February 2026

INDEPENDENT ASSESSMENT

2025 Progress Report on the 2030 Emissions Reduction Plan

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CANADIAN CLIMATE INSTITUTE | L'INSTITUT CLIMATIQUE DU CANADA

SUMMARY

This report is the Canadian Climate Institute's independent assessment of the federal government's 2025 report on progress toward Canada's 2030 emissions reduction target. It concludes that the federal report paints a credible picture of Canada's progress but does not offer an adequate policy response to the growing gap between the country's emissions and its climate targets.

Canada is not on track to achieve any of its climate goals. While the country has some powerful policies to reduce its emissions and make the economy more competitive, in recent years federal and provincial governments have removed or weakened more climate policies than they have strengthened. As a result, the country is likely to fall even further behind its targets than it was just two years ago, when the last progress report was published.

In its December 2025 progress report, the Government of Canada identified priority measures that could significantly reduce emissions in the years ahead, even if they do not put Canada on track to achieve the 2030 target. Yet our analysis shows that some of these measures, which are largely focused on industrial emissions, will need strengthening to fulfill their potential. Our analysis also indicates that additional policies are likely needed to drive reductions in other parts of the economy. Canada has made progress, but reaching the country's climate goals will require more effort from all orders of government.

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ABOUT THIS REPORT

Climate targets matter. They direct and motivate us, helping to turn our aspirations into action. They help citizens hold leaders accountable for their promises. And they matter because of what they represent: the pursuit of a safer climate, a more competitive Canadian economy, and more reliable, affordable energy.

Canada's poor record with climate targets is well known—the country has yet to achieve any of its goals for reducing greenhouse gas emissions. With the passage of the Canadian Net Zero Emissions Accountability Act in 2021, the federal government pledged to do better, committing itself to a mandatory cycle of target-setting, planning, and reporting on progress. The law's aim is to require more transparent, predictable, and effective policy-making, enough to finally achieve the country's goals and help the world avoid the worst impacts of climate change.

Currently, Canada has four active emissions-reduction targets: a 2026 interim target, a 2030 target, a 2035 target, and a long-term target of net zero emissions by 2050. In spring 2022, Canada published a formal plan to hit its 2030 target and, at the end of 2023, a report on its efforts to fulfill that plan. In December 2025, it published a second progress report: the 2025 Progress Report on the 2030 Emissions Reduction Plan (2025 ERP-PR).

This document is an independent evaluation of that report. It assesses the 2025 ERP-PR using our criteria for good climate governance and independent modelling conducted by Navius Research, recommending actions to bring Canada closer to its goals.

This report continues the Canadian Climate Institute's practice of independently evaluating Canadian climate policy, from our report on best practices for climate accountability laws, our proposals for and assessment of the original 2030 ERP, our reports on Canada's carbon pricing systems, and our assessment of the previous progress report, the 2023 ERP-PR.

In our assessment of the last progress report, we found that Canada could reduce its emissions close to the targeted level if federal, provincial, and territorial governments acted decisively to implement the full breadth of their climate plans. That has not happened.

Instead, the past two years have marked a change of direction and emphasis in Canada's climate policy. The country is not on track for its targets—indeed, it has moved away from them. But that does not make it any less important to reduce Canada's emissions. Every tonne of carbon that Canada does not release into the atmosphere makes the worst impacts of climate change less likely. Every dollar invested in clean energy rather than fossil fuels helps the country build a more competitive and resilient future. This report explains how Canada can accelerate toward that future.

PROGRESS AND THE FEDERAL REPORT

The context: momentum is shifting in the wrong direction

Canada's emissions have fallen by nearly 9 per cent since 2005, but the country's progress is slow and anything but steady. According to the Institute's analysis, national emissions in 2024 were essentially unchanged from 2023. Emissions from oil and gas, particularly the oil sands, continue to grow rapidly while emissions from transport, buildings, and parts of industry have been largely flat. While emissions from electricity production have fallen sharply since 2005, continued progress in that sector can no longer offset rising emissions elsewhere.

These trends are exacerbated by a slackening of policy effort over the past year, marked by the removal or weakening of climate policies across the country. These changes include the cancellation of consumer carbon pricing, the conclusion of various subsidies for electric vehicles and home retrofits, the weakening of industrial carbon pricing in Alberta and its suspension in Saskatchewan, and the repeal of climate accountability legislation in Ontario. This weakening of policies pushes Canada further from its climate targets and undermines the certainty needed for investments that make our economy cleaner and more competitive.

To reach net zero emissions, Canada should be beginning a period of accelerated emissions reductions. Yet governments have removed or weakened some of their policies even as other trends, like rising oil and gas production, would add more upward pressure on emissions. Without stronger and more consistent policy signals, Canada's future emissions reductions are at risk of looking like those of the past, where achievements fall short of promises.

The federal report: new policy detail and indicators of progress

Under Canada's climate accountability law, federal progress reports must summarize recent emissions trends and projections, discuss the implementation of climate policies, and assess whether Canada is likely to achieve its target. If projections show that the country is not on track for a target, the law requires the government to identify potential measures that could help to hit the target.

The 2025 ERP-PR is the second report published in response to these requirements, and it expands on the work of its predecessor. In addition to containing new emissions data and projections, the report provides a detailed accounting of the policies included in those projections, covering more measures—now a total of 164 programs,

policies and regulations of various sizes—and providing new information, including the expected emissions reductions from certain measures.

The 2025 ERP-PR also contains a series of new metrics and secondary indicators of progress to complement the government's primary indicator (emissions reductions), like the number of major clean energy projects and annual clean electricity generation. The stated goal of these indicators is to provide additional insight on progress and the results of climate action, and to help governments understand when they may need to adjust their approach.

While the identification of these new indicators represents a meaningful step toward broader performance tracking, the current set of indicators provides only a limited picture of delivery and outcomes. The indicators are unevenly distributed across sectors and can be of limited use for understanding sector-wide trends. Some indicators are tied to policies that are being phased out, like the Net-Zero Accelerator initiative or 2 Billion Trees Program, while others—such as a metric for the export value of oil and gas—have little connection to mitigating the effects of climate change or building a net zero economy.

Also new to this progress report is the identification of 18 priority measures that the federal government views as foundational to achieving Canada's long-term climate goals. Most of the high-impact measures focus on large industrial emitters, with an emphasis on industrial carbon pricing, methane regulations, and decarbonization of the electricity sector.

Federal analysis projects that, taken together, these priority measures could deliver 192 Mt to 202 Mt of emissions reductions by 2030.[1] Of these reductions, industrial carbon pricing is expected to deliver around a third and other regulations a little more than half, while the remainder would likely come from subsidies like investment tax credits.

In this framing, the federal government expects a large majority of emission reductions to come from the timely and effective implementation of a few priority measures rather than a broader suite of measures. However, while it can be useful to identify and minimize policy overlap where it is counterproductive, the decision to rely on a small number of high-impact policies for emissions reductions exposes Canada's climate plan to a different risk: having few alternatives if policies fail to perform as expected.

