



Institute for Energy Economics
and Financial Analysis

Canada Should Learn From the Trans Mountain Expansion Pipeline's Fiscal Issues

**When the Private Sector Won't Bear Construction Costs for
an Oil Pipeline, Making Public Loans or Guarantees Is Risky**

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Key Findings

Using public money to underwrite oil pipelines could exacerbate Canada's public debt. The Trans Mountain Pipeline Expansion's track record of high costs and government bailouts is a red flag.

The direct funding Canada provided for TMX totals \$35.6 billion—roughly \$1.4 billion more than typically reported. The indirect financial subsidies raise government exposure to over \$40 billion.

More than \$25 billion of the funding is ineligible for recovery via proposed shipping tolls. Canada's ability to recoup the remainder of its investment is limited by toll-setting issues. Taxpayers will likely take a large hit.

Vigorous scrutiny of the impact of TMX—and any new publicly subsidized oil pipeline proposals—on Canada's fiscal condition is needed and should consider China's likely weakening oil demand.



Introduction

Today, as some private interests and public officials call for government funding to construct more oil pipelines across Canada to increase oil exports, it is worth taking a closer look at the financial quagmire of the Trans Mountain Expansion pipeline (TMX)—a project that is no model to follow.

The Canadian government bailed out the poorly conceived, financially troubled oil pipeline project in 2018 by purchasing it from the Texas-based energy infrastructure giant Kinder Morgan. As explained in this report, construction costs and government financial support then escalated significantly, including a recent influx of additional cash from the government in 2024.

The chances for recouping public funds that have been sunken into the TMX are slim. The high cost of the pipeline—which runs from Edmonton, Alberta, to Burnaby, B.C.—has put enormous pressure on the pipeline toll-setting process, resulting in vociferous objections from the pipeline's shippers. Meanwhile, the oil market is increasingly beset by uncertainties that pose risks to TMX's long-term profit margin.

In the context of trade issues between Canada and the United States, some have suggested building new oil pipelines to gain access to refineries in central and eastern Canada, or to increase exports to Asia. This report recommends that such ideas be scrutinized, given the potential risk to taxpayer funds. Market conditions do not favor a long-term reliance on Asia for oil exports. Major new oil pipeline construction could lead to government-funded bailouts, as has been seen with the TMX—resulting in substantial outlays of public money that may never be recovered.

Using Public Money To Underwrite Large Oil Pipelines Could Exacerbate Canada's Already Rising Public Debt.

Debate over the prospect of establishing a new pipeline to run from Alberta through to Canada's central and eastern provinces—where approximately 70% of the nation's refining capacity is located—has spiked recently.¹ This is due to concern about the potential impact of tariffs on access to U.S.-based refineries, with some party leaders making statements in favor of such a project.² Alberta Premier Danielle Smith offered in-kind royalties from as much as 200,000 barrels of bitumen to bolster a new pipeline.³

The public, however, is in the dark about actual costs—and whether, or to what extent, the Canadian government will bow to industry pressure to lay those costs on the shoulders of taxpayers. Although

¹ Approximately 70% of Canada's refining capacity is located outside Alberta. See: CER. [Provincial and Territorial Energy Profiles – Canada](#). September 10, 2024.

² See CTV News. [Carney, Poilievre both back new pipelines with different but similar plans](#). April 9, 2025.

³ *Ibid.*

a poll of 1,001 Canadians this year found some 54% of respondents supported, and 21% somewhat supported, public funding for a west-to-east pipeline, the poll question did not provide a construction cost estimate for the project.⁴

Minister of Natural Resources Jonathan Wilkinson said in an April 2025 Bloomberg interview that a west-to-east pipeline would potentially cost between \$40 billion and \$50 billion (about US\$28 billion to US\$35 billion),⁵ in part because of the “very challenging route.”⁶

The potential cost as suggested by Wilkinson is roughly the size of Canada's current federal budget deficit. The Economic and Fiscal Monitor released by the office of the Parliamentary budget officer (PBO) in June reported the deficit for 2024-25 will be \$46 billion.⁷ In another poll conducted in 2025, about 4 in 5 Canadians stated they care or somewhat care about the size of Canada's budget deficit.⁸ A west-to-east pipeline project could also spur pressure for additional government spending related to the project. Wilkinson noted eastern refineries are not currently prepared to receive the oil for processing.⁹

Canada's national debt reached a level of \$1.35 trillion as of March 2024,¹⁰ and is forecast to hover near 97% of GDP through 2025. Although the country's financial status is supported by strong investor demand and a well-funded pension system, the cost of servicing national debt has increased in recent years, worsened by rising interest rates. Canada's sovereign credit profile is constrained by rising government debt and declining debt affordability, as noted by credit rating agency Moody's Investor Service.¹¹ Rapid increases in borrowing should thus be approached with caution, given the potential to exacerbate fiscal vulnerability.

In this context, the financial track record of the recently completed TMX project offers a warning. As explained in the following section, the expected construction costs when the government purchased the pipeline were significantly less than the actual costs incurred during construction. Today, the entire project is financed by government sources. The uncertainty of cost recovery indicates much of the debt to taxpayers will likely have to be written off as a loss. The risk to Canada's taxpayers may be hard to justify, especially given market issues discussed in this report. Ultimately, long-term diversification of export markets for Canadian oil is unlikely to succeed if the transportation costs to bring the crude oil to the export terminal are not competitive or the demand for the crude oil wanes.

