

STRATEGIC ANALYSIS

Federal Budget 2025

A New Economic Delivery Architecture for Canada

November 5th 2025



Introduction

The 2025 Federal Budget represents a structural effort to transform how Canada delivers its major economic projects. For more than a decade, the country has faced the same challenge: strategic projects (mining, energy infrastructure, industrial hubs, logistics corridors, power grids, and more) take far too long to materialize. Private investors express interest but hesitate in the face of administrative delays, regulatory uncertainty, and the complexity of structuring large-scale financial arrangements.

This budget starts from a simple idea: Canada has the resources, the capital, and the expertise — what it lacks is an execution framework.

The goal is a country that invests more, builds faster, and finances more easily. To achieve this, the government is not multiplying programs it is changing the way the state operates.



1. Execution Governance: The Major Projects Office

The most significant measure is the creation of the **Major Projects Office (MPO)**, with a budget of **\$213.8 million over five years**, designed to accelerate the delivery of projects of national interest.

From now on, a large-scale project will have:

- a single federal point of contact;
- structured assessments ;
- governance that includes Indigenous partners from the design stage;
- continuous engagement with regulatory and financial authorities.

The goal is to build an internal delivery capacity comparable to countries that manage to complete major projects in a few years — not a few decades.

2. Strengthened Financial Capacity: Canada Infrastructure Bank

A project may be well designed and fully approved yet remain stalled due to the absence of structured financing. This situation particularly affects energy, mining, digital, and port infrastructure projects that require significant investment and deliver returns over the long term.

To address this obstacle, the budget strengthens the **Canada Infrastructure Bank (CIB)**, increasing its capital base from **\$35 billion to \$45 billion**.

However, the most meaningful change lies in the evolution of its mandate: the Bank will now be able to participate in any project of national importance designated by the MPO, regardless of sector or asset type.

This new flexibility will allow the federal government to mobilize patient capital, through loans, guarantees, or equity stakes — in strategic projects and to encourage joint participation by private, Indigenous, and institutional investors.

This model aligns Canada with jurisdictions that use public investment as a **multiplier**, not merely a source of funding. The Bank's presence reduces perceived risk, accelerates investor decision-making, and clarifies project financing structures. Infrastructure that might have remained theoretical due to a lack of financing can now become achievable.

3. Modernizing the Productive Base: Addressing Weak Industrial Investment

Canada suffers from a deficit in productive investment.

The budget responds to this constraint with a clear signal: **investing in modernization now brings greater advantage**. Companies will be able to immediately deduct a wide range of productive equipment, including processing machinery, automated industrial systems, clean technologies, zero-emission vehicles, digital infrastructure, and certain scientific research expenditures.

This mechanism has a tangible impact. A company that modernizes its equipment lowers its tax burden, improves profitability, and accelerates its technological transition. On a national scale, it helps boost productivity and attract manufacturing investment that might otherwise flow elsewhere.

4. Energy Transition: An Industrial Lever, Not Just an Environmental One

The budget introduces a major narrative shift. The climate transition is no longer described as a necessary cost or environmental constraint — it is presented as a **competitive advantage**.

Canada starts with a strategic asset: clean, stable electricity.

To make this an economic argument, however, investors need **certainty**.

The budget provides that by:

- setting a clear carbon pricing trajectory beyond 2030, essential for projects with 15–20-year horizons;
- improving carbon credit markets to make the value of reductions predictable; and
- developing carbon contracts for difference that shield investments from price volatility.

This financial pillar is complemented by four major industrial tax credits, for clean electricity, hydrogen, CCUS¹, and clean manufacturing, with clarified and, in some cases, retroactive eligibility. For industrial developers, this means a project can now be structured around a predictable financial model extending over several decades.

5. A Comprehensive Strategy for Critical Minerals

Without lithium, nickel, cobalt, graphite, copper, rare earth elements, or metals essential to electronics and defence, there can be no energy transition, no batteries, no semiconductors, no medical equipment, no data centres, and no electric vehicles.

Canada possesses these resources, but their development is constrained by three main obstacles: inadequate infrastructure, high financial risk, and administrative delays.

The budget addresses these challenges in a structured way:

- It creates a **\$2-billion sovereign fund** to invest directly in projects, allowing the federal government to share risk with the private sector at the most critical stage — the initial production phase.
- It launches the **First and Last Mile Fund**, with **\$371.8 million** in initial funding and up to **\$1.5 billion** in potential projects, to finance essential infrastructure such as roads, ports, electrical connections, and logistics corridors. These assets are often too costly for a single proponent but are indispensable to production.
- It expands the **exploration tax credit** to cover 12 additional minerals, immediately broadening the base of projects able to join global supply chains.

Canada's ambition is not only to extract but to **refine, process, and export**.

6. Defence, Industrial Sovereignty, and Securing Supply Chains

Budget 2025 brings defence to the heart of Canada's industrial policy. Military security is no longer viewed as a separate sector; it now depends on the country's ability to control its supply chains, critical technologies, and manufacturing base. In an unstable geopolitical environment, sovereignty relies as much on the capacity to produce as on the capacity to defend.

