

DE-RISKING PRIME MINISTER CARNEY'S AMBITIOUS NATION-BUILDING INFRASTRUCTURE AGENDA

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Amidst President Trump's sweeping tariffs and trade war, growing geopolitical tensions, and slowing global economic growth, Prime Minister Mark Carney has wasted no time in advancing his government's economic agenda, making it the centrepiece of the Speech from the Throne, the ministerial mandate letters, and the legislative agenda. With an ambitious goal of making Canada the strongest economy in the G7, a key pillar of Carney's economic growth strategy is building major infrastructure projects at a scale and speed not seen in generations. In tabling the *One Canadian Economy Act* (Bill C-5),¹ Carney emphasized,

“It's time to build big, build bold and build now.”²

The focus on “nation-building infrastructure” projects connecting various regions across the country has generated much interest and renewed optimism after what many viewed as a lost decade under the Trudeau government. Critical infrastructure and natural resource development projects largely stalled aside from a few exceptions such as the Trans-Mountain Expansion (TMX) pipeline, the Kitimat LNG facility, the Gordie Howie International Bridge, and Muskrat Falls Hydroelectric Generation station. Business leaders, provincial and territorial governments, and Indigenous communities are hopeful that with federal support, long-awaited energy, trade, mining, transit, and other infrastructure projects will move forward. These initiatives could strengthen Canada's competitiveness,



boost economic growth, raise productivity, and secure a more prosperous future. There is also hope that such projects may help ease political tensions and unite the country.

However, large infrastructure and natural resource projects, like those contemplated as “nation-building” are inherently complex and embedded with numerous risks. What is critically important is that the key partners involved in such projects take the necessary time to effectively plan and conduct appropriate due diligence to understand the major risks and put into place effective risk mitigation strategies. To that end, the Carney government will need to carefully consider and address five major risks (not intended to be an exhaustive list) before it embarks on its ambitious nation-building infrastructure agenda.



Selecting and Prioritizing the Right Nation-Building Projects

Ahead of the First Ministers' meeting in early June 2025,³ the Prime Minister invited provincial and territorial Premiers to submit ideas for accelerating nation-building projects. While the list of potential infrastructure and resource development projects hasn't been disclosed, the governments noted that it would include "highways, railways, ports, airports, pipelines, critical minerals and mining, nuclear facilities, clean and conventional energy projects and electricity transmission systems". Within this scope, there are likely to be several high profile and high priority projects, such as the east-west electricity transmission grid, the Ring of Fire, the Port of Vancouver expansion, energy pipelines, High Speed Rail for the Windsor-Quebec City corridor and Port of Churchill. And then, there will be the more contentious projects such as Premier Doug Ford's 401 tunnel proposal with an estimated cost exceeding \$100B, and Premier Danielle Smith's proposal for the Northern Gateway pipeline project to move bitumen from Alberta to the northern coast to B.C. for export to international markets.

Based on consultations with provincial and territorial leaders, the federal government under the *One Canadian Economy Act* has established five criteria to determine whether a major project is in the national interest, namely, (i) strengthen Canada's autonomy, resilience and security; (ii) provide economic or other benefits to Canada; (iii) have a high likelihood of successful execution; (iv) advance the interests of Indigenous Peoples; and (v) contribute to clean growth and to Canada's objectives with respect to climate change. In addition, the new legislation adopts a "one project,

one review" approach to streamline the assessment process and reduce the timeline for decisions from five years to two years.

With limited fiscal, regulatory, and public service capacity, and the rigour required to apply the evaluation criteria effectively, the federal government will be faced with difficult choices when assessing the projects. Further complicating the decision-making process will be the delicate task of managing disagreements between provinces on certain projects and seeking support from the different interests within Indigenous communities. The Prime Minister has been clear that his government will not impose a project on a province and will need the participation of Indigenous Peoples.⁴ To improve coordination and facilitate decision-making, the federal government is prudently creating a dedicated Federal Major Projects Office with a strong mandate. The Office is intended to engage in consultations with provincial, territorial and Indigenous partners, coordinate the reviews, conduct due diligence and make recommendations to Cabinet on the viability of the major projects. In addition, the Office will be supported and informed by the Indigenous Advisory Council.

While this is a positive step, it is insufficient. The federal government should seriously consider establishing an independent advisory board consisting of former business, government and Indigenous leaders and experts, to offer advice on the nation-building proposals and to make recommendations to Cabinet. The additional advice from the advisory committee may prove to be invaluable to the federal Cabinet. Moreover, having this independent advisory committee will strengthen the governance structure by bringing in

different perspectives and experiences, avoid the “Ottawa-centric” perception and lend credibility to the selection and prioritization process in pursuit of the goal of accelerating vital nation-building infrastructure.

Incentivizing Private and Institutional Capital

The Prime Minister has committed to catalyzing \$500B in new investment over the next 5 years through strategic government investments.⁵ Specifically, for nation-building infrastructure and resource development projects, the government has allocated approximately \$15B. While this is a substantial investment and has the potential to leverage significant private sector investment, it is inadequate given the scope of nation-building projects that the federal government plans to undertake. Consider for a moment that the federal government spent nearly \$34B to complete TMX.⁶

Recent comments made by executives at the Canada Pension Plan Investment Board (CPPIB) and the work done last fall by former Governor of Bank of Canada, Stephen Poloz, suggests that these funds would be interested in such domestic investment opportunities especially given the current volatility and uncertainty in global markets.