⁴ CTV News and Nanos. [Three-quarters of Canadians support or somewhat support building a pipeline from Alberta to Eastern Canada](#). March 2025. Also see: Financial Post. [Most Canadians support building a west-east oil pipeline](#): Poll. April 4, 2024.

⁵ All dollar figures are in Canadian dollars, unless otherwise noted.

⁶ Bloomberg. [Canada Minister wants LNG Canada doubled, eyes western pipeline upgrade](#). April 4, 2025.

⁷ Office of the Parliamentary Budget Officer. [Economic and Fiscal Monitor](#). June 19, 2025. Also see: CBC News. [Deficit to be \\$4.3B smaller than predicted, but spending plans remain obscure](#). June 19, 2025. Note: The recent Fiscal Monitor calculation is preliminary; final figures, which may be adjusted based on analysis of tax-filing returns, are likely to be issued in the fall.

⁸ CTV News and Bloomberg. [Over four in five Canadians care to one extent or another about the size of the deficit](#). April 2025.

⁹ Canada Minister wants LNG Canada doubled, *op. cit.* According to the CER, most Canadian refineries on the east coast are not configured to process the heavy crude oil extracted from the oil sands in the Western Canadian Sedimentary Basin.

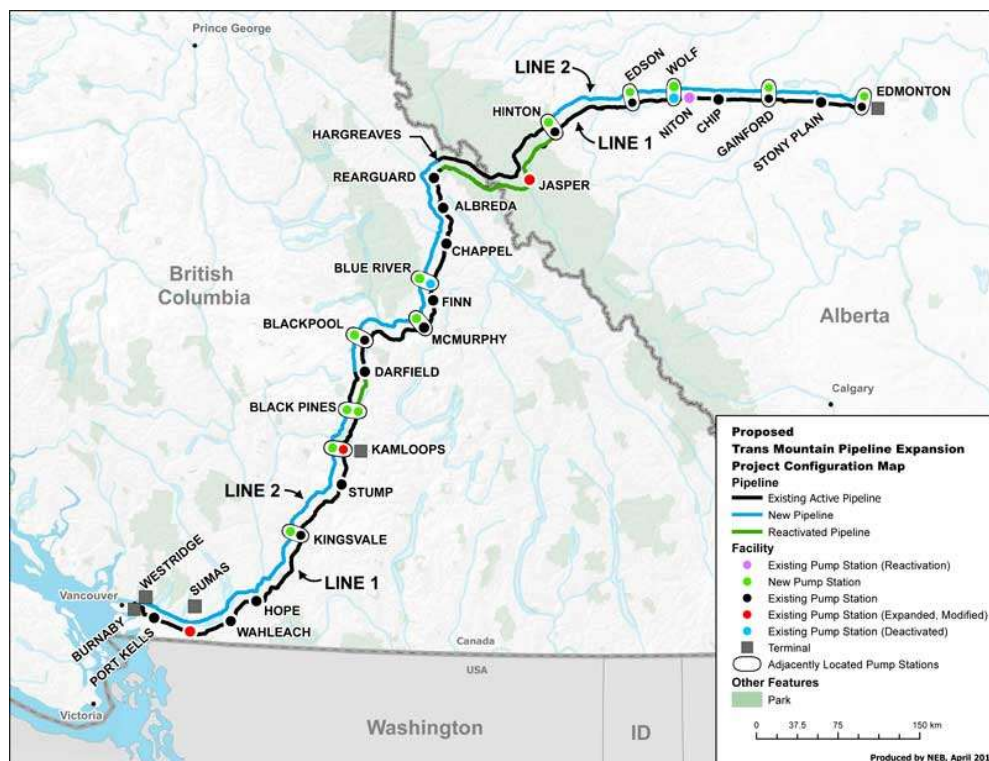
¹⁰ Government of Canada. [Consolidated Financial Statements](#). March 2024.

¹¹ Moody's Investor Service. [Government of Canada – Aaa stable: Update following change in factor score for fiscal strength](#) June 26, 2025. Proprietary.

TMX's Track Record of Soaring Construction Costs and Government Bailouts Is a Red Flag Warning Against Risking Public Funds When Business Backs Away.

Dubbed a “twinning” of the Trans Mountain pipeline, TMX added 590,000 barrels per day (bpd) of capacity to the existing Trans Mountain Pipeline system.¹² The process of getting to that point, however, has been costly for Canadians. In 2018, the Canadian government took the unusual step of buying both the original Trans Mountain pipeline (TMPL) and the rights, designs and construction contracts for the TMX project (plus the Puget Sound pipeline system that connects with the TMPL at the international border near Sumas, B.C.) from Kinder Morgan for \$4.5 billion.¹³ The purchase essentially bailed out the project when Kinder Morgan's CEO had threatened to cancel it in the face of public opposition and rising costs.¹⁴

Figure 1: Transmountain Expansion Project Pipeline Route



Source: Canada Energy Regulator.

