Fund for Indigenous Governments.

Expenditures analysis by Standard Object

Details of expenditures by Standard Object are presented in Tables 3 and 4.

Quarterly and year-to-date personnel expenditures decreased by \$9.1M ($\$260.6\text{M} - \269.7M) and \$17.5M ($\$520.4\text{M} - \537.9M) compared to the same period last year. Both variances are mainly due to the transfer of human resources to the Canada Water Agency on October 15, 2024. The cumulative variance is also due to the disbursements, in 2024-25, of salary retroactive payments following the ratification and signing of some collective agreements.

Quarterly and year-to-date professional and special services expenditures decreased by \$0.4M ($\$48.0\text{M} - \48.4M) and \$16.0M ($\$58.8\text{M} - \74.8M) compared to the same period last year. Both variances are

mainly due to the timing of payment of expenditures related to information technology consulting fees, remediation of contaminated sites and engineering consulting fees. The year-to-date variance is also explained by some cloud services which are now funded through Shared Services Canada.

Quarterly and year-to-date acquisition of land, buildings and works expenditures decreased by \$2.1M (\$0.1M – \$2.2M) and \$1.1M (\$1.3M – \$2.4M) compared to the same period last year. Both variances are mainly due to the acquisition of land in the Atlantic provinces, in 2024-25, to expand the National Wildlife Area and protect more lands.

Quarterly and year-to-date acquisition of machinery and equipment expenditures decreased by \$3.6M (\$5.1M – \$8.7M) and \$5.0M (\$7.9M – \$12.9M) compared to the same period last year. Both variances are mainly due to the timing of payment for the acquisition of lab equipment.

Quarterly and year-to-date transfer payments expenditures increased by \$483.5M (\$576.9M – \$93.4M) and \$27.5M (\$738.5M – \$711.0M) compared to the same quarter last year. This variance is mainly due to an increase related to the Fuel Charge Proceeds Fund for Indigenous Governments as well as variances listed under Vote 10 – Grants and Contributions Authorities used listed above.

Risks and Uncertainties

ECCC operates in a dynamic environment subject to several internal and external risk factors that, if not properly managed, could affect the Department's ability to deliver optimal and timely results for Canadians. As part of its overall management, the Department considers various corporate risks, including those related to managing complex stakeholder relationships and adopting sound management practices, particularly in the administration of grants and contributions. The Department also considers potential vulnerabilities associated with its data and digital and physical infrastructure. The Department provides additional information on key risk areas in its [2025-26 Departmental Plan](#).

Financial management systems, investment planning, cost estimation, real estate, and business continuity are exposed to risks such as those stemming from personnel (experience, knowledge, skills, and turnover), systems, data integration, economic factors and changes in requirements. Due to its inherent nature in transactions, fraud remains a risk for the Department. The Department's financial position is also sensitive to socio-economic and geopolitical shifts. Cost fluctuations or partnership transformations stemming from these changes can affect multiple program delivery areas across the Department and are especially significant due to ECCC's reliance on partnerships to deliver on cross-border wildlife and wetlands programs and joint research. Likewise, there is a risk that shifting budget and policy priorities may impede the sustainability of some departmental programs and services. Should they materialize, fraud, cost fluctuations, disruptions in collaborations or difficulties in ensuring long-term sustainability could lead to loss of critical data or reputational damage, interruptions in the supply of services or goods needed for operations, delays or higher expenses in procuring specialized equipment, as well as increased costs for or suspension of research or programs.

To minimize these risks, the Department maintains and monitors a risk-based departmental system of internal controls over financial management, including fraud detection controls, and has established an

audit function for grants and contributions recipients. The Department also seeks to continuously strengthen its resilience through diversifying its sources of data and supply and rigorous program and resource management. To mitigate cost risk, estimates for inflation and contingency are included in cost estimates to cover any deviations from anticipated amounts. In addition, to support the long-term financial sustainability of core and priority departmental programming, the Department is also enhancing its multi-year financial analysis and reporting functions.

Significant changes in relation to operations, personnel and programs

The following major changes in relation to operations, personnel and programs occurred since the last quarterly report:

- On October 15, 2024, ECCC transferred the control and supervision of the Canada Water Branch to the newly established standalone Canada Water Agency. Although the current year's figures exclude expenditures related to the Canada Water Agency and its associated internal services, the costs for the operations that were transferred are included in the prior year's comparative figures.

