



Evaluation of the Low Carbon Economy Fund

At a glance

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Program Overview (1 of 2)

The Government of Canada is committed to reducing greenhouse gas emissions by 40-45% below 2005 levels by 2030 and achieving net-zero emissions by 2050. To do so, it has developed a wide range of policies and programs.

The Low Carbon Economy Fund (LCEF) is one of the programs that supports Canada's emission reduction targets. Announced in 2016, the LCEF supports the [Pan-Canadian Framework on Clean Growth and Climate Change](#) by materially reducing greenhouse gas emissions, supporting energy savings and generating clean jobs.

It funds projects across a range of economic sectors, including buildings, energy, industry, transportation, and waste. It also supports a wide range of recipients, including provinces and territories, municipalities, for-profit businesses, non-governmental organizations, and Indigenous governments, communities and representatives.

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Program Overview (2 of 2)

The original LCEF provided \$2 billion over seven years. It was renewed in Budget 2022 to support [2030 Emission Reduction Plan](#) for an additional \$2.2 billion over seven years, expanding the LCEF and introducing changes to the program's delivery.

However, the Government of Canada faces a challenging operating context. International pressures, including the COVID-19 pandemic, inflation, and ongoing geo-political conflicts, a decreased economic and political stability that requires “careful economic and fiscal management” in addressing their impacts ([Government of Canada, 2024a](#)).

Budget 2023 and Budget 2024 outlined ways in which the Government of Canada would reduce its spending by identifying “areas of duplication, low value for money, or lack of alignment with government priorities” ([Government of Canada, 2024b](#)). As a result of these reductions, the renewed LCEF (2022) is now worth approximately \$820 million.

To accommodate a variety of budgetary and policy goals, the program has experienced rapid design changes. This evaluation sought to identify the impacts that these rapid changes have had on the program's relevance, design, efficiency, and effectiveness.

Scope

The LCEF evaluation covered the 5-year period from 2017-2018 to 2022-2023, as well as available information from 2023-2024. The evaluation focusses on the following themes:

Relevance

Design

Effectiveness

Efficiency

Methodology

A variety of sources were used, including :

Document and Administrative File Review

Over 200 documents were reviewed, including but not limited to financial documentation, internal and external reports, applicant forms, workbooks, trackers and guides.

Literature Review

A literature review of various policy documentation and international climate goals was conducted.

Key Informant Interviews

17 key informant interviews were conducted with program representatives, provincial and territorial representatives, and Indigenous participants.

Expert Panel

Independent expert advice on greenhouse gas emission reduction calculations was drawn from Innovation, Science and Economic Development Canada and Natural Resources Canada.

Survey

A digital survey of program recipients was conducted from May 27th to June 27th, 2024 resulting in 76 responses.

Benchmarking

2 programs were used to benchmark various elements of the program, including but not limited to performance measurement, governance, and implementation challenges.



Findings (1 of 2)

Relevance

The Low Carbon Economy Fund supports the Government of Canada's efforts to reduce greenhouse gas emissions by 40-45% below 2005 levels by 2030 and achieve net-zero emissions by 2050. It also supports Environment and Climate Change Canada's goals of reducing greenhouse gas emissions, generating clean growth, building resilient communities, and generating clean jobs. The climate programming landscape across the Government of Canada is complex, and many programs have similar goals. The evaluation found that it is difficult to compare climate programs to determine whether each program is fulfilling a unique need. It is important for LCEF to distinguish itself from similar programs to better demonstrate relevance.

Design

Relative to other programs, the evaluation found that the Low Carbon Economy Fund offered more flexibility for eligible sectors and recipients. This flexibility has allowed the Low Carbon Economy Fund to adjust its design over time to be more accommodating towards communities. However, the changes in design have had an impact on the program's results (see Effectiveness). Nonetheless, the program had the appropriate governance structures in place to discuss and enable these changes, and did engage with provincial, territorial, and Indigenous representatives on the design changes.



Findings (2 of 2)

Effectiveness

The evaluation found that the Low Carbon Economy Fund had the appropriate monitoring and reporting tools to keep senior management informed of the program's progress and allow the program to regularly adopt lessons learned from their experience. The methodologies that the program used to evaluate its projected greenhouse gas emission reductions were robust. However, there were opportunities to improve the uncertainty analysis to improve the accuracy of the results. The evaluation also found that its performance reporting could be improved by providing greater transparency around how performance targets are set and ensuring that the co-benefits generated by the program are systematically collected and reported.