¹² National Energy Board. [Reconsideration of aspects of its OH-001-2014 Report re Trans Mountain Pipeline ULC application for the Trans Mountain Expansion Project, MH-052-2018](#). February 2019, p. 9.

¹³ Canada Development Investment Corporation. [Annual Report 2018](#) (hereafter, [CDEV Annual Report 2018](#)) p. 26.

¹⁴ For a detailed discussion of the purchase, see IEEFA. [Trans Mountain Pipeline Financials: Built on Quicksand and Clear as Mud](#). April 2019. Also see: IEEFA. [Trans Mountain Pipeline Financials Suggest Taxpayer Dollars at Risk](#). November 2019.

Then-Finance Minister William Morneau called Trans Mountain's assets "a sound investment opportunity."¹⁵ He declared the purchase would create "economic benefits for all Canadians" by diversifying exports to foreign markets, ensuring a fair price for Canada's natural resources and creating thousands of construction jobs. He asserted the Canada Development Investment Corporation (CDEV) would "manage the Trans Mountain Assets in a commercial manner, particularly to ensure that Canada realizes a positive financial return on its investment."¹⁶

Soaring TMC Construction Costs Placed a Major Financial Burden on the Canadian Government.

To implement ownership of the TMX assets, the Canadian government created Canada TMP Finance Ltd. (TMP)—a government-owned parent company for pipeline operator Trans Mountain Corporation (TMC)—primarily to serve as a conduit for financing the TMX project. Canada TMP borrowed most of the capital to complete construction of the TMX Project through a credit agreement with the Canada Account, which is managed by Export Development Canada (EDC).¹⁷ The Canada Account is funded through Canada's Consolidated Revenue Fund. Most of the Consolidated Revenue Fund is provided by taxpayers.

The construction cost for the project soared from preliminary estimates of around \$5 billion in 2012, to an initial budget of \$7.4 billion in 2017, which grew to \$12.6 billion in 2020, \$21.4 billion in February 2022, and \$30.9 billion in early 2023.¹⁸

The overrun was already so high by 2022 that Chrystia Freeland, then deputy prime minister and finance minister, declared the government would spend no more public money on the project. She asserted that TMC would secure the funding to complete the pipeline through third-party financing in the public debt markets or with financial institutions.¹⁹

¹⁵ William Morneau, Minister of Finance. [Letter of Expectations to Stephen Swaffield, Chair, Canada Development Investment Corporation](#). August 27, 2018.

¹⁶ *Ibid.*

¹⁷ CDEV Annual Report 2018, p. 11.

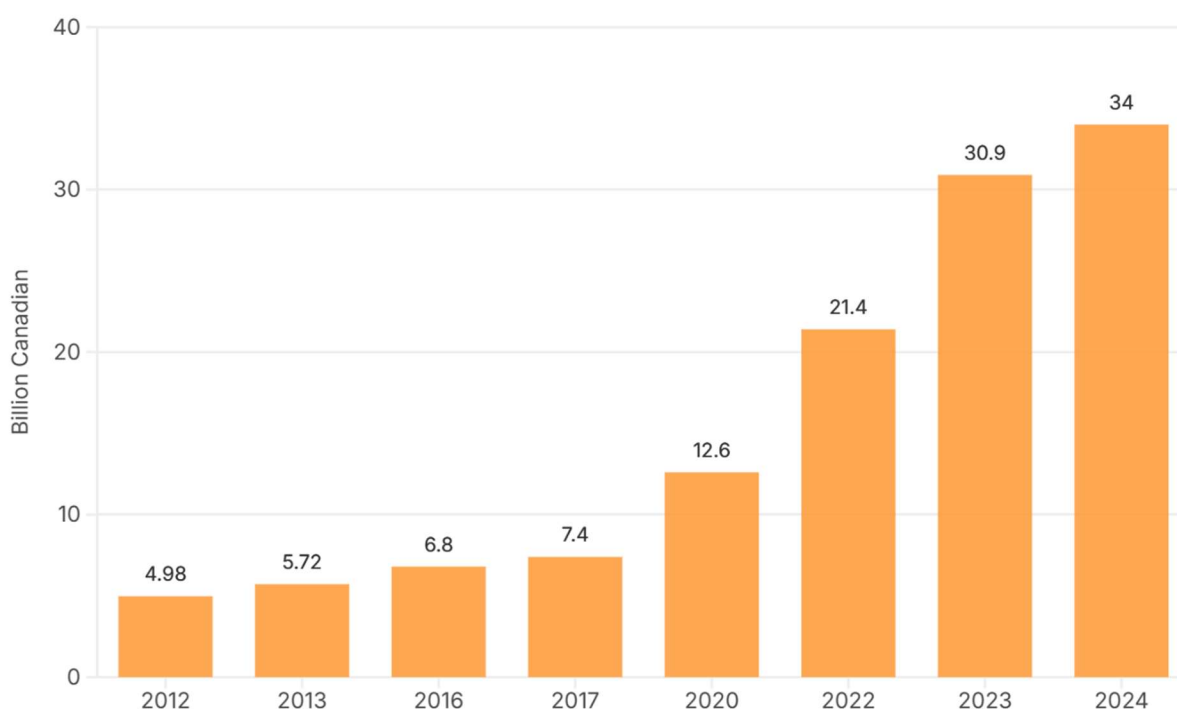
¹⁸ Reuters. [Trans Mountain oil pipeline expansion costs surge 44% to C\\$30.9 billion](#). March 10, 2023. Also see: TMC. [Trans Mountain Corporation updates expansion project cost and schedule](#). February 18, 2022. Also see: Canadian Press – Financial Post. [Cost to build Trans Mountain Pipeline jumps 70% to \\$12.6 billion](#). February 7, 2020. Also see: Kinder Morgan. [Kinder Morgan, Inc. Makes Final Investment Decision on Trans Mountain Expansion Project](#). May 25, 2017. Also see: Transmountain Corporation. [5 Ways Alberta Will Benefit from the Trans Mountain Expansion Project](#). July 7, 2016. Also see: Kinder Morgan. [Trans Mountain Files Facilities Expansion Application with the National Energy Board](#). December 16, 2013. Also see: Kinder Morgan. [Form 10-Q](#) March 31, 2012.

