

# Departmental quarterly financial report

Q3/2025-26



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

### **Introduction**

This third 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 December 31, 2025. The funding available for use includes the 2025-26 Main Estimates, Supplementary Estimates "B" 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 are higher by approximately \$279.0M (\$3,198.6M – \$2,919.6M)<sup>1</sup> when compared to the same quarter of the previous year. This difference is explained by an increase in Budgetary Statutory authorities of \$735.6M (\$862.2M – \$126.6M) and by decreases in Vote 5 – Capital of \$22.6M (\$102.7M – \$125.3M), in Vote 1 – Net Operating of \$74.1M (\$1,182.6 – \$1,256.7M) and in Vote 10 – Grants and Contributions of \$359.9M (\$1,051.1M – \$1,411.0M).

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<sup>1</sup> See also Statement of Authorities – Tables 1 and 2.

### **Vote 1 – Net Operating authorities**

The \$74.1M decrease compared to last fiscal year in the net Operating authorities is mainly due to the following decreases:

- \$37.7M to establish the Canada Water Agency
- \$9.7M related to Refocusing Government Spending Reductions (B2023)
- \$8.5M related to the Climate Change Communications, Public Education and Advertising
- \$5.7M due to the sunseting of the Trans Mountain Expansion Project
- \$5.7M related to the implementation of the Fuel Charge Proceeds return Program managed by the Canada Revenue Agency
- \$5.5M related to Federal Contaminated Sites Action Plan
- \$1.3M for various other initiatives

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 \$22.6M 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 departmental priorities
- \$5.6M to conserve Canada's land and freshwater, protect species, advance Indigenous reconciliation and 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
- \$2.2M to reduce greenhouse gas emissions in the transportation and methane waste sectors
- \$1.6M related to Strong Arctic and Northern Communities (Eureka)
- \$1.2M related to climate change mitigation activities
- \$0.9M for various other initiatives

Offset by the following increases:

- \$1.8M to reallocate resources from Operating to Capital for departmental infrastructure and capital project requirements

### **Vote 10 – Grants and contributions authorities**

The \$359.9M 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, which was for the up-front multiyear contribution funding to the Green Municipal Fund
- \$48.3M to implement natural climate solutions in Canada
- \$28.4M to establish the Canada Water Agency
- \$25.0M due to the sunsetting of the British Columbia Old Growth Nature Fund
- \$9.3M related to Refocusing Government Spending Reductions (B2023)
- \$8.5M related to Canada's International Climate Finance Program
- \$6.5M due to the sunsetting of the Trans Mountain Expansion Project
- \$3.0M to address imminent threats to wood bison herds
- \$0.9M for various other initiatives

Offset by the following increase:

- \$300M related to a grant for the Northwest Territories Our Land for the Future Project Finance for Permanence.

### **Statutory authorities**

The \$735.6M increase compared to last fiscal year in the budgetary statutory authorities is mainly due to the following increases:

- \$466.5M related to the distribution of revenues from fuel charge payments to Indigenous Governments
- \$261.2M related to the distribution of revenues from excess emissions charge payments under the Output-Based Pricing System
- \$7.9M related to the contributions to Employee Benefit Plans

### **Expenditures analysis by authorities**

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

In the third quarter of 2025-26, total budgetary expenditures were \$530.6M compared to \$436.6M reported for the same period in 2024-25, resulting in an increase of \$94.0M. Year-to-date expenditures as of December 31, 2025, were \$1,883.9M, which represents an increase of \$75.7M (\$1,883.9M – \$1,808.2M) compared to the same period in 2024-25.

Vote 1 – Net Operating expenditures during the third quarter of 2025-26 totalled \$268.6M, which represents a decrease of \$23.8M (\$268.6M – \$292.4M) compared to the same period last year. Year-to-date expenditures as of December 31, 2025, were \$785.9M, which represents a decrease of \$67.8M (\$785.9M – \$853.7M) compared to the same period last year. Both variances are mainly due to a decrease in personnel and in professional and special services expenditures.

Vote 5 – Capital expenditures during the third quarter of 2025-26 totalled \$22.3M, which represents a decrease of \$1.2M (\$22.3M – \$23.5M) compared to the same period last year. Year-to-date expenditures

as of December 31, 2025, are \$52.6M, which represents a decrease of \$8.0M (\$52.6M – \$60.6M) compared to the same period last year. Both variances are mainly due to a decrease in professional and special services expenditures.