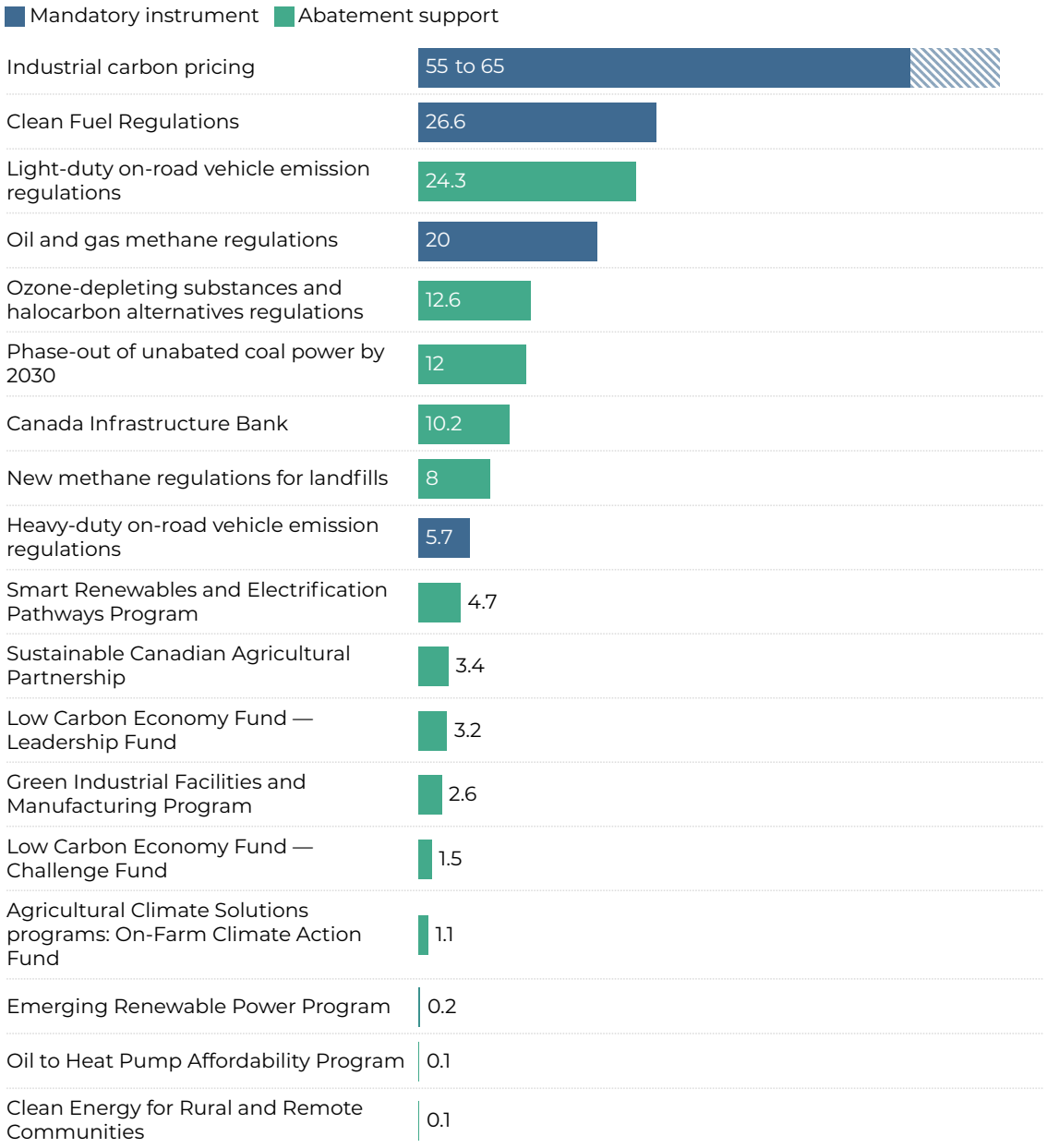
Moreover, even if these measures were to produce exactly their intended results, the government's projections show that Canada's efforts will be insufficient to reach the 2030 emissions reduction target. In its most ambitious scenario, federal analysis shows that Canada's emissions will fall short of the 2030 target by 91 Mt to 129 Mt. And as we discuss in the following section, the federal report neither addresses this shortfall directly nor provides a sufficient policy response.

1 Note that these are reductions only from priority federal measures, not all climate policies. It is unclear from what baseline these reductions are measured.

FIGURE 1:

SIGNIFICANT EMISSIONS REDUCTIONS DEPEND ON THE EFFECTIVE IMPLEMENTATION OF A FEW HIGH-IMPACT POLICIES

Emissions reductions in 2030 by measure, megatonnes of CO_2 equivalent



Note: Mandatory instrument refers to policies that impose a compulsory requirement on regulated parties, and abatement support refers to policies that aim to incentivize the voluntary adoption, production, or development of lower emissions processes and products. For more information, refer to the methodology of the Canadian Climate Policy Inventory. ECCC's modelling of light-duty on-road vehicle emission regulations was conducted before, and therefore does not account for the electric vehicle policy changes announced in February 2026

Source: Environment and Climate Change Canada.

ASSESSING THE FEDERAL REPORT AGAINST OUR EXPECTATIONS

To be constructive, a progress report should not simply "report" on progress but should attempt to shape it. Constructive reporting is also in the spirit of Canada's climate law to promote "immediate and ambitious action in relation to achieving targets" and the requirement that progress reports contain "details of any additional measures that could be taken to increase the probability of achieving" a target that is currently out of reach.

So, what makes a progress report constructive? In late 2025, the Canadian Climate Institute outlined four criteria to assess the reasonableness and usefulness of the federal progress report. In our view, progress reports should contain:

1. Detailed and comprehensive updates on policy implementation.
2. Credible, transparent, and up-to-date emissions projections.
3. Substantive assessments of options to correct Canada's course.
4. Clear plans for future improvements.

Table 1 assesses the report against our criteria in detail.

Overall, in our view the 2025 ERP-PR is a mixed success. It contains useful measures to track Canada's progress and climate policies but it falls short as a tool for course correction.

The most recent progress report improves on the previous edition by providing additional information on what the government's plan could achieve. Its emissions projections are detailed and transparent. The report contains additional analysis on the status of federal measures and their potential emissions reductions. And the new secondary indicators, though imperfect, offer a broader picture of progress and can be improved in future.

However, the federal report falls short in some crucial areas. Most importantly, it does not directly acknowledge the large and growing gap between Canada's emissions trajectory and its climate targets—nor does the report present a detailed response to that gap. While the federal government has identified some measures that could be strengthened to bring Canada closer to its targets, its progress report leaves considerable uncertainty about how that will be done. The recommendations presented in the Institute's independent assessment report can help address this uncertainty.

TABLE 1:

ASSESSING THE 2025 ERP-PR AGAINST OUR FOUR CRITERIA

CRITERION	INDICATOR	ASSESSMENT	NOTES
Detailed and comprehensive policy updates	Line-by-line update of measures from previous plans	Yes	The tables are updated with additional detail, adding the indirect measures as well as the direct ones from the last report.
	Information about implementation, responsible departments, impact of measures, etc.	Yes	Additional information is provided in the tables, including next steps for implementation and the expected emissions reductions for many measures.
	Provides updates about co-operative measures with other governments	Partially	Provides information about joint federal-provincial measures and provincial measures, but does not identify risks or plans to address areas where provincial policies are in conflict with federal requirements.
Credible, transparent, and up-to-date emissions projections	Emissions data are based on the latest policies and information	Partially	The government produced new emissions projections to accompany the report. However, some of the policy assumptions in the modelling were outdated by the time of the report's publication. The government did not produce a preliminary estimate of 2024 emissions as it did in 2023.
	Information provided about policy assumptions and scenarios	Partially	The report contains information about the modelling scenarios and assumptions used, and data were made available to the public. However, a separate modelling report with more detail had not yet been published when our report was written.
	Scenarios are based on concrete policies and not backcasting	Yes	The policy scenarios in the report do not appear to use backcasting and the impact of policies is broken out with new detail.
	Stress-tested through sensitivities and independent analysis	Yes	The government modelled alternative scenarios to account for key uncertainties, including economic growth, energy prices, and technology development. The progress report also describes independent input to the government's modelling efforts.
Substantive assessment of options to correct course	Identifies possible measures to close the gap to the target	Partially	The report does not specifically provide any plan for course correction or commentary on missing the targets. It does list some areas where the government plans to introduce new measures or strengthen existing ones.
	Provides detail about the implementation risks and potential outcomes of policies	No	The report does not provide details about the key implementation risks or expected outcomes of these additional measures.
	Assesses implications of current pathway for future targets	No	The report indicates that the government is committed to net zero emissions, but its only commentary on the relationship between current and future targets is that a focus on short-term reductions could "divert attention" from the systemic transformation needed to reach net zero.
Plans for future improvements	Identifies additional indicators or data that could be included in future reports	Yes	The report includes new primary and secondary indicators that can be tracked and developed further in future reports. The indicators are based on a mix of public and private data sources. The chosen indicators have limitations, as described above. Nonetheless, their inclusion in this progress report is a significant improvement compared to the previous one.

INDEPENDENT MODELLING: NATIONAL RESULTS

Why independent modelling matters, and how we did it

Two years after Canada's last progress report, there is less certainty, rather than more, about how the country plans to reach its targets. This uncertainty was plain in the latest federal report. Although Environment and Climate Change Canada (ECCC) modelled two versions of Canada's climate plan, neither one accounted for the most recent changes in policy—such as the finalization of methane regulations for the oil and gas and waste sectors, the policy implications of the Canada-Alberta Memorandum of Understanding, and the pause or replacement of the Electric Vehicle Availability Standard.