Avoiding Project Delays and Cost Overruns

As leading infrastructure expert Bent Flyvbjerg observed through his research examining hundreds of “mega-projects” around the world, over 90% of such projects come in over budget and behind schedule.⁷ Similarly, Canada has had its share of arge infrastructure projects that have experienced massive cost overruns and significant delays, including most recently Muskrat Falls, Eglinton Crosstown LRT, Ottawa Confederation LRT,



The key to attracting private and institutional capital will be to ensure that investors are able to earn “risk-adjusted” returns and as such, these projects will need to generate income streams for investors through mechanisms such as user pay fees and concessional fees. If the right “nation-building” infrastructure projects are selected and properly designed, the federal government may also attract the attention of the Maple 8, the world-class Canadian pension funds with more than \$3T in assets under management.

and TMX. According to Flyvbjerg, one of the major reasons that “mega-projects” go off the rails is what he calls “optimism bias”, the tendency for people to be overly optimistic about the outcomes of planned actions which manifests in terms of inaccurate forecasts, underestimated costs and inflated benefits.

Given the scope and scale of the nation-building infrastructure projects that the federal government is likely to consider, it will need to ensure that all efforts are made to mitigate “optimism bias” by



taking a more prudent and conservative approach with necessary contingencies. In addition, important lessons have been learned from the evolution of public-private partnerships that risk needs to be allocated to the entity best equipped to bear and manage it, rather than who is willing to take it on for a premium. Repeated occurrences of major projects running over budget and significantly delayed will only damage the reputation of the Carney government's bold initiative and potentially worse, drive away critical investors from Canada.

Meaningful Engagement with Provincial and Territorial Governments, Indigenous Communities and Advocacy Groups

Aside from the exceedingly slow and burdensome regulatory process of permitting and project approvals (with mining projects taking anywhere between 15 to 25 years from application to production according to a recent report by the Public Policy Forum),⁸ one of the biggest challenges in undertaking nation-building infrastructure and resource development projects in recent years has been the opposition from provincial and territorial governments, Indigenous communities and other interest and advocacy groups. These disagreements have led to lengthy and costly legal challenges and increased tensions within our federation.

However, more recent developments suggest there may be a shift in public opinion in exploring nation-building infrastructure projects by those previously opposed to them. A survey in May 2025 found that the majority of Quebecers support the building of a

pipeline to transport oil and gas (such as the Energy East project) from Western Canada to international markets.⁹ Indigenous communities across Canada have also been very active in participating in infrastructure projects including becoming equity partners. While there will always be some risk of court challenges, the Carney government would do well to ensure that meaningful engagements and dialogue take place from the outset with provincial and territorial governments, Indigenous communities and other key partners. Building trust and leveraging programs such as the \$10B Indigenous Loan Guarantee program are imperative for the successful development and completion of critical nation-building infrastructure projects.

The recent debate on the *One Canadian Economy Act* is instructive in reminding governments that more work needs to be done to build trust with Indigenous communities. While the majority of Canadians support the fast-tracking of major projects (according to an Angus-Reid poll), proper consultation with Indigenous communities is essential.¹⁰ Several Indigenous leaders and some Senators were quite vocal in expressing their disappointment that Indigenous communities had not been adequately consulted by the federal government on the new legislation. The federal government has committed to ensuring that proper consultation will take place with Indigenous Peoples during the project review process and that their rights will be respected. In addition, the Prime Minister has agreed to host summits with Indigenous communities this summer to explore opportunities for them to participate in the nation-

building projects. The federal government will need to carefully manage this complex relationship to ensure that it does not trigger an “Idle No More 2.0 uprising” in the coming months.¹¹

Expanding Construction Industry and Labour Capacity

In response to Canada's growing infrastructure deficit estimated to be more than \$500B, the federal, provincial and territorial governments have over the past decade made unprecedented investments in infrastructure projects, including roads, bridges, hospitals, water treatment plants and transit. As a result, domestic engineering and construction firms, and labour capacity are already at near capacity. With demand for these services exceeding supply, there is a risk that new major infrastructure and resource development projects will contribute to higher project costs and longer completion times.

Furthermore, BuildForce Canada estimates that nearly 250,000 construction workers (20% of the industry workforce) are expected to retire within the next 10 years with fewer new entrants to replace them, especially in certain skilled trades.¹² To effectively address these capacity issues, the federal government will need a parallel strategy alongside its nation-building infrastructure agenda

—one that supports the growth of a new engineering and construction sector, collaborates with provincial and territorial governments to expand the skilled trades through training and apprenticeship programs, and leverages tax incentives and immigration policy strategically.

While the major risks identified above may seem daunting, they should not create apprehension in pursuing this generational opportunity of a nation-building infrastructure agenda. Of course, mistakes will be made, and some decisions will be questionable, but this should not lead to a preoccupation with risk-aversion and paralyze this critical ambition. The federal government will also need to ensure that it has the necessary talent and capacity within the public service to support this bold initiative. Canadians should demand accountability and transparency through the progress report process, but it should not turn into a political circus. With good planning, policy clarity, a strong governance structure, clear lines of accountability, adequate funding and a spirit of trust, collaboration and meaningful engagement, the probability for success in meeting the national ambition should be high and perhaps become the envy of the world.



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