This new direction rests on several pillars:

- **Convergence toward NATO targets:** Canada reaffirms its path to the 2% of GDP objective, prioritizing an industrialized buildup. An increasing share of military equipment and technology will need to be designed and produced in Canada, reducing reliance on vulnerable imports. This is not just a budget increase — it is a transformation of the defence industrial base.
- **A dedicated federal coordination unit for the defence industry:** The budget supports a federal capacity to assist firms within military supply chains, focusing on component security, supplier development, dual-use innovation (civilian and military), and alignment with Armed Forces requirements. This "defence industrial line" is meant to prevent the supply disruptions that have crippled programs in other countries.

- **Sovereign supply chains:** through the \$2-billion sovereign fund and the **First and Last Mile Fund (up to \$1.5 billion for infrastructure)**, the government is securing access to critical materials and technologies — including high-density batteries, semiconductors, optoelectronics, secure communications systems, light armour, synthetic fuels, electric propulsion, drones, advanced sensors, and embedded electronics — to reduce dependency on geopolitically exposed suppliers.
- **NATO/G7 credibility and allied integration:** by modernizing its industrial capacities, Canada aims to re-establish itself as a reliable supplier for allies, at a time when Western countries are reorganizing investments away from high-risk sources. Defence thus becomes an instrument of economic diplomacy.
- **Spillover benefits for aerospace and clean technology:** the clean manufacturing tax credits, industrial modernization measures, technology development initiatives, and CIB involvement support sectors where Canada already has a competitive edge — aerospace, MRO/MCO, robotics, naval systems, cybersecurity, advanced materials, and optics — all strategic for a modern, exportable defence ecosystem.

In this context, energy policy also becomes a matter of security. Investments in clean electricity, hydrogen, storage, and interconnections strengthen the resilience of military bases, critical infrastructure, and the national grid in the event of crisis or cyberattack. Securing energy means securing the state.

Defence is no longer treated as an expense line, but as an **industrial, mining, logistical, and technological lever**.

Budget 2025 lays the foundation for material sovereignty: **build here, support here, deliver here**.

7. Mobilizing Private Capital: Taxonomy, Bonds, and Legal Certainty

In today's economy, governments do not finance strategic projects alone, they create the conditions to attract pension funds, banks, insurers, and international investors. The budget reflects this reality by modernizing the country's financial architecture.

The first pillar is the **Canadian taxonomy**, a national framework defining what qualifies as a "green" or "transition" investment. Without this clarity, businesses face legal and financial uncertainty, what is deemed sustainable one day can be challenged the next. The taxonomy will provide a shared language between the market, government, and investors.

The second pillar is the **framework for green and transition bonds**. The federal government will be able to issue bonds to finance low-carbon infrastructure, energy, or agriculture projects aligned with the taxonomy. These financial instruments already well established in Europe, attract investors seeking stable, sustainable assets.

The third pillar is **regulatory**. Recent amendments to the **Competition Act**, aimed at combating "greenwashing," had unintended consequences: some companies chose to stop communicating about their environmental projects, or even slowed investments, out of fear of litigation. The budget corrects this: it maintains firm action against false claims but clarifies what constitutes acceptable practice. The objective is to provide **legal certainty** for companies that are genuinely innovating.

At the same time, the federal government will work with provinces to align climate disclosure rules with international standards, reducing administrative costs and improving access to private capital.

In short, Canada aims to make its investment environment **simpler, clearer, and more attractive**.

8. Housing, Electricity, and Networks: An Integrated Vision

A less visible but central feature of the budget is the link between housing construction, energy capacity, and modernization of the electrical grid. Canada foresees a major expansion in housing supply.

Powering new neighbourhoods, transit systems, data centres, and industries requires:

- more clean electricity generation,
- more storage capacity,
- modernized energy transmission infrastructure, and
- stronger interprovincial interconnections.

The clean electricity tax credits, the Canada Infrastructure Bank, the MPO, and transition bonds are not just for heavy industry, they also support **urban growth and housing development**.

9. Monitoring, Accountability, and Indicators

To ensure this strategy does not remain theoretical, the government is introducing a public monitoring framework. New indicators will measure:

- changes in the carbon intensity of businesses and household ;
- growth in low-carbon exports ;
- progress of the clean economy ;
- impacts on major industrial sectors.

This monitoring is essential for three reasons: it enables companies to calibrate their investments, allows investors to assess the credibility of the plan, and lets citizens see tangible results from industrial policy.

10. A Change in Method, Not Just in Spending

Unlike many previous budgets, this one is not a list of announcements.

It reshapes the underlying structure that determines how fast and how successfully projects move forward:

- a single federal window to accelerate approvals,
- a stronger and more flexible infrastructure bank,
- fiscal incentives for productive investment,
- a national critical minerals strategy that integrates infrastructure and capital,
- active engagement of the financial sector,
- a modernized regulatory framework to reduce uncertainty, and
- a public monitoring mechanism to ensure accountability.

This is not a spending policy, it is an **execution policy**.

Conclusion

The 2025 Federal Budget seeks to transform Canada from a country where projects move slowly into one that delivers them rapidly, with certainty and at scale. If it functions as intended, it will:

- attract greater industrial and energy investment,
- modernize the nation's productive base,
- secure strategic value chains,
- accelerate the energy transition,
- support population growth, and
- enhance national productivity.

It sends a clear message: **Canada intends to be a country that invests in a more innovative and resilient economy.**





740 rue Notre-Dame Ouest, bureau 1400
Montréal, QC

514 398-9772

info@innovitech.com