Policy uncertainty makes it all the more important to conduct independent modelling of Canada's climate plan. Our modelling exercise, done in partnership with Navius Research, helps to check the credibility of federal analysis and give another view of how policies might affect Canada's emissions.

For this report, Navius Research modelled five scenarios:

- ***Implemented policies as of 2024,*** representing roughly the federal and provincial climate policies that existed at the time of the previous federal progress report. Some of the policies in this scenario were only fully implemented in early 2024 (such as the B.C. Output-Based Pricing System) but they were well underway by the end of 2023. For more information, see the technical report published by Navius Research.
- ***Implemented policies as of 2025***, representing climate policies in effect in December 2025, when the 2025 ERP-PR was published. It includes major changes compared to 2024, including the introduction of new regulations on oil and gas and landfill methane[2] and the implementation of the Clean Electricity Regulations.

  The scenario also reflects the erosion of some climate policies, including the removal of consumer carbon pricing, the respective weakening and removal of industrial carbon pricing in Alberta and Saskatchewan, the potential continuation of coal-fired electricity in Saskatchewan, the end of some subsidy programs, and the partial suspension of the Electric Vehicle Availability Standard (EVAS).

2 We have assumed that federal regulations require methane emissions from upstream oil and gas to be reduced by 75 per cent below 2014 levels by 2035, as implied by the Canada-Alberta MOU.

- ***Announced, less stringent policies***, representing a conservative interpretation of policy changes announced up to the end of 2025, including the federal budget and Canada-Alberta MOU. This scenario represents moderate enforcement of federal regulations, with all provinces required to phase out coal power by 2030 and adopt a new maximum carbon price of $130 by 2030—though they are not otherwise required to change their carbon pricing systems.

  The scenario also includes potential compromises on federal regulations, such as the substitution of provincial industrial carbon pricing for the Clean Electricity Regulations (CER) and the removal of the EVAS.[3]

- ***Announced, more stringent policies***, representing a strengthened version of the policy changes discussed above. For example, the scenario assumes that some industrial carbon pricing systems are required to make substantial changes in stringency to reach effective credit prices of $130 a tonne in 2030,[4] that provincial policies deliver the same emissions reductions in electricity systems as the federal CER, and that the EVAS is delayed until 2040 but not removed (or up to 38 Mt with effective credit prices of $170 per tonne).[5]

- ***More stringent policies with a $170 carbon price***, which is identical to the previous scenario except with an effective industrial carbon price of $170 per tonne. We included this scenario to better compare our results with ECCC's, which use a $170 credit price.

In comparison, ECCC modelled two scenarios. First, the *With Measures* scenario is most similar to our *Implemented policies as of 2025* scenario, though their scenario does not include the new methane regulations implemented in December 2025. Second, the *With Additional Measures* scenario represents existing and promised federal policies. It is somewhat similar to our *More stringent policies* scenarios, but it makes even more stringent assumptions about some policies, such as the adoption of net-zero building codes, and does not account for some of the government's proposed changes to carbon pricing, methane regulations, and the EVAS.

To contextualize these results, the Institute also commissioned Navius Research to produce updated modelling of cost-effective net zero pathways for Canada. This modelling allows us to comment on whether Canada's current and planned climate policies are compatible with the country's long-term aim of achieving net zero emissions by 2050.[6]

3 None of our scenarios includes the federal cap on emissions from the oil and gas sector, since it was only a proposal in 2024, and by late 2025 the federal government had proposed its suspension.

4 In the Navius Research modelling, the effective price is represented by the price of tradeable credits. The Canada-Alberta MOU also refers to an "effective credit price." However, the national carbon price would likely be higher than the price of credits, since these typically trade at a discount to the headline carbon price.

5 This range is the difference between modelled emissions reductions in the *Implemented as of 2025* scenario and our other policy scenarios. The range excludes non-modelled reductions; see Table 2 for more information.

6 As the modeling provides results on a five-year rather than an annual basis, all Navius results in this report have been adjusted to align with historical data by applying simulated emission reduction rates to historical emissions data.

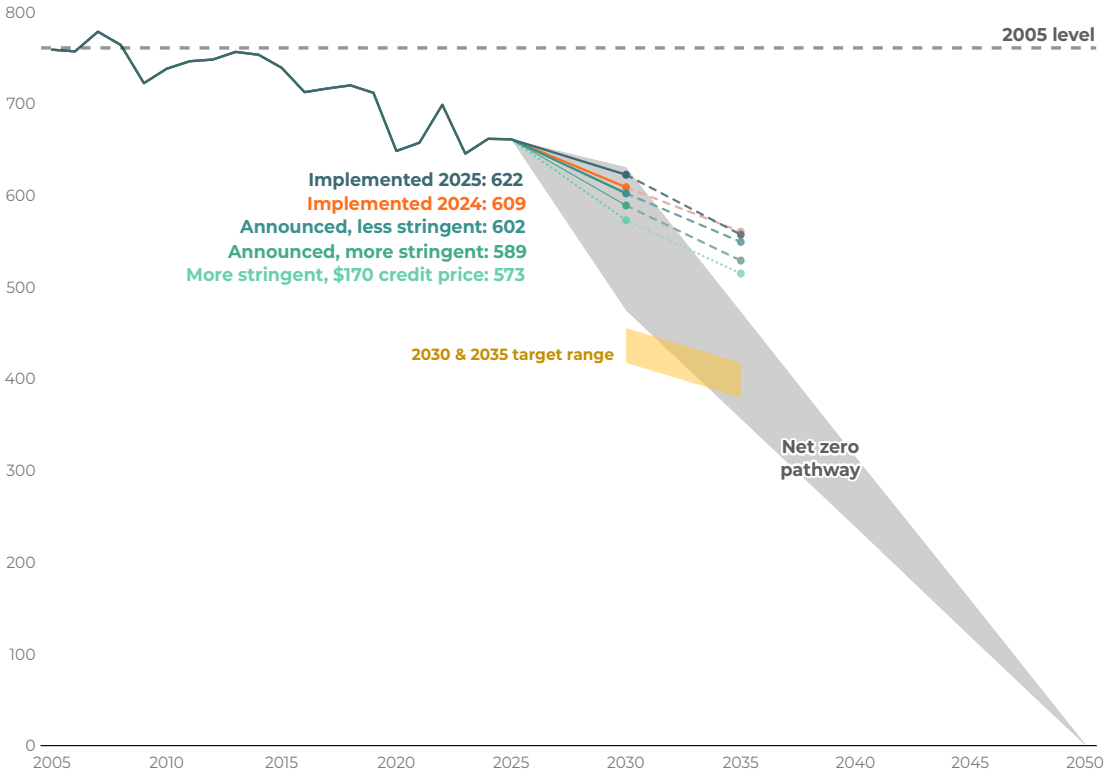
Nationally, progress is driven by a few yet-to-be finalized policies

Canada is not on track to meet any of its targets. According to our independent modelling, Canada will not achieve its 2026 interim target or its 2030 Paris Agreement target. Nor is the country's emissions trajectory consistent with either its 2035 target or a pathway to achieving net zero emissions by 2050 (Figure 2).

FIGURE 2:

CANADA IS NOT ON TRACK TO ANY OF ITS EMISSIONS TARGETS

National emissions reductions by scenario—historical and projected emissions, 2005-2050 (megatonnes of CO_2 equivalent)



Note: This figure shows net emissions. Included in all scenarios and adopted directly from the 2025 ERP-PR is a 25 Mt reduction from the land use, land-use change, and forestry sector, while the *Announced policies scenarios* and ECCC's *With Additional Measures* scenarios contain an additional 12 Mt of non-modelled reductions compared to other scenarios. See Table 2 for more information.