Efficiency

While the evaluation found that the Low Carbon Economy Fund had a strong risk framework in place to monitor individual projects, there were opportunities to improve the overall program's performance. The evaluation found that it was difficult to assess how many of the program's projected emission reductions were at risk due to individual project delays. Likewise, it was difficult to assess whether the program was obtaining return on investment due to challenges with results attribution and the underreporting of co-benefits. The program also consistently underspent its allocations and had a relatively high rate of project failures. Despite these challenges, the evaluation found that the program still provided results at a relatively more efficient cost than its peers.

Recommendations

1

The Assistant Deputy Minister of Programs, Operations and Regional Affairs Branch should develop a clear and transparent process for setting and adjusting targets, including setting intermediate milestones to track progress more effectively.

2

The Assistant Deputy Minister of Programs, Operations and Regional Affairs Branch should consider adjustments to the GHG accounting could be considered to ensure reductions are attributable to Low Carbon Economy Fund funding, avoid double-counting with other federal departments (stacking funding), and better incorporate uncertainty analysis.

3

The Assistant Deputy Minister of Programs, Operations and Regional Affairs Branch should aggregate and use the information on co-benefits gathered in the biannual performance reports to demonstrate the additional value of the Low Carbon Economy Fund.

Recommendation 1: The Assistant Deputy Minister of Programs, Operations and Regional Affairs Branch should develop a clear and transparent process for setting and adjusting targets, including setting intermediate milestones to track progress more effectively.

Action 1.1: Review LCEF program target-setting processes to ensure clarity and transparency as well as consistency, where possible, across streams and for the program as a whole.

Deliverable	Timeline	Responsible
Updated LCEF guideline document(s) to standardize target setting and adjustment approaches.	March 31, 2026	DG, Programs Directorate

Action 1.2: Develop annual performance analysis of estimated GHG reduction, including risk assessment, uncertainties, health check data, and milestones, to provide managers and senior executives with a clearer understanding of program progress.

Deliverable	Timeline	Responsible
First annual performance analysis of estimated program GHG reductions, integrating risk assessment, uncertainties, health check data, and milestones.	March 31, 2026	DG, Programs Directorate



Management Action Plan (2 of 3)

Recommendation 2: The Assistant Deputy Minister of Programs, Operations and Regional Affairs Branch should consider adjustments to the GHG accounting could be considered to ensure reductions are attributable to Low Carbon Economy Fund funding, avoid double-counting with other federal departments (stacking funding), and better incorporate uncertainty analysis.

Action 2.1: Evaluate the GHG accounting processes and program design elements to determine the feasibility of isolating the impact of LCEF funding investments and contributions to GHG reductions at the program levels.

Action 2.2: Leverage research and analysis expertise to limit double counting in GHG accounting to the extent possible at the program level and to help ensure transparency.

Deliverable	Timeline	Responsible
Develop recommendations to improve GHG accounting for future programming that considers accepted project-level GHG accounting approaches, opportunities and limitations for attribution, uncertainty analysis, and other federal investments.	March 31, 2026	DG, Programs Directorate

Action 2.3: Implement deliverable of action 1.2 developed in response to Recommendation 1. The planned annual performance analysis is expected to provide a more transparent picture of program results and uncertainties, such as those related to non-completion and delays, to inform program decisions.

Deliverable	Timeline	Responsible
First annual performance analysis of estimated program GHG reductions, integrating risk assessment, uncertainties, health check data, and milestones. (Same as deliverable as for action 1.2 under recommendation 1.)	March 31, 2026	DG, Programs Directorate

Recommendation 3 : The Assistant Deputy Minister of Programs, Operations and Regional Affairs Branch should aggregate and use the information on co-benefits gathered in the biannual performance reports to demonstrate the additional value of the Low Carbon Economy Fund.

Action 3.1 : Establish processes to extract and aggregate data in a way that allows information to be rolled up to the program level, to the extent possible, including harmonizing co-benefits information across program streams.

Deliverable	Timeline	Responsible
Integrate co-benefits into the LCEF program's reporting and tracking tools to enable the development of Co-Benefits Key Performance Indicators to provide a more complete view of program results.	October 31, 2026	DG, Programs Directorate