¹⁹ Department of Finance. [News Release: Government announces next steps on Trans Mountain Expansion Project](#). February 18, 2022. Also see: Financial Post. [Chrystia Freeland closes the door on new funding for Trans Mountain as project costs surge](#). February 18, 2022. The Finance Minister did not rule out borrowing for the project through various Canadian economic development entities. See IEEFA. [Trans Mountain Expansion could never return the expected \\$26.1 billion spent by taxpayers](#). March 2022.

Starting in 2022 and up to 2024, TMC borrowed a total of \$19 billion from a syndicate of Canadian banks, which was subject to interest.²⁰ However, the government intervened again by providing valuable loan guarantees to help secure this financing.

The TMX was officially put in service on May 1, 2024, with a final price tag of \$34.2 billion, according to the CDEV—representing a 584% increase from 2012 to 2024.²¹ (See Figure 2 below.)

Figure 2: Cost Estimates for Trans Mountain Pipeline Over Time



Sources: Reuters; Trans Mountain Corp.; The Canadian Press-Financial Post; Canada Development Investment Corporation Annual Report 2023.

TMC asserted its rapidly rising pipeline construction costs could be attributed to “five broad categories – project enhancements, safety and security, productivity challenges, schedule pressures and financing costs.”²²

²⁰ Transmountain Corporation. [Condensed Consolidated Financial Statements](#). September 30, 2024, p.11.

²¹ CDEV. [Annual Report 2023](#), p. 61. Also see Office of the Parliamentary Budget Officer. [Trans Mountain Pipeline—2024 Report](#) (hereafter, [Canada PBO 2024 report](#)), p. 2.

²² TMC. [Trans Mountain Expansion Project Update](#). February 2022.

The Private Investment in the TMX Project Has Recently Been Replaced by Even More Public Debt.

Canada's response to the pipeline's financial troubles was to risk even more public money on the project. The government stepped in recently to ensure TMC's repayment of these private loans by providing an additional \$18 billion of taxpayer funds to the pipeline operator via TMP Finance.

The additional funding, approved by Freeland on Dec. 13, 2024, and provided through the Canada Account of the EDC, was initially characterized as a refinancing loan, *i.e.*, a loan to replace pre-existing higher interest loans.²³ However, TMC's response to an information request submitted by Canadian Natural Resources Limited (CNRL)—an oil and natural gas company and TMX contracted shipper—pursuant to pipeline toll-setting proceedings before the Canada Energy Regulator (CER) revealed the refinancing transaction was not so straightforward.

While the pipeline operator confirmed \$18 billion received from TMP was used to offset outstanding private loans, only \$3.3 billion of those funds were recorded as debt to be repaid. The remaining \$14.8 billion were provided with no obligation of repayment. This batch of funds is referred to as an equity subscription and TMP was simply issued additional shares in TMC in exchange for the cash influx.²⁴

The injection of additional capital resulted in a decline in TMC's stated debt from \$27.4 billion to \$12 billion, a shift in its debt-to-equity ratio from 78:22 to 35:65, and an assumed reduction in its 2025 interest expense of almost \$1 billion.²⁵ This represents an indirect bailout, contradicting the government's February 2022 commitment to discontinue further public subsidies for the project. Rather than improve the financial integrity of the project, this transaction artificially limits the pipeline operator's debt load, essentially transferring liability to the federal government. It also creates a misleading view of TMC's financial viability, since its parent company now acts as a warehouse for the project's mounting losses.

This is not the first time such an approach has been employed in the funding of the TMX. Previous funding rounds were entirely financed through government debt to TMP, but structured such that TMC would be obligated to repay only a fraction of the advancements.^{26, 27}

²³ CDEV. [First Quarter Report](#). March 31, 2025, p.4. Also see: Export Development Canada. [Canada Account Transactions](#) December 2024.

²⁴ Trans Mountain. [Trans Mountain response to Canadian Natural Resources Limited Information Request No.3](#). CER File 3430899 (Application for Interim Commencement Date Tolls and Other Matters). March 13, 2025, pp. 8-9 (3.3 d).