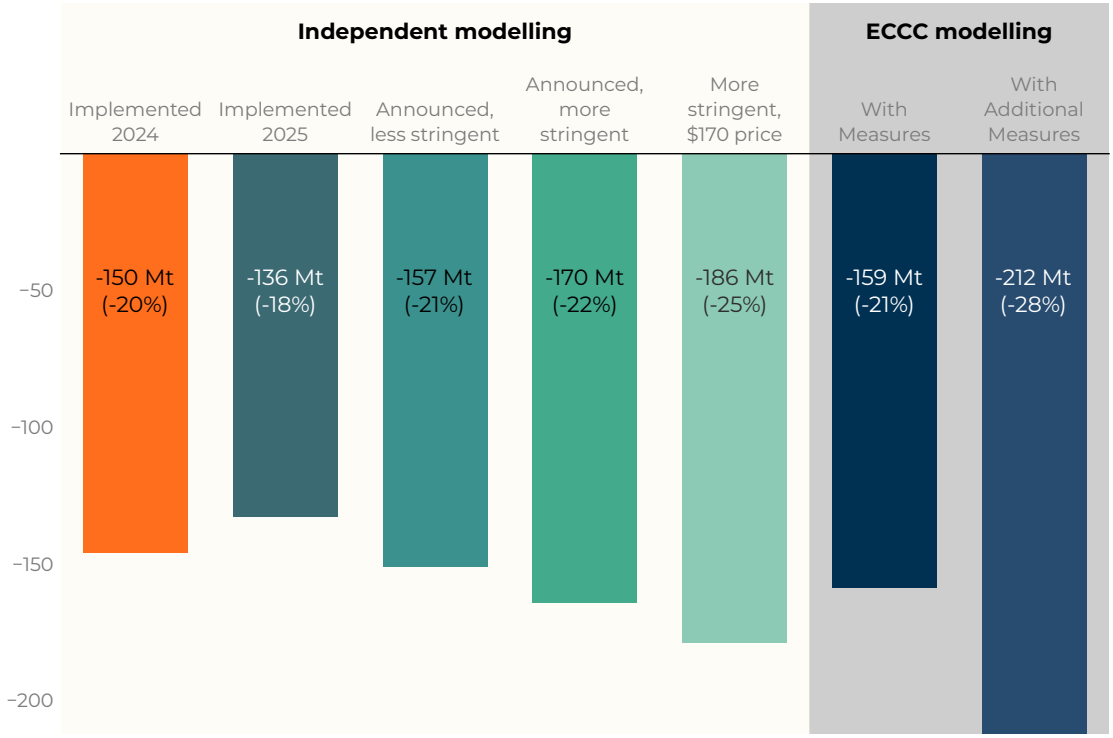
Source: Historical emissions data for 2005-2023 from Environment and Climate Change Canada, data for 2024 from 440 Megatonnes, and projections for 2025-2050 from Navius Research.

According to our analysis, Canada is on track to achieve around half of its 2030 target to cut emissions by 40 to 45 per cent below 2005 levels (Figure 3).

FIGURE 3:

EXISTING AND PLANNED POLICIES WOULD ACHIEVE AROUND HALF OF CANADA'S 2030 CLIMATE TARGET

Projected emissions reductions in 2030 compared to 2005 levels (megatonnes of CO_2 equivalent)



Note: This figure shows net emissions. See Table 2 for more information.

These reductions are far short of what the original 2030 ERP was intended to achieve. Notably, our analysis shows that current policies (*Implemented 2025*) represent a step backward from the measures that existed when the last federal progress report was published (*Implemented 2024*). It also shows that while announced policies can improve on today's status quo, the gains vary widely, delivering between 8 and 21 Mt of additional reductions.[7]

The outcome—in every scenario—depends heavily on how industrial carbon pricing systems are designed and enforced. At a minimum effective price of $130 per tonne (*Announced, more stringent*), these systems can deliver meaningful additional emissions reductions, while lower prices result in significantly fewer gains. Crucially, the modelling shows that reaching effective credit prices of $130 a tonne is not sufficient to

7 This is the difference between modelled emissions reductions in the *Implemented* as of 2025 scenario and the two *Announced* policies scenarios. See Table 2 for more information.

deliver sustained reductions consistent with a net zero pathway. But if governments use this moment to fix system design and restore effective price signals, then future, gradual price increases, such as to effective credit prices of $170 per tonne, can unlock substantially larger emissions reductions.

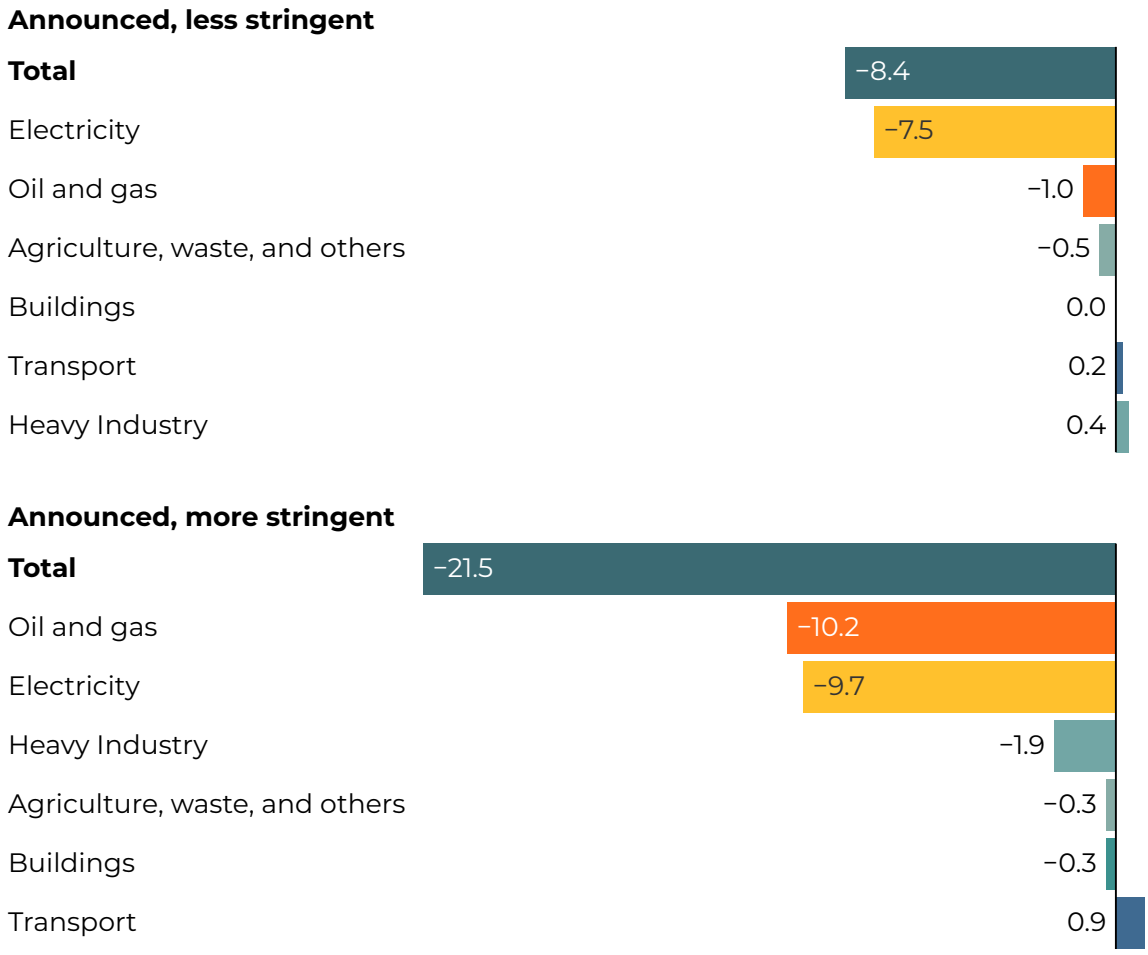
Specifically, each scenario indicates the following:

- ***Implemented policies as of 2024* were insufficient to meet Canada's targets, but they would still have delivered more emissions reductions than the policies of 2025.** Most of the additional reductions in the 2024 scenario occur in the transport and buildings sectors, reflecting the impact of policies that no longer exist or are weaker today, including consumer carbon pricing and subsidies for electric vehicles and home retrofits.
- ***Implemented policies as of 2025* deliver the fewest emissions reductions of any scenario,** representing both the removal of some federal climate policies and the weakening or rejection of other measures by provincial governments, notably industrial carbon pricing and the coal phase-out. However, the new federal regulations for methane from oil and gas operations and landfills will deliver large emissions reductions by 2035, offsetting some of the lost progress.
- ***Announced, less stringent policies* improve on the status quo, but do not reduce industrial emissions and deliver diminishing gains after 2030.** The main gains in this scenario occur in Saskatchewan, as the province is required to reinstate its industrial carbon pricing system and phase out coal power. In Alberta, existing issues with its carbon pricing system—including an excess of banked credits and the availability of direct investment credits—keep the effective carbon price far below $130 per tonne, so the signal to invest is weak and the system delivers no additional emissions reductions. In fact, industrial emissions in some provinces increase slightly as the $170 carbon price ceiling is replaced with a $130 price ceiling.
- ***Announced, more stringent policies* deliver more than twice the emissions reductions of the less stringent scenario, compared to today's policies (Figure 4).** This scenario delivers an additional 21 Mt of modelled reductions compared to current policies. These gains come largely from the enforcement of a minimum price of $130 per tonne in industrial carbon pricing systems and other changes to make them more stringent, such as the removal of direct investment credits. These improvements do not deliver additional gains in non-industrial sectors like transport and buildings.
- ***Announced, more stringent policies with a $170 carbon price* illustrates the substantial additional reductions that would come from a higher effective carbon price.** This scenario delivers an additional 38 Mt of modelled reductions compared to current policies. However, the reductions in this scenario are still lower than those estimated by ECCC in its *With Additional Measures* scenario.