Vote 10 – Grants and Contributions expenditures during the third quarter of 2025-26 totalled \$107.4M, which represents an increase of \$15.9M (\$107.4M – \$91.5M) compared to the same period last year. Year-to-date expenditures as of December 31, 2025, are \$528.3M, which represents a decrease of \$270.0M (\$528.3M – \$798.3M) compared to the same period last year. The quarterly variance is mainly due to the timing of payment for contributions to protect Canada’s lands and freshwater, strengthen protection and recovery of species at risk, advance reconciliation through Indigenous leadership in conservation and support healthy natural infrastructure and increased access to nature. The year-to-date variance is mainly 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, offset by 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.

Budgetary Statutory Authorities – Budgetary Statutory expenditures during the third quarter of 2025-26 totalled \$132.3M, which represents an increase of \$103.1M (\$132.3M – \$29.2M) compared to the same period last year. Year-to-date expenditures as of December 31, 2025, are \$517.1M, which represents an increase of \$421.5M (\$517.1M – \$95.6M) 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 \$13.3M (\$259.3M – \$272.6M) and \$30.8M (\$779.7M – \$810.5M) 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. Also contributing to the year-to-date variance are the disbursements of salary retroactive payments following the ratification and signing of some collective agreements in 2024-25.

Quarterly and year-to-date professional and special services expenditures decreased by \$8.6M (\$48.8M – \$57.4M) and \$24.6M (\$107.6M – \$132.2M) compared to the same period last year. Both variances are mainly due to a decrease in expenditures related to various types of professional services as well as the timing of payments related to the remediation of contaminated sites. Also contributing to the year-to-date variance are some cloud services now being funded through Shared Services Canada.

Quarterly and year-to-date transfer payments expenditures increased by \$115.3M (\$205.1M – \$89.8M) and \$142.8M (\$943.5M – \$800.7M) compared to the same quarter last year. Both variances are 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.

Quarterly and year-to-date revenue collections decreased by \$4.0M (\$20.4M – \$24.4M) and \$3.0M (\$44.0M – \$47.0M) compared to the same period last year. Both variances are mainly due to the timing of collections related to the Oil Sands Monitoring program.

## **Risks and Uncertainties**

ECCC operates in a dynamic environment influenced by several internal and external risk factors that require proactive and strategic management to ensure the Department's continued delivery of timely and effective results for Canadians. As part of its governance and decision-making processes, 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. Additional information on key risk areas is provided in the [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, and changes in requirements. Fraud remains an inherent risk in financial transactions. The Department's financial position is also sensitive to shifts in policy and budget priorities, as well as to socio-economic and geopolitical instability, which could challenge overall financial sustainability and the ability to deliver certain activities and services. For example, cost fluctuations or changes in partnerships can impact multiple program areas, particularly those reliant on cross-border wildlife and wetlands initiatives or joint research.

Should risks such as fraud, cost fluctuations, disruptions in collaborations or difficulties in ensuring long-term sustainability materialize, they could lead to a 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, and/or increased costs for or suspension of research or programs.

To mitigate these risks, the Department maintains a risk-based system of internal controls over financial management, including fraud detection measures, and has established an audit function for grants and contributions recipients. The Department also seeks to continuously strengthen its resilience by diversifying its sources of data and supply, and through rigorous program and resource management. To mitigate cost risks, estimates for inflation and contingency are included in cost estimates to cover any deviations from anticipated amounts. In addition, to support long-term financial sustainability, the Department continues to enhance multi-year financial analysis and reporting capabilities.

## **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.
- On January 15, 2026, Kurt Chin Quee was appointed Chief Financial Officer and Assistant Deputy Minister of Corporate Services and Finance Branch.

Approved by:

(the original version was signed by)

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**Mollie Johnson**  
Deputy Minister  
Gatineau, Canada  
Date: 25 February 2026

(the original version was signed by)

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**Kurt Chin Quee, CPA**  
Chief Financial Officer  
Gatineau, Canada  
Date: 17 February 2026

**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 December 31, 2025	Year-to-date used at quarter end
Vote 1 – Net Operating Expenditures	1,182,666	268,629	785,862
Vote 5 – Capital Expenditures	102,677	22,317	52,622
Vote 10 – Grants and Contributions	1,051,054	107,351	528,320
Budgetary Statutory – Employee Benefit Plans	134,470	33,618	100,853
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	102	25	76
Budgetary Statutory – Climate Action Support Payments (Greenhouse Gas Pollution Pricing Act)	466,490	94,613	413,000
Budgetary Statutory – Distribution of Fuel and Excess Emission Charges	261,198	3,099	2,215
Budgetary Statutory – Refund of previous years revenue	-	527	527
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	-	451	451
<b>Total Budgetary Authorities</b>	<b>3,198,657</b>	<b>530,630</b>	<b>1,883,926</b>
<b>Non-Budgetary Authorities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Authorities</b>	<b>3,198,657</b>	<b>530,630</b>	<b>1,883,926</b>