²⁵ Trans Mountain. [March 2025 Quantitative Financial Outlooks](#). March 2025, p. 2, Line 30. See Also: Trans Mountain. [Attachment 4.1-2 Quantitative Financial Outlook](#). July 10, 2024, p.14, line 30. Also see Tsleil-Waututh Nation. [Trans Mountain's Financial Viability and Market Impact](#). March 27, 2025, p. 3.

²⁶ CDEV. [2024 Annual Report](#). May 2024, p.27.

²⁷ Economist Robyn Allan presented a useful in-depth discussion of this funding arrangement in a 2022 report produced for West Coast Environmental Law. See Robyn Allan. [Trans Mountain: Compromised viability to cost taxpayers more than \\$17 billion](#). Produced for West Coast Environmental Law. October 2022.

Canada's Ability To Recover Its Investment in TMX Is at Risk, As Toll-Setting for the Pipeline Is Caught Between a Rock and a Hard Place.

TMC declared confidently in a February 2022 project update, "Notwithstanding the cost increase and revised completion schedule, the business case supporting the Project remains sound."²⁸ The company asserted Canada would benefit from the project once it became operable, asserting:

Trans Mountain will pay billions in taxes and royalties to the federal and provincial governments through the construction and operation of the Project over the next 20 years. In addition, Trans Mountain will make payments to British Columbia of between \$25 million and \$50 million annually, for a total contribution over a 20-year period of up to \$1 billion. These funds are to be used by the BC Clean Communities program to fund local environmental projects in the province. In addition, Trans Mountain has negotiated agreements with local governments across BC and Alberta dedicating more than \$16 million to community legacy projects such as trails and recreational infrastructure improvements that will have positive and lasting impacts on the lives of thousands of Canadians.²⁹

The Canadian government's ability to recover all its investments through pipeline usage tolls, however, is severely handicapped. Tolling is essential for a pipeline operator; it provides the primary revenue stream used to recover capital investment and fund ongoing operations and maintenance. In Canada, CER is responsible for approving toll rates for pipelines, evaluating costs of service, return requirements, volumes and tolling methodologies. Pursuant to the approved tolling methodology negotiated between TMC and its shippers, all capital costs for the TMX are to be categorized as either capped or uncapped. All uncapped cost overruns are to be recovered from shippers (with tolls increased by 7 cents for every \$100 million of uncapped cost escalation), while capped cost overruns that exceed the initial budget threshold cannot be recovered and must be absorbed by the pipeline operator (in this case TMC, a government-owned corporation).

In its application for interim toll approval, Transmountain submitted that significant portions of the CAD\$26.7 billion in cost overruns incurred over the life of the project fall under capped costs and thus are ineligible for cost recovery via tolls.³⁰ TMC is now required to bear roughly 71% of project overruns (CAD\$19 billion), while the shippers are to bear just 29% (CAD\$7.7 billion).³¹

²⁸ TMC. [Trans Mountain Corporation Updates Expansion Project Costs and Schedule](#). February 18, 2022.

²⁹ *Ibid.*

³⁰ Canada Energy Regulator [CER sets interim tolls for the expanded Trans Mountain pipeline system](#). November 2023. Also see: Canada Energy Regulator. [Key Briefings - Briefing Binder for CER Appearance at the House of Commons Standing Committee on Natural Resources](#). January 2025.

³¹ CDEV. [2023 Annual Report](#). 2024, p. 61.

Table 1: TMX Capped vs Uncapped Cost Allocation and Toll Recovery Eligibility

All figures in CAD\$ Billion					
	Initial Budget (2017) (a)	Final Budget (2024) (b)	Cost overrun (b-a)	Amount eligible for recovery via tolls	Amount ineligible for recovery via tolls
Capped Costs	5.7	24.7	19.0	5.7	19.0
Uncapped Costs	1.8	9.5	7.7	9.5	0
Total	7.5	34.2	26.7	15.2	19.0

Source: Canada Energy Regulator, Canada Development Investment Corporation.

But the government is likely to have to shoulder more than its 71% share. A 2022 IEEFA report warned that the Canadian government could wind up having to write off most of TMX's cost because the pipeline tolls could not be raised high enough to support pipeline debt plus operational costs. Raising the tolls high enough to cover debt and costs would make oil exported through TMX uncompetitive in international markets. To compete, IEEFA's report explained, the government would have to keep toll rates so low that TMX would operate at a loss for investors. IEEFA warned that the Canadian government would likely have to guarantee the private debt.³²

Upon release of the 2023 TMX cost estimate, the Financial Post—citing the 2022 IEEFA report—warned, “It has also been clear for some time that pipeline tolls won’t be sufficient to cover the increased costs.”³³

Faced with a final construction cost of more than \$34.2 billion, TMX's contracted shippers have balked at having to shoulder even the roughly 30% allocation of capped cost overruns, as this would effectively double their projected toll rates. The increase in shipping cost makes the TMX an expensive alternative for crude oil evacuation.³⁴ In March 2024, shippers including Canadian Natural Resources, Suncor Energy, Cenovus Energy, PetroChina Canada, and Marathon Petroleum Canada urged the Canada Energy Regulator to require Trans Mountain to explain its escalating construction costs.³⁵

³² IEEFA. [Trans Mountain Expansion could never return the expected \\$26.1 billion spent by taxpayers](#). March 2022. IEEFA's 2022 report, written when the project was only estimated at \$21.4 billion, concluded TMX would have to increase the then-projected tolling rate for using the pipeline's transport services by 100% in order to allow the project to pay back the investment to build the pipeline.