FIGURE 4:

A MORE STRINGENT VERSION OF ANNOUNCED POLICIES WOULD DELIVER TWICE THE ADDITIONAL EMISSIONS REDUCTIONS OF LESS STRINGENT POLICIES

Emissions reductions in 2030 compared to *Implemented policies as of 2025* (megatonnes of CO_2 equivalent)



Note: This figure shows gross emissions, excluding the non-modelled reductions shown in Figures 2 and 3, and in Table 2.

We expect that climate policies will produce fewer emissions reductions than the 2025 ERP-PR predicts. All our scenarios project higher emissions than the federal analysis. Table 2 compares our scenarios to the federal *With Additional Measures* scenario. In many cases, the differences between our analysis and the federal report are greater at the sectoral level, which we discuss in the next section of this report.

Overall, the main difference between the government's analysis and our independent modelling is how we represent provincial measures that are subject to federal standards, like industrial carbon pricing and methane regulations.

For industrial carbon pricing, ECCC assumes that all systems reach effective credit prices of $170 per tonne by 2030 and respect all federal requirements. In contrast, our modelling with Navius Research accounts for evidence that many systems are

underperforming federal requirements and the new effective credit prices of $130 per tonne targeted by the Canada-Alberta MOU. To better compare our results, we modelled a scenario that includes an effective carbon price of $170 per tonne. That scenario produced additional emissions reductions, but not as many as in ECCC's analysis.

TABLE 2:

COMPARISON OF EMISSIONS REDUCTIONS FROM INDEPENDENT AND FEDERAL MODELLING SCENARIOS

	HISTORICAL		PROJECTED EMISSIONS IN 2030						
				Independent modelling					
				Implemented policies as of 2025		Announced policies			
						Less stringent		More stringent	
SECTOR	2005	2024	2025 ERP-PR (ECCC WAM)	Mt CO_2e	vs ERP	Mt CO_2e	vs ERP	Mt CO_2e	vs ERP
	Mt CO_2e		Mt CO_2e						
Oil and Gas	194	212	175	210	+18%	209	+18%	200	+13%
Transport	156	156	138	143	+4%	144	+4%	144	+4%
Buildings	85	82	76	78	+3%	78	+3%	78	+2%
Electricity	116	48	26	32	+20%	24	-6%	22	-16%
Heavy industry	88	78	59	75	+23%	75	+24%	73	+21%
Agriculture	66	69	68	69	+1%	69	+1%	69	+1%
Waste	24	23	15	14	-8%	13	-13%	14	-12%
Others	30	26	26	26	+0%	26	+1%	26	+1%
Total (gross)	**759**	**694**	**583**	**647**	**+10%**	**639**	**+9%**	**626**	**+7%**
LULUCF accounting contribution[8]			-25	-25		-25		-25	
Nature-based climate solutions and agriculture measures[8]			-12			-12		-12	
Total (net)	**759**	**694**	**546**	**622**	**+13%**	**602**	**+10%**	**589**	**+7%**

Note: Historical data for 2005 are from Environment and Climate Change Canada, while data for 2024 are from the 440 Megatonnes Early Estimate of National Emissions. LULUCF refers to the land use, land-use change, and forestry sector. Some numbers may not add due to rounding. ECCC WAM refers to the *With Additional Measures* scenario from the 2025 ERP-PR.

8 Not modelled. Adopted directly from Environment and Climate Change Canada.

INDEPENDENT MODELLING: SECTORAL RESULTS

Oil and gas

In the Canada-Alberta MOU, the federal government indicated that it will not implement the proposed cap on oil and gas emissions. That change would leave industrial carbon pricing and regulations on methane produced by upstream oil and gas operations as the primary policies to reduce sectoral emissions, with the Clean Fuel Regulations, and federal and provincial tax credits for carbon capture and storage, playing a secondary role.

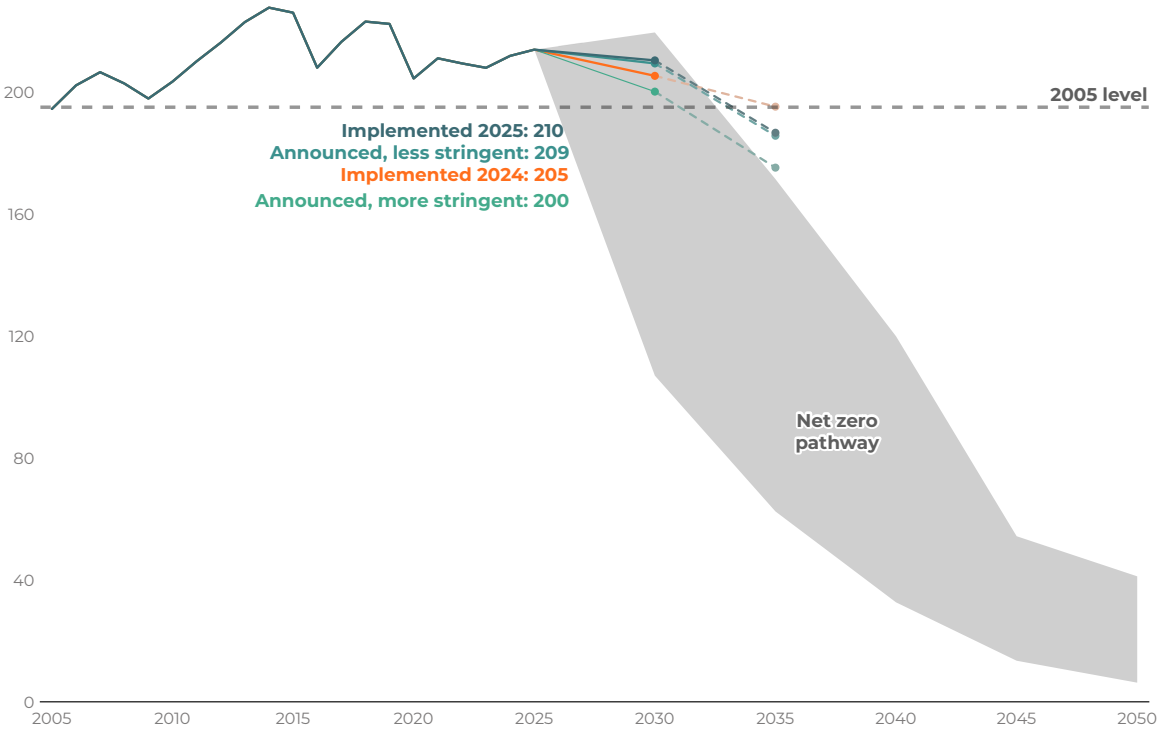
Since all oil and gas-producing provinces have their own versions of industrial carbon pricing and methane regulations, the effectiveness of these measures depends on whether provincial governments develop strong policies, and whether the federal government enforces minimum national standards. Different carbon pricing assumptions would explain many of the differences between federal modelling and ours.

Of the four scenarios shown below, the *Announced, more stringent* contains the strongest version of carbon pricing, and sees the deepest emissions reductions. The strengthened methane regulations also deliver substantial emissions reductions by 2035. The biggest uncertainty in all results is how the prices and production of oil and gas evolve over time.

FIGURE 5:

OIL AND GAS EMISSIONS BY SCENARIO

Historical and projected emissions, 2005-2050 (megatonnes of CO_2 equivalent)



Transport

The transport sector depends largely on regulations to reduce its emissions. Chief among these at the federal level are the Clean Fuel Regulations, light-duty vehicle emissions regulations, and the to-be-repealed Electric Vehicle Availability Standard (EVAS), which help to reduce the emissions associated with vehicle fuels and incentivize the production and sale of more energy-efficient vehicles. Meanwhile, subsidies for non-emitting vehicles (where available) make them more affordable and can increase adoption.

