

# Brief for the Standing Committee of Finance

## Pre-Budget Consultations in Advance of the 2025 Budget

### Summary

Communities from coast-to-coast-to-coast are being impacted by the effects of an increasingly disrupted climate. Concurrently, Canada's ageing infrastructure stock is not meeting our current needs, a costly deficit that is only exacerbated by extreme weather. It is therefore critical to expand efforts to ensure core infrastructure services are maintained to safeguard local businesses, support local economies, keep Canadians safe, and make the most of scarce resources. Natural systems can be an ally in these efforts.

Over the last several years, the Government of Canada has made investments through the Investing in Canada Plan and the National Housing Strategy, supported natural infrastructure projects through the Disaster Mitigation and Adaptation Fund, provided long-term funding to the Federation of Canadian Municipalities and emphasized natural assets in the National Adaptation Strategy. Most recently, it made housing investments, including through the Public Lands for Homes Plan and the Housing Accelerator Fund, to support more well-located housing in built-up areas of Canada's cities, as well as rural areas and the north.

Safeguarding these investments, stewarding limited resources effectively and, above all keeping Canadians safe requires that we work *with* nature and not against it.

Nature already provides us with climate-resilient, low-maintenance and low-cost infrastructure services. Furthermore, there are proven methodologies to recognize natural assets in core decision financial and asset management decision-making; it is imperative that we increase their uptake.

Specifically, there is an opportunity to integrate **natural asset management**—that is, infrastructure planning that protects key ecosystems and their services—into federal budgets to support better decision-making at the local and national levels.

The Natural Assets Initiative (NAI) is a non-partisan Canadian non-profit organization that provides scientific, economic, and municipal expertise to support all levels of governments in identifying, valuing, and accounting for natural assets in their financial planning and asset management programs, and in developing leading-edge, sustainable, and climate-resilient infrastructure.

Taking leadership to expand nature and natural assets will have major economy-wide benefits for years to come, while simultaneously ensuring the life-cycle effectiveness of federal infrastructure investments.

## List of Recommendations

**Recommendation 1:** That the Government of Canada provide \$25 million over 10 years to accelerate the uptake of natural asset management, in concert with provincial, territorial and local governments.

**Recommendation 2:** That the Government of Canada include nature-related requirements for all future federal infrastructure investments, including those related to housing.

**Recommendation 3:** That the Government of Canada work with provincial governments to address watershed governance fragmentation.

**Recommendation 4:** That the Government of Canada support the development of national standards through direct funding contributions to ensure natural asset management is undertaken consistently across Canada.

**Recommendation 5:** That the Government of Canada optimize the full suite of infrastructure and non-infrastructure services that nature provides on its own federal lands.

**Recommendation 6:** That the Government of Canada strengthen existing funding mechanisms to support green infrastructure.

### Accelerate the Uptake of Natural Asset Management

Natural asset management (NAM), which can be considered as a nature-based solution, is a well-defined, adaptive method and set of practices that enables local governments, watershed agencies and other entities to conceptualize, account for, restore, protect and manage nature as a vital asset and support its health, connectivity and viability for the long-term. Developed in Canada, it uses as a basis standard asset management system, which all public sector entities in Canada must adopt. This makes the practice inherently scalable and thus an essential component of achieving, for example, 2050 net zero targets and 2030 biodiversity targets.

NAM has evolved from a single initiative five years ago to current activities that include over 140+ local governments, watershed agencies and others as well as the development of a national standard, inclusion in professional norms for engineers, and curriculum. Indeed, the Province of British Columbia has been instrumental in the evolution of NAM as a mainstream practice and there are now ~27 communities in BC that are undertaking NAM, with strong potential to increase this number.

The 2025 budget presents an opportunity for the federal government to show leadership in NAM and make it a truly mainstream, national practice. As a foundation, it can bring together and help to align the key natural infrastructure assets, including federal departments with oversight over infrastructure funding as well as those responsible for environment and climate change management; relevant provincial and municipal counterparts; and, make a small number of investments in national initiatives to reduce well-documented barriers to the uptake of NAM.

***Recommendation 1:*** *That the Government of Canada provide \$25 million over 10 years to accelerate the uptake of natural asset management, guided by a cross-functional working group, in concert with provincial, territorial and local governments, and in collaboration with Indigenous rights-holders.*

## Future Infrastructure Investments

Local governments across Canada are faced with significant asset management challenges. Many of the services they provide—including water and wastewater, waste removal, transportation, and environmental services—depend, in large part, on engineered infrastructure assets that need renewal. Meanwhile, the effects of climate change are visibly putting even more of a strain on these assets and on local government budgets.

To provide community services in a cost-effective and sustainable manner **now and into the future**, local governments are looking for ways to improve management of the critical assets that supply these services.

Future iterations of the Canada Community-Building Fund as well as tripartite federal, provincial, municipal funding programs should require project proponents to analyze the extent to which natural assets could, in whole or part, provide the services they seek to deliver through the proposed project.

For example, instead of a funding proponent defaulting to engineered dykes and berms alone for flood risk reduction, they would also analyze the extent to which natural systems rehabilitation could provide the same outcomes.

Canada's current housing supply efforts present a unique window of opportunity that, if seized, will help to overcome some of these barriers to the benefit of housing efforts and other federal priorities including infrastructure resilience, net-zero targets and 2030 biodiversity targets.

To this end, NAI and the Canadian Urban Institute published recommendations to Canada's Housing Plan and, closely related, Budget 2025 to prioritize green infrastructure as part of housing development. *Both/And: Integrating Natural Asset Management into Federal Supply Policymaking*[1] includes specific conditionalities that the Government of Canada should adopt as part of this recommendation, including requiring municipalities and provinces to prioritize the retention of existing, and development of new, natural and enhanced assets such as ponds, new or recovered streams, wetlands, naturalized parks, mini forests, green roofs, community agriculture, and permeable pavement.