³³ Financial Post. [‘Horrible’: Trans Mountain’s latest big cost increase catches watchers by surprise](#). March 15, 2023.

³⁴ Reuters. [Canadian regulators approve preliminary interim tolls on expanded Trans Mountain pipeline](#). November 30, 2023.

³⁵ Canada National Observer. [Oil shippers demand explanation for Trans Mountain Pipeline Cost overruns](#). March 14, 2024. The shippers who sent the letter included Canadian Natural Resources, Ltd.; Suncor Energy, Inc.; Cenovus Energy, Inc.; PetroChina Canada Ltd.; and Marathon Petroleum Canada.

CER thus far has only granted preliminary approval for TMX's interim tolls with a final order pending.³⁶ If the final order adopts the cost allocation and toll levels proposed by TMC in the interim order, then the recovery ineligibility losses shown in Table 1 would effectively be final. A written proceeding is currently under way to determine the final interim tolls, with oral cross examination planned for November 2025 and final oral arguments expected in January 2026.³⁷

Canada Is in a Bad Position To Implement Stage 3 of the TMX Investment—Sale of the Pipeline.

In his “letter of expectations” for the CDEV board, Morneau described three stages of the Trans Mountain purchase and management process:

Stage 1: The initial transaction to acquire the entities holding the Trans Mountain assets;

Stage 2: Ownership of the existing assets and development of the TMX project; and

Stage 3: Future divestiture of the Trans Mountain assets or entities.³⁸

While the first stage transpired as expected, the second stage most certainly did not in terms of development costs and the quandary of cost recovery, and the ability to achieve implementation of the third stage is highly uncertain.

At the time the Canadian government purchased TMX, it called for future divestiture of the Trans Mountain assets or entities. Morneau stated:

It is not the intention of the Government of Canada to be a long-term owner of the Trans Mountain Assets ... The Government expects that CDEV will maintain readiness on an ongoing basis to divest the Trans Mountain Assets, taking into account the optimal timing for divestiture relative to project risks. CDEV should also consider ways for Indigenous groups to participate in the divestiture on commercial terms.³⁹

The parliamentary budget officer (PBO) in 2023 calculated the present value of the Trans Mountain Pipeline system in two ways, and concluded that if the system were sold in 2024 at either of the two values, the remaining amount would be less than the shareholder's equity after outstanding liabilities were repaid. The officer warned, “TMC would have to write off the balance of the equity and record a loss,” although it noted factors related to future revenues and length of service could alter the

³⁶ Canada Energy Regulator. [Letter Decision, File OF-Tolls-Group 1-T260-2023-03 01 \(Trans Mountain\)](#). November 30, 2023. The benchmark toll is \$11.46 per barrel for shippers with 15-year contracts transporting under 75,000 bpd from Edmonton to Burnaby. See: Canada Energy Regulator. [CER sets interim tolls for the expanded Trans Mountain pipeline system](#). November 30, 2023.

³⁷ Canada Energy Regulator. [Trans Mountain Final Interim Tolls Oral Hearing – Full Timeline Released](#). August 6, 2024.

³⁸ William Morneau, *op. cit.*

³⁹ William Morneau, *op. cit.*

scenario.⁴⁰ It is highly unlikely that the government can offload the pipeline at a price that will recoup the money Canadian taxpayers have already sunk into the project. Any astute potential buyer acting at arm's length is likely to scrutinize allowable toll levels on the pipeline to ascertain potential revenue, profitability, and a fair value for the asset.

Even if the government offers to sell at a substantial loss, buyers are likely to be cautious. Supply of oil is ample, but future demand levels, as explained below, are uncertain.

Canada May Recover Less Than Half of the \$35.6 Billion Sunk Into TMX. Taking Indirect Financial Subsidies Into Account Raises the Potential Value of the Loss to Over \$25 Billion. Taxpayers Will Likely Take the Hit.

Overall public exposure to the TMX project surpasses the \$34.2 billion spent on pipeline construction. It also includes advances made toward working capital, operations, regulatory compliance costs, and financing concessions. In its filing for the first quarter of 2025, CDEV disclosed that funding accessed from the government of Canada on behalf of TMX for acquisition, construction and refinancing loan facilities has totaled \$35.6 billion.⁴¹

The project also has benefited from favorable credit and debt restructuring agreements with the government at preferential terms that include below-market interest rates (sometimes applied retroactively), serial maturity deferrals, and the option to defer or repay interest in-kind.