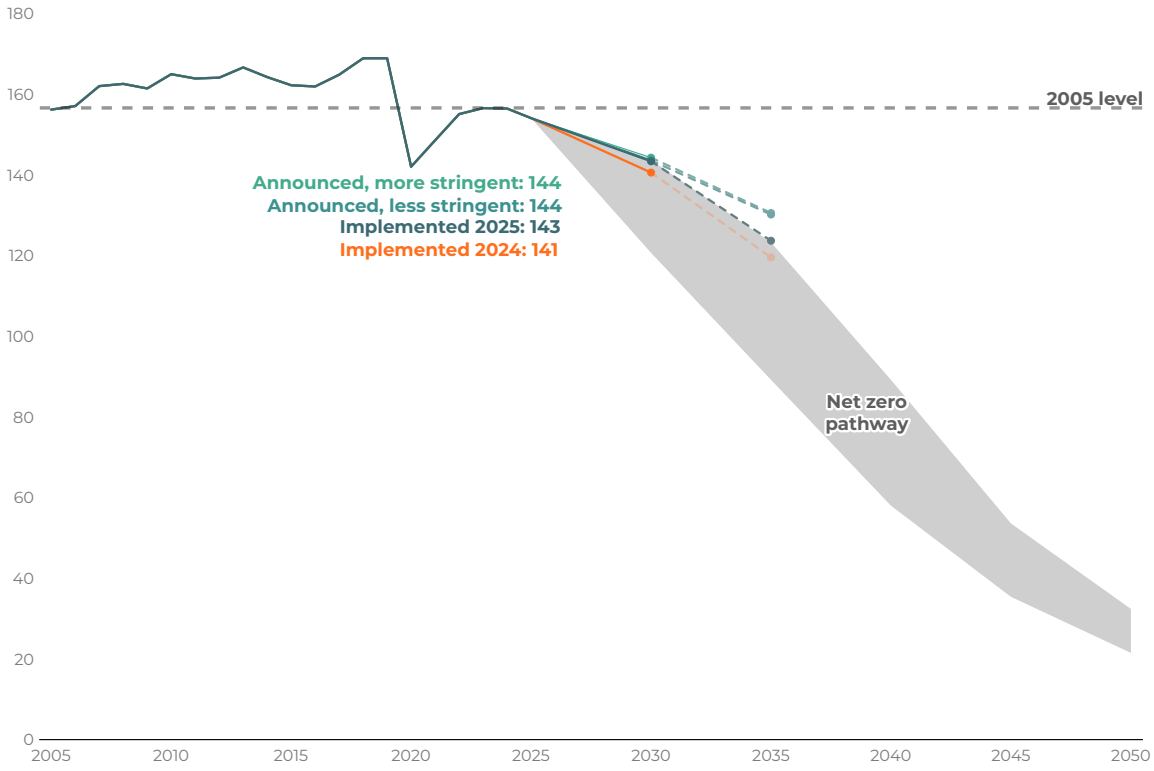
Our modelling shows that Canada's policies will reduce emissions, but less effectively than the policy package of 2024, mainly because the removal of the federal fuel charge reduces the incentive to replace fossil fuel-powered vehicles with non-emitting vehicles. We did not model the policy changes proposed in February 2026, though we did model scenarios with either the delay or removal of the EVAS, which both produced higher emissions in 2030 and beyond.

Federal modelling shows slightly lower transport emissions than our analysis, which we attribute partly to ECCC's presumption, at the time its modelling was completed, that the EVAS would remain in its original form.

FIGURE 6:

TRANSPORT EMISSIONS BY SCENARIO

Historical and projected emissions, 2005-2050 (megatonnes of CO_2 equivalent)



Buildings

There are few major federal policies to reduce emissions from Canada's buildings, which make up the country's third highest-emitting sector. The most important policies for buildings are at the provincial and municipal level, where decisions about building codes, energy distribution, and spatial planning are made.

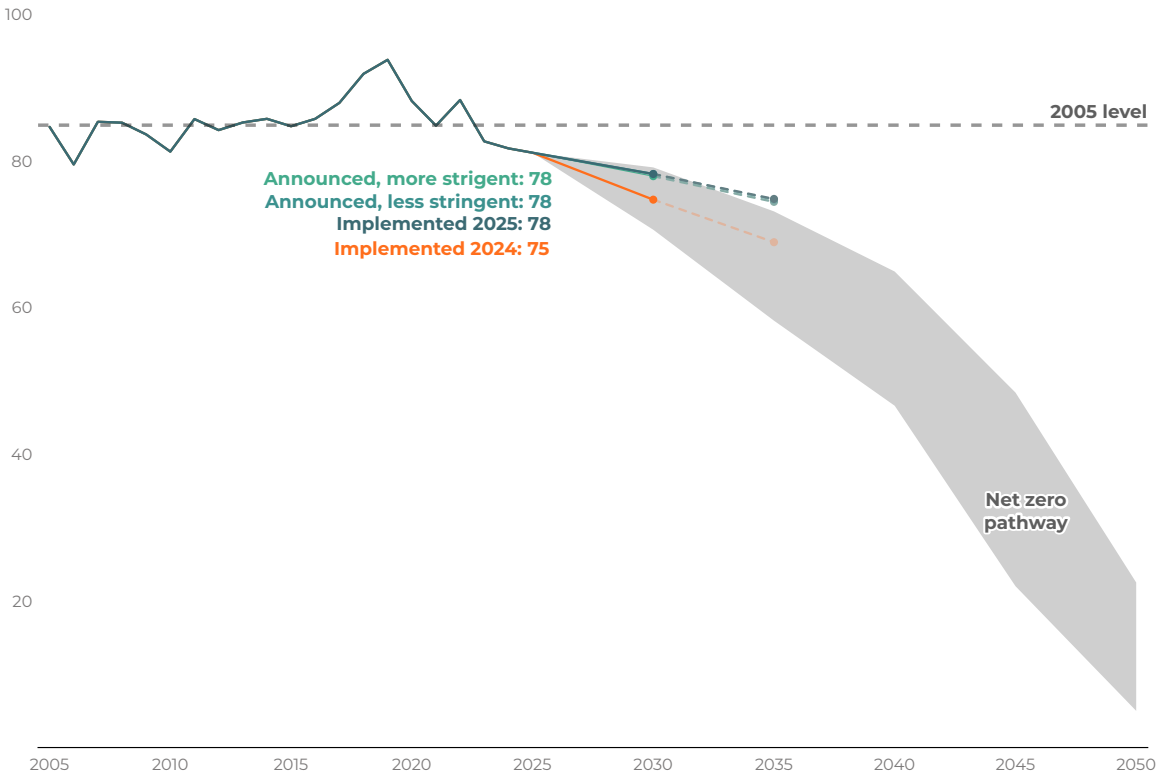
As with the transport sector, our analysis of the buildings sector shows that Canada's progress will be slower because of recent federal policy changes, most importantly the removal of the federal fuel charge, along with the conclusion of major grant and loan programs for retrofits. Sustained emissions reductions require sustained incentives to replace fossil fuel energy systems. While the buildings sector is on a net zero pathway in this decade, keeping it on track after 2030 will likely require more policy effort.

The federal modelling shows more emissions reductions than ours. This may be due to ECCC's assumption that all provinces will adopt net zero building codes, as well as its assumptions about the federal Green Buildings Strategy. From our perspective, those measures are uncertain and may not produce meaningful emissions reductions by 2030.

FIGURE 7:

BUILDINGS EMISSIONS BY SCENARIO

Historical and projected emissions, 2005-2050 (megatonnes of CO_2 equivalent)



Electricity

A combination of federal and provincial policies shapes emissions in the electricity sector. The federal coal phase-out regulations, Clean Electricity Regulations, and provincial system planning should all set long-term expectations to build bigger, cleaner, smarter grids while industrial carbon pricing and investment tax credits send price signals that favour clean electricity.