Approved by:

(the original version was signed by)

Mollie Johnson

Deputy Minister

Gatineau, Canada

Date: 25 November 2025

(the original version was signed by)

Linda Drainville

Chief Financial Officer

Gatineau, Canada

Date: 13 November 2025

Statement of Authorities (unaudited) – Table 1

Fiscal year 2025-26 (in thousands of dollars)

	Total available for use for the year ending March 31, 2026*	Used during the quarter ended September 30, 2025	Year-to-date used at quarter end
Vote 1 – Net Operating Expenditures	1,183,533	277,367	517,233
Vote 5 – Capital Expenditures	98,735	22,643	30,305
Vote 10 – Grants and Contributions	1,050,757	398,955	420,969
Budgetary Statutory – Employee Benefit Plans	134,470	33,617	67,235
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	102	26	51
Budgetary Statutory - Climate Action Support Payments (Greenhouse Gas Pollution Pricing Act)	466,490	178,839	318,387
Budgetary Statutory – Distribution of Fuel and Excess Emission Charges**	261,198	(884)	(884)
Total Budgetary Authorities	3,195,285	910,563	1,353,296
Non-Budgetary Authorities	-	-	-
Total Authorities	3,195,285	910,563	1,353,296

* The funding available for use includes the 2025-26 Main Estimates and the allocations from Treasury Board (TB) Central Votes including the Operating and Capital budget carry forwards.

** The negative amount under Distribution of Fuel and Excess Emission Charges is due to a payable at year-end from previous year reversed against the current fiscal year.

Statement of Authorities (unaudited) – Table 2

Fiscal year 2024-25 (in thousands of dollars)

	Total available for use for the year ending March 31, 2025* & **	Used during the quarter ended September 30, 2024	Year-to-date used at quarter end
Vote 1 – Net Operating Expenditures	1,211,397	292,802	561,227
Vote 5 – Capital Expenditures	118,080	30,327	37,119
Vote 10 – Grants and Contributions	1,382,418	89,251	706,858
Budgetary Statutory – Employee Benefit Plans	122,274	30,569	61,137
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	99	25	50
Budgetary Statutory – Distribution of Fuel and Excess Emission Charges	-	4,102	4,102
Budgetary Statutory – Refund of previous years revenue	-	760	1,124
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	-	6	6
Total Budgetary Authorities	2,834,268	447,842	1,371,623
Non-Budgetary Authorities	-	-	-
Total Authorities	2,834,268	447,842	1,371,623

* The funding available for use includes the 2024-25 Main Estimates and the allocations from Treasury Board (TB) Central Votes including the Operating and Capital budget carry-forwards.

** Pursuant to the Transitional Provisions, section 16 of the Canada Water Agency Act and effective October 15, 2024, deemed appropriations were established and reduced from Environment and Climate Change Canada’s appropriations only in Q3 of 2024-25

Departmental budgetary expenditures by Standard Object (unaudited) – Table 3

Fiscal year 2025-26 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2026*	Expended during the quarter ended September 30, 2025	Year-to-date used at quarter end
Expenditures:			
Personnel	1,029,559	260,566	520,389
Transportation and communications	34,397	8,229	13,530
Information	16,905	831	1,217
Professional and special services	264,215	47,954	58,819
Rentals	37,760	5,688	12,047
Repair and maintenance	20,658	3,748	5,966
Utilities, materials and supplies	37,415	9,056	14,251
Acquisition of land, buildings and works	4,729	102	1,330
Acquisition of machinery and equipment	44,481	5,089	7,897
Transfer payments	1,778,445	576,910	738,472
Public debt charges	236	-	-
Other subsidies and payments	4,696	3,034	3,003
Total gross budgetary expenditures	3,273,496	921,207	1,376,921
Less Revenues netted against expenditures:			
Revenues	78,211	10,644	23,625
Total Revenues netted against expenditures:	78,211	10,644	23,625
Total net budgetary expenditures	3,195,285	910,563	1,353,296

* The planned expenditures include the 2025-26 Main Estimates and allocations from Treasury Board (TB) Central Votes including the Operating and Capital budget carry-forwards.

Departmental budgetary expenditures by Standard Object (unaudited) – Table 4

Fiscal year 2024-25 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2025* & **	Expended during the quarter ended September 30, 2024	Year-to-date used at quarter end
Expenditures:			
Personnel	1,032,050	269,711	537,879
Transportation and communications	36,994	9,181	15,579
Information	14,955	1,248	2,505
Professional and special services	243,055	48,419	74,782
Rentals	53,959	6,094	11,768
Repair and maintenance	21,894	4,873	7,168
Utilities, materials and supplies	56,112	9,695	15,563
Acquisition of land, buildings and works	1,811	2,231	2,445
Acquisition of machinery and equipment	59,070	8,674	12,848
Transfer payments	1,382,418	93,353	710,961
Public debt charges	326	-	-
Other subsidies and payments	6,179	2,832	2,804
Total gross budgetary expenditures	2,908,823	456,311	1,394,300
Less Revenues netted against expenditures:			
Revenues	74,555	8,469	22,677
Total Revenues netted against expenditures:	74,555	8,469	22,677
Total net budgetary expenditures	2,834,268	447,842	1,371,623

* The planned expenditures include the 2024-25 Main Estimates, allocations from Treasury Board (TB) Central Votes including the Operating and Capital budget carry-forwards.

** Pursuant to the Transitional Provisions, section 16 of the Canada Water Agency Act and effective October 15, 2024, deemed appropriations were established and reduced from Environment and Climate Change Canada’s appropriations only in Q3 of 2024-25.