In December 2024, TMP finance signed an amended credit agreement that reduced the interest rate on all its outstanding loans due to the Canada account from 4.54% to 3%—a significant, quantifiable financial benefit when applied against more than \$30 billion worth of debt.⁴²

The credit agreement also extended the maturity of all outstanding debt facilities from August 2027 to August 2032. The previous maturity date was an extension from an initial set date of August 2025, signaling challenges with aligning project cash flows and debt obligations.⁴³

Under IFRS Accounting rules (IAS 20), when a government provides financing at preferential or below market terms, the difference between the fair value of the debt and the subsidized value is to be calculated and recorded in financial statements. This benefit is appropriately categorized as a government grant. In its most recent financials, CDEV calculates the total value of the “government grants” made available to TMX as \$3.42 billion.⁴⁴

⁴⁰ Office of the Parliamentary Budget Officer. [Canada PBO 2024 report](#), November 8, 2024, p. 8.

⁴¹ CDEV. [First Quarter Report](#) March 31, 2025, p. 5.

⁴² *Ibid.* p. 26.

⁴³ *Ibid.*

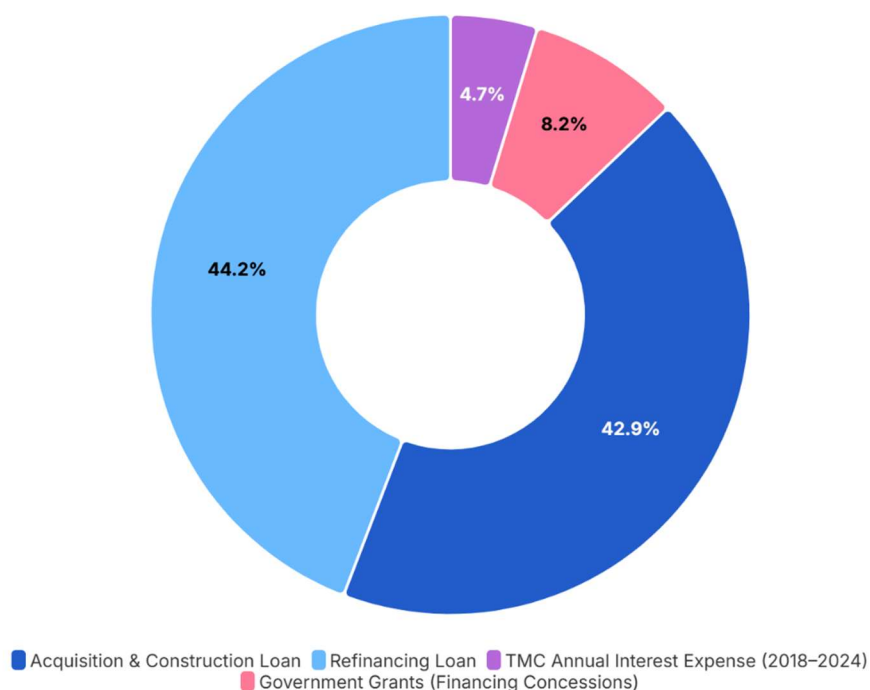
⁴⁴ *Ibid.*

Collectively, these indirect financial subsidies—interest rate differentials, maturity extension and interest payment deferrals—represent a real economic cost to taxpayers. The significant government grant figure is a reflection of the opportunity cost of cash that would have been earned for the Canada account if deployed at market rates.

Other public support programs, such as preferential tax treatment and federal loan guarantees on more than \$18 billion in commercial debt, further boost the value of indirect subsidies. When these amounts are added to the \$35.6 billion of government funding provided to the TMX project, the total figure of more than \$40 billion is almost as great as Canada's federal budget deficit.

Table 2: Estimated Public Financial Exposure From the TMX Project⁴⁵

Total Estimated Government Exposure: \$40.86B



Source: CDEV Annual reports (2018-2024)

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⁴⁵ The public financial exposure estimate is derived by combining reported principal draw downs on the acquisition, construction and refinancing loan facilities as of December 31, 2024, reported annual interest expense for TMC for years 2018-24 as contained in CDEV consolidated financial statements, and the government grant estimate reported by CDEV as of Q1 2025. All financial data was obtained from CDEV annual and interim annual financial reports. Interest expense reported by TMC is likely understated and does not reflect funds received from TMP finance and classified as equity. TMC reported interest expense for certain years may include interest due to private lenders.

Figure 3: Total Public Financial Exposure to the Trans Mountain Expansion Project

Public Exposure	Amount (CAD\$ Billion)
Amount Eligible for Recovery via Tolls	15.2
Amount Ineligible for Recovery via Tolls	25.6
Total	40.8



Few Canadians could have anticipated this staggering amount of public expenditure when the government acquired the project back in 2018, with the impression that public exposure would be far more limited. Any analysis that fails to account for billions in indirect outlays and financing subsidies is incomplete and would understate the true return required to make taxpayers whole.

Some commentators have alluded to the potential of second-order or ancillary financial returns accruing to the Canadian government which may ultimately offset some of the losses from the TMX. The project's additional export capacity is said to have helped lift Canadian oil prices closer to international benchmarks, leading to higher oil royalties at the federal and provincial levels. Yet Canadian oil prices are highly volatile and influenced by many factors, and price discounts for Canadian oil narrowed even before TMX was in operation (and have recorded periods of widening even post commissioning)⁴⁶—suggesting such assessments may be speculative or preliminary, and lasting royalty benefits from the pipeline may ultimately prove elusive.