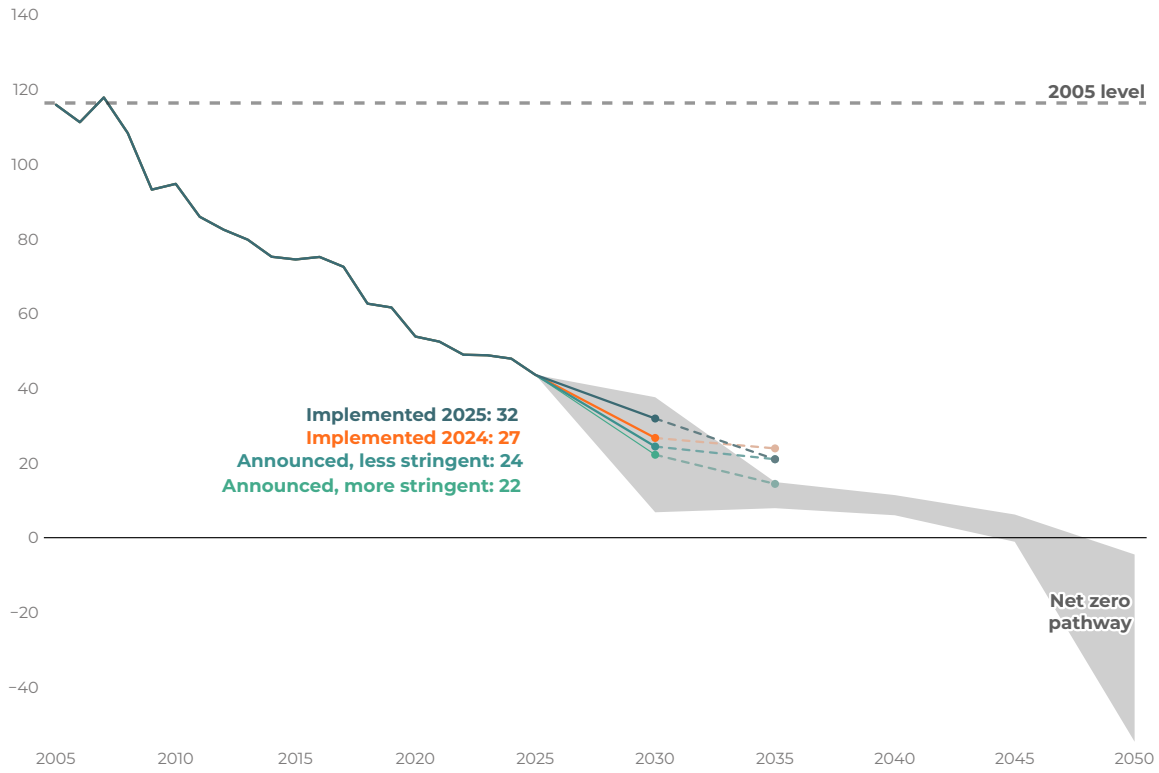
Unlike with other sectors, our modelling of the electricity sector projects more emissions reductions than the federal analysis. The expansion of nuclear energy in Ontario, rising deployment of solar energy in the prairies and British Columbia, and growing wind energy in B.C. are the key factors behind these expected emissions reductions.

As in many developed countries, Canada's electricity system has made more progress reducing emissions than the rest of the economy. Nonetheless, sustained policy effort will be necessary to keep the electricity sector on a pathway to net zero. It is also vital for Canada to pursue broader emissions cuts as the electricity sector cannot meet the country's climate targets on its own.

FIGURE 8:

ELECTRICITY EMISSIONS BY SCENARIO

Historical and projected emissions, 2005-2050 (megatonnes of CO_2 equivalent)



Heavy industry

More than any other sector, heavy industry depends on effective carbon pricing policies to reduce its emissions. There are also some subsidy measures that complement carbon pricing, including those from the Canada Growth Fund, Canada Infrastructure Bank, and certain investment tax credits.

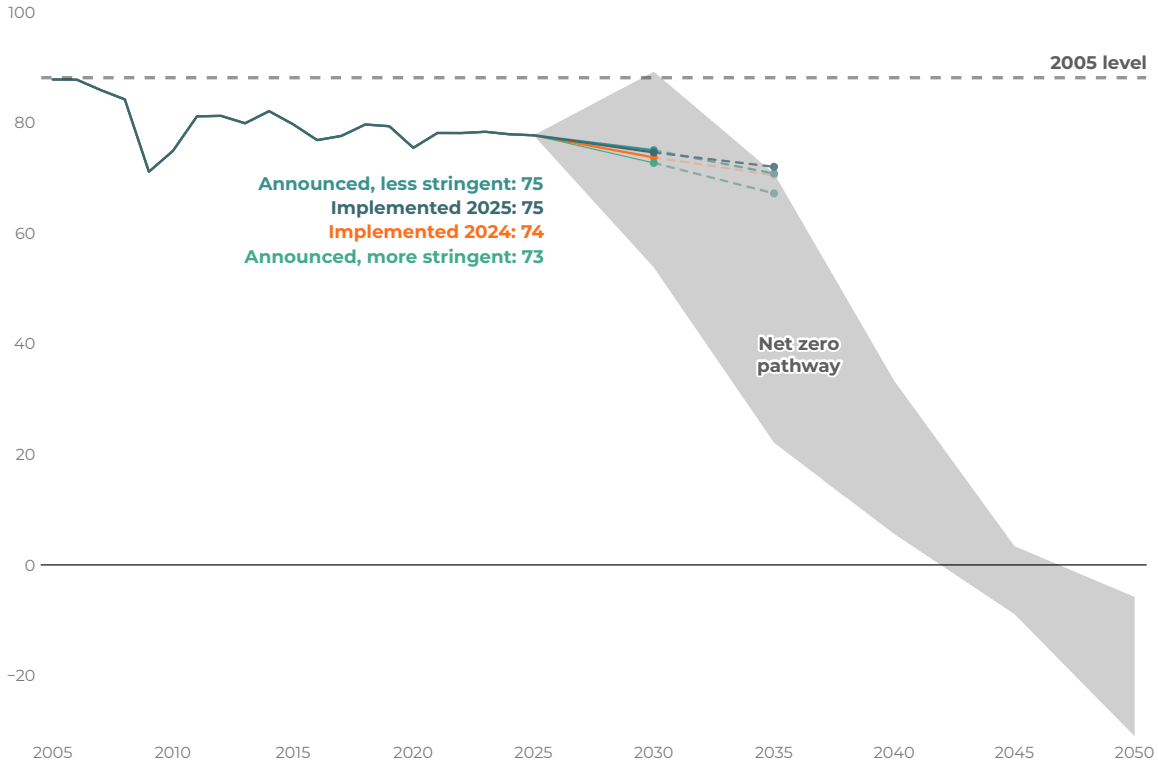
The importance of strong industrial carbon pricing is clear from the modelling results. Our *Announced, more stringent policies* scenario assumes that carbon pricing functions as intended, with an effective price of $130 per tonne in 2030 and stringency changes to maintain the price signal. Accordingly, emissions from heavy industry are lower in this scenario. ECCC projects lower emissions, but it made different policy assumptions, including a carbon price of $170 per tonne, and it modelled at least one decarbonization project that is delayed.

Because emissions from heavy industry are challenging to reduce, the net zero pathway for this sector allows for higher emissions in the coming years—but that does not mean that the pathway allows for delay. Industrial decarbonization projects are capital- and time-intensive, so they need strong, consistent policy signals to proceed.

FIGURE 9:

HEAVY INDUSTRY EMISSIONS BY SCENARIO

Historical and projected emissions, 2005-2050 (megatonnes of CO_2 equivalent)



Agriculture, waste and others

We have aggregated the agriculture and "waste and others" sectors here for simplicity but this category covers diverse sources of emissions—including livestock, landfills, and coal mining—that require different policy solutions.

In the agriculture sector, the primary policy instruments are subsidies to deploy clean technologies and adopt beneficial management practices. ECCC assumes that federal policies will deliver more than 4 Mt of reductions in the sector by 2030. However, it is not clear if the 2025 ERP-PR modelled these policies, as their impacts are included in the non-modelled category of reductions from "Nature-based climate solutions and agriculture measures." We have adopted these non-modelled reductions in our national results (Figures 2 and 3, and Table 2), but excluded them from our sectoral results.