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

**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 December 31, 2024	Year-to-date used at quarter end
Vote 1 – Net Operating Expenditures	1,256,742	292,451	853,678
Vote 5 – Capital Expenditures	125,291	23,469	60,588
Vote 10 – Grants and Contributions	1,410,957	91,480	798,338
Budgetary Statutory – Employee Benefit Plans	126,546	30,569	91,706
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	99	25	75
Budgetary Statutory – Distribution of Fuel and Excess Emission Charges	-	(1,701)	2,401
Budgetary Statutory – Refund of previous years revenue	-	336	1,460
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	-	(6)	-
<b>Total Budgetary Authorities</b>	<b>2,919,635</b>	<b>436,623</b>	<b>1,808,246</b>
<b>Non-Budgetary Authorities</b>	-	-	-
<b>Total Authorities</b>	<b>2,919,635</b>	<b>436,623</b>	<b>1,808,246</b>

\* The planned expenditures include the 2024-25 Main Estimates, Supplementary Estimates “B” and the allocations from TB Central Votes including the Operating and Capital budget carry forwards, and compensation allocations related to various collective agreements.

\* Pursuant to the Transitional Provisions contained in section 16 of the [Canada Water Agency Act](#) effective October 15, 2024, all unexpended money relating to the new CWA has been deemed to be appropriated resulting in a reduction for the same amount in Department of the Environment’s Vote 1, 5 and 10.

**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 December 31, 2025	Year-to-date used at quarter end
<b>Expenditures:</b>			
Personnel	1,031,236	259,341	779,730
Transportation and communications	34,175	9,235	22,765
Information	16,775	2,425	3,643
Professional and special services	265,034	48,829	107,648
Rentals	37,479	6,053	18,100
Repair and maintenance	20,913	5,325	11,291
Utilities, materials and supplies	37,514	6,212	20,463
Acquisition of land, buildings and works	4,876	103	1,433
Acquisition of machinery and equipment	45,191	8,291	16,188
Transfer payments	1,778,743	205,062	943,534
Public debt charges	236	-	-
Other subsidies and payments	4,696	123	3,126
<b>Total gross budgetary expenditures</b>	<b>3,276,868</b>	<b>550,999</b>	<b>1,927,921</b>
<b>Less Revenues netted against expenditures:</b>			
Revenues	78,211	20,369	43,995
<b>Total Revenues netted against expenditures:</b>	<b>78,211</b>	<b>20,369</b>	<b>43,995</b>
<b>Total net budgetary expenditures</b>	<b>3,198,657</b>	<b>530,630</b>	<b>1,883,926</b>

\* The planned expenditures include the 2025-26 Main Estimates, Supplementary Estimates “B” and the 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 December 31, 2024	Year-to-date used at quarter end
<b>Expenditures:</b>			
Personnel	1,060,790	272,612	810,491
Transportation and communications	37,874	9,824	25,402
Information	15,222	3,224	5,729
Professional and special services	264,707	57,386	132,168
Rentals	55,072	6,957	18,725
Repair and maintenance	22,322	6,107	13,275
Utilities, materials and supplies	57,520	8,065	23,629
Acquisition of land, buildings and works	1,843	382	2,827
Acquisition of machinery and equipment	61,787	6,714	19,561
Transfer payments	1,410,957	89,779	800,739
Public debt charges	306	-	-
Other subsidies and payments	5,790	(71)	2,733
<b>Total gross budgetary expenditures</b>	<b>2,994,190</b>	<b>460,979</b>	<b>1,855,279</b>
<b>Less Revenues netted against expenditures:</b>			
Revenues	74,555	24,356	47,033
<b>Total Revenues netted against expenditures:</b>	<b>74,555</b>	<b>24,356</b>	<b>47,033</b>
<b>Total net budgetary expenditures</b>	<b>2,919,635</b>	<b>436,623</b>	<b>1,808,246</b>

\* The planned expenditures include the 2024-25 Main Estimates, Supplementary Estimates “B” and the allocations from TB Central Votes including the Operating and Capital budget carry forwards, and compensation allocations related to various collective agreements.