Absent such a requirement, infrastructure investments will default to engineered solutions alone, much of which will become “dead-end infrastructure” in a rapidly changing climate.

**Recommendation 2:** *That the Government of Canada include nature-related requirements for future infrastructure and housing investments.*

## Addressing Watershed Governance Fragmentation

NAM is an increasingly well-proven concept but faces multiple, well-documented barriers to uptake and implementation. At the request of the Province of British Columbia, the Natural Assets Initiative (NAI) documented these barriers, and proposed solutions, in *Natural Asset Infrastructure in British Columbia: Barriers and Opportunities*[2].



Despite the scale of the challenge to natural infrastructure, many solutions are readily apparent. The timing to tackle barriers appears optimal. The prevalence of natural weather events due to climate change has led to greater understanding of the need to take action to protect nature and secure the services it provides.

Action on the part of all three levels of government to support natural infrastructure may therefore be better received today than even a few years ago. The growing litany of disastrous floods, fires and heat waves appears to be changing the operating context also means, however, that delayed action may lead to risks of public frustration, litigation, and reduced options.

A key barrier is the fragmentation of governance along lines of ownership, title and jurisdiction that are misaligned with the goal of healthy, connected, and biodiverse ecosystems.

Only the federal government, acting in concert with provinces, territories and Indigenous Peoples, can address this issue in a meaningful manner. We believe this is a matter of urgency. This leadership would provide an excellent basis for federal, provincial and territorial collaboration and co-governance with Indigenous rights-holders.

***Recommendation 3:*** *That the Government of Canada work with provincial governments to address watershed governance fragmentation.*

### **Development of National Standards through Direct Funding Contributions**

A natural asset inventory is the first step in the development of a NAM strategy – a counterpoint to decades-long business-as-usual approaches in which services are delivered through engineered solutions alone.

The federal government has already supported the development of National Standard CSA W218, which helps local governments and others understand and inventory the natural assets they own and/or rely on in a consistent, and thus more investable manner.

To continue this momentum and help to facilitate a robust economic sector for natural asset management, the federal government should fund the development of additional National Standards, the need for which is well documented. Doing so directly aligns with Canada's Housing Plan and will improve development planning in addressing housing supply.

***Recommendation 4:*** *That the Government of Canada support the development of national standards through direct funding contributions.*

### **Leadership on Federal Crown Land**

The federal government has substantial land holdings through, for example, Agriculture and Agri-food Canada, Parks Canada, National Defence, and Public Works and Government Services Canada. In many cases, this land is adjacent to communities (e.g., Banff) or forming large parts of the land in cities (e.g., Ottawa).



However, the federal government does not have natural asset management systems that help it to consider and optimize the full suite of infrastructure and non-infrastructure services that nature provides to beneficiaries. Indeed, it has fallen behind many Canadian local governments in terms of natural asset management efforts on its own land.

Addressing this through practical, scalable initiatives represents a huge leadership opportunity as well as the opportunity to deliver cost-effective infrastructure and non-infrastructure services to adjacent public and private sector entities.

To illustrate, federal Crown land in selected areas could be assessed to determine the range of infrastructure and non-infrastructure benefits it provides to adjacent or downstream communities; and these benefits could be secured or enhanced through investments in rehabilitation, restoration and governance to ensure continued ecosystem services in a changing climate.

Further, as part of the efforts to map federal land suitable for housing development, the federal government can exclude floodplains, areas at high risk of wildfires, and natural areas, and emphasize brownfields (former industrial, office and commercial uses) and greyfields (underutilized residential sites) close to transit, jobs, and services.

Encouraging public sector accounting rules to allow the valuation of natural assets is something that the federal government can stimulate through leadership by undertaking NAM on its own lands, especially those adjacent to areas of potential housing development, and including natural asset values in its own financial statements.

***Recommendation 5:*** *That the Government of Canada optimize the full suite of infrastructure and non-infrastructure services that nature provides on federal lands.*

### **Furthering Green Infrastructure through Existing Program Funding**

There are several green infrastructure funding opportunities that municipalities can draw upon to improve brownfield regeneration in relation to increased housing supply. The federal government should support an integrated approach to considering these programs as part of housing intensification policies and projects. This will ensure that the housing we build today is built in the appropriate places to avoid costly natural disasters, and that housing-related infrastructure is enhanced by natural systems, lowering lifecycle and maintenance costs.

As illustrated in NAI's recommendations for Canada's Housing Plan [1], cities around the world and in Canada are pursuing a nature-positive approach to community-building, which provides economic benefits in terms of reduced infrastructure spending, as well as social benefits for the most vulnerable of our population, such as increased shading to reduce urban temperatures, reduced air pollution, and access to nature.

The federal government can use Canada Infrastructure Bank, Natural Infrastructure Fund, FCM's Green Municipal Fund, and other federal funding opportunities to enhance green infrastructure, including favouring district-based green energy and water infrastructure as part of intensification.



**Recommendation 6:** *That the Government of Canada strengthen existing funding mechanisms to support green infrastructure management and development by local governments.*

Should you have any questions or require further information, please do not hesitate to contact Roy Brooke, Executive Director of NAI at: [Royb@naturalassetsinitiative.ca](mailto:Royb@naturalassetsinitiative.ca)

## Links

[1] <https://naturalassetsinitiative.ca/both-and-integrating-natural-asset-management-into-federal-housing-supply-policymaking>

[2] <https://naturalassetsinitiative.ca/documents/natural-asset-infrastructure-in-bc-barriers-and-opportunities/>