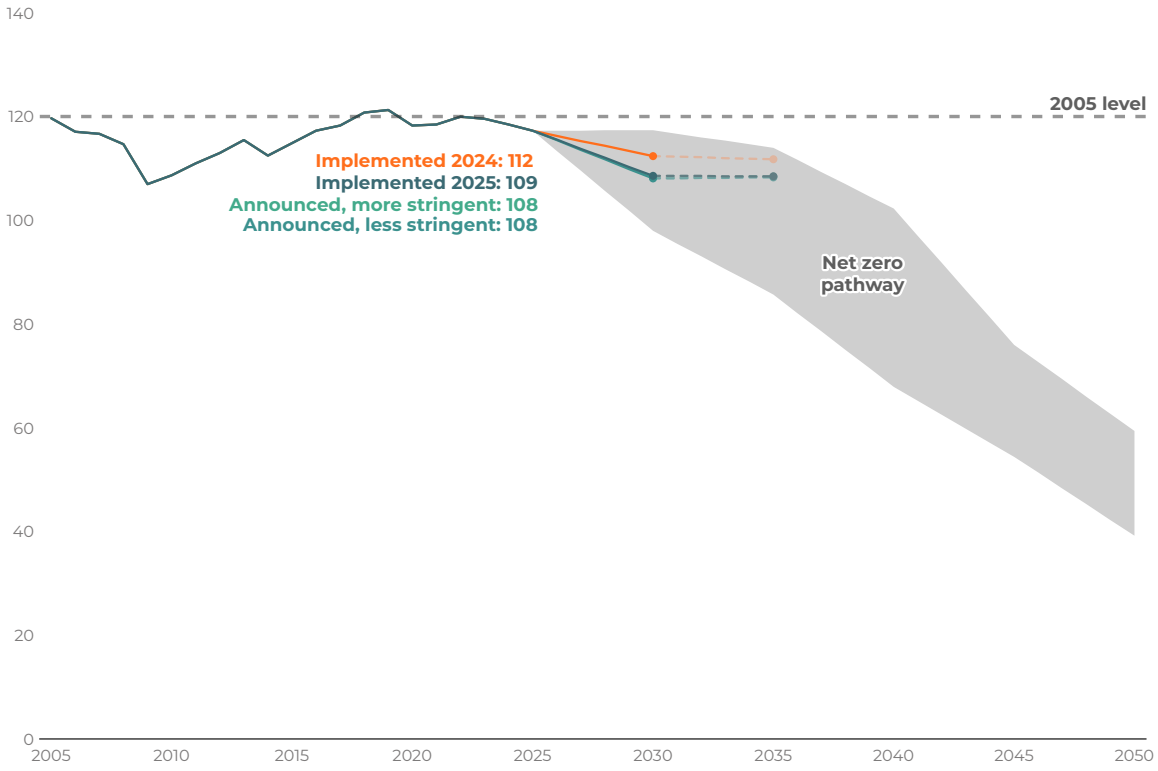
In the waste sector, new federal regulations for methane emissions from landfills are expected to deliver substantial emissions reductions by 2030. Our projections are roughly aligned with those from ECCC.

Some emissions from the "others" category are covered by industrial carbon pricing but otherwise there are few policies to reduce these emissions.

FIGURE 10:

AGRICULTURE AND WASTE AND OTHERS SECTORS' EMISSIONS BY SCENARIO

Historical and projected emissions, 2005-2050 (megatonnes of CO_2 equivalent)



FINDINGS AND RECOMMENDATIONS

Findings

Based on the Institute's review of the federal 2025 ERP-PR and our own independent modelling of climate policies in Canada, we find that:

1. Canada's emissions reduction progress has slowed and is not aligned with its climate targets, including reaching net zero emissions by 2050.
2. The federal report presents a credible picture of Canada's progress but does not offer a sufficient response to the growing gap between the country's expected emissions and its climate targets.
3. The success of the federal climate plan now depends heavily on the effectiveness of a small number of federal measures that require provincial co-operation, particularly industrial carbon pricing and methane regulations.
4. Canada's current policy mix focuses on reducing emissions from industry but de-emphasizes emissions reductions elsewhere in the economy. Effective industrial climate policies are necessary to achieve Canada's goals, but they are not enough. More policy effort will be necessary.

Recommendations

In response to these findings, we recommend that the Government of Canada:

1. **Tightly govern industrial carbon pricing.** The federal government should strengthen the federal carbon pricing benchmark and promptly apply the federal backstop system where sub-national systems do not meet federal standards. While provincial governments should also act to strengthen their systems, the federal government is ultimately responsible for the effectiveness of carbon pricing.

   Modernizing these systems so they achieve effective credit prices of $130 per tonne—as the federal government has committed to do—would deliver substantial additional reductions, though not enough to put Canada on a path to its goals. But modernization can lay the groundwork for stronger investment signals and deeper emissions reductions over time. For more information on the specific policy changes that could modernize carbon pricing systems, see the extensive analysis available on the Canadian Climate Institute's website.

2. **Minimize policy divergence** by upholding and enforcing minimum national standards and by using rigorous and transparent equivalency agreements where they are appropriate. This recommendation applies to existing policies and to the new measures that will be needed to align Canada's emissions with its climate goals. New measures should be complementary and as consistent across the country as possible.

   The Institute's research and the federal progress report both show that the greatest emissions reductions come from minimum national standards that are enforced federally but that can be implemented through provincial measures adapted to regional circumstances. This category includes carbon pricing and methane regulations, among others. Our analysis also shows that carve-outs will undermine the effectiveness of these policies. To be effective, national standards must be consistent and rigorously upheld, either through backstop policies or strong equivalency agreements.

3. **Continue to clean up and build out electricity infrastructure,** including both generation and transmission infrastructure. The electricity sector has led Canada's emissions reductions in the past and is poised to continue to do so. However, to drive reductions consistent with net zero, the electricity sector must continue to decarbonize while expanding to support the electrification of other sectors.

   Federal measures, including industrial carbon pricing, the coal phase-out, Clean Electricity Regulations, and investment tax credits all have important roles to play in this effort. The forthcoming federal electricity strategy should maintain these policies and develop additional measures that support inter-provincial transmission infrastructure.

4. **Help consumers access "safe bet" solutions** by lowering the upfront costs of proven clean energy technologies. The removal or expiry of incentives for Canadians to adopt clean technologies will make it more difficult to reduce emissions from buildings and transport.

   Low-carbon technologies like electric vehicles and heat pumps will play a decisive role in reducing non-industrial emissions and can also make life more affordable, comfortable, and convenient—if consumers receive appropriate incentives. Governments should offer targeted purchase subsidies for zero-emission vehicles and home electrification and efficiency upgrades. Energy efficiency standards will continue to play a critical role in reducing Canadians' energy bills.

5. **Develop substantive and transparent policies to reduce agriculture and land-use emissions.** Canada's climate plan suggests that these sectors could see substantial reductions of around 37 Mt but two-thirds of those reductions are based on a controversial "accounting contribution" and the remainder are highly uncertain.

   The next step for the Government of Canada is to reduce its reliance on the accounting contribution. It should accelerate the conservation of lands and waters (currently behind schedule), continue to fund the uptake of beneficial management practices in agriculture, and develop new supports for nature-

based solutions, all while improving its modelling and reporting of emissions in this complex sector.

6. **Revise and expand the government's leading indicators of progress.** The inclusion of non-emissions indicators in the 2025 ERP-PR represents a significant advance over the previous report. However, there is still room for improvement.

   The government should replace indicators that are based on policies that have concluded. It should broaden the scope of existing indicators; for example, it would be useful to track efficiency improvements and retrofits in buildings, while the oil and gas sector should have an indicator focused on upstream decarbonization. In addition, the government should develop indicators that track private investment. Through continued iteration, the government can help ensure that each progress report is more accurate and constructive than the last.

The Canadian Climate Institute will follow up on these recommendations with new analysis showing the additional emissions reductions (and other benefits) that would come from acting on this advice.

Canada is not making enough progress toward its climate goals. But progress, as the Institute has written before, is not a pass or fail test. The benefits of a safer climate, a more competitive economy, and more reliable, affordable energy are still obtainable—so long as governments work toward their targets and not away from them.

ACKNOWLEDGEMENTS

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Data provided by Navius Research.

SUGGESTED CITATION

Linden-Fraser, Ross, Dave Sawyer, Franziska Förg, Brad Griffin, and Arthur Zhang. 2026. *Independent assessment: 2025 Progress Report on the 2030 Emissions Reduction Plan*. Canadian Climate Institute.