Vigorous Scrutiny of the Impact of TMX and Any New Publicly-Funded Oil Pipeline Proposals on Canada's Fiscal Condition Is Needed, and Should Consider the Likely Weakening of Oil Demand in China.

IEEFA analysis finds that the oil industry is beset by structural challenges. Producers face low prices and rising drilling costs. Higher oil prices in past years encouraged development of cheaper

⁴⁶ Reuters. [Expanded Trans Mountain pipeline capacity fails to lift Canadian heavy oil price](#). August 6, 2024.

renewable energy alternatives and spurred cutbacks in consumption. Current muted oil prices alongside recent production cost inflation have narrowed profits and limited cash flows.^{47,48}

In seven of the last 10 years, the fossil fuel sector underperformed the broader S&P 500 index.⁴⁹ By the end of 2024, the International Energy Agency (IEA) projected that persistent overproduction from some OPEC members, robust non-OPEC supply growth, and relatively modest demand growth could have a moderating effect on oil markets this year. In particular, the IEA noted:

*The abrupt halt to Chinese oil demand growth this year – along with sharply lower increases in other notable emerging and developing economies such as Nigeria, Pakistan, Indonesia, South Africa and Argentina – has tilted consensus towards a softer outlook.*⁵⁰

Under these circumstances, it is reasonable to be concerned that the profitability of future oil export by Canada could be adversely affected by oil market trends and prices. Also, as observed by Moody's, increased reliance on hydrocarbons—which comprise nearly one-fifth of total national exports—would leave the Canadian economy susceptible to a global shift toward cleaner energy sources.⁵¹

Proponents of increased export pin their hopes on China. In the early months of operation, about 30% of TMX shipments went to Asia, with China as the primary Asian market.⁵² Roughly 70% of TMX shipments through the port at Vancouver, B.C., went to the United States.⁵³ The ratio of TMX exports subsequently shifted, however, and China has surpassed the United States as the expanded pipeline's biggest customer.^{54,55} The receptivity of China to an influx of oil from Canada, however, is not guaranteed to grow, or even plateau.

The IEA raised a warning sign in its Oil 2024 report that China's pattern of rising oil imports was coming to an end, with overall oil demand peaking by 2030 and gasoline usage possibly peaking in

⁴⁷ See IEEFA. [Oil producers face profit squeeze amid shifting policy landscape](#). April 3, 2025.

⁴⁸ The global oversupplied conditions have grown from about 60,000 barrels per day in 2Q2024 to 1.27 million barrels per day in 2Q2025. Energy Information Administration. [Short-Term Energy Outlook](#) (July 2025). The Organization of the Petroleum Exporting Countries (OPEC) plays an important role in supply. A 2016 agreement between the 13 members of OPEC and 10 other oil-producing countries, known as OPEC+, is designed to coordinate oil production and supply. The current oversupplied conditions may worsen with OPEC+ production quotas rising in August, as it restores prior barrels lost to curtailments. See Oil & Energy Insider (weekly report). [Oil falls below \\$70 as sentiment sours](#). August 1, 2025.

⁴⁹ See IEEFA. [Another Bad Year—and Decade—for Fossil Fuel Stocks](#). January 2025.

⁵⁰ IEA. [Oil Market Report](#). December 2024.

⁵¹ Moody's Investor Service, *op. cit.*

⁵² Reuters. [Canada's Trans Mountain expects more interest in pipeline system if US implements tariffs](#). February 4, 2025.

⁵³ Business Intelligence for BC. [\\$20B TMX loan raises new questions over pipeline costs](#). January 31, 2025. About 40% of the oil sent to the United States traveled by pipeline via the Sumas Delivery Point and 30% moved by ship through the Westridge Marine Terminal in Burnaby.

⁵⁴ The China Institute, University of Alberta. [TCI Energy Brief: One year in, China is the largest purchaser of TMX Oil, demonstrating the viability of Canadian Energy Exports to the Asia-Pacific](#). May 23, 2025. Thomson Reuters. [With U.S. trade war, China now top buyer for Canadian crude on Trans Mountain Pipeline](#). May 16, 2025.

⁵⁵ This does not change the overall dynamic of heavy exports from Canada to the United States. Most of Canada's oil is exported by pipeline, not shipping. The United States remains the destination for over 90% of Canada's oil exports. For a useful discussion of Canada oil exports, see The China Institute, *op. cit.* Also see: Charles St-Arnaud, Alberta Central Chief Economist. [TMX is already showing its value: an extra \\$10b in revenues in 2024; but US tariffs loom large on Alberta's oil](#). January 17, 2025.

2025.⁵⁶ A 2024 Wall Street Journal article buttressed the view, noting the combination of electric vehicles, heavy-duty vehicles switching from diesel to liquefied natural gas, and a slowdown in construction was shrinking demand growth—and even China's growing petrochemical sector might not be enough to compensate for the continued decline in use of diesel fuel and gasoline.⁵⁷ The 2024 article warned, "Oil producers that rode the coattails of China's economic boom could face a crude awakening."⁵⁸ A subsequent IEA analysis issued in March 2025 stated definitively that use of gasoline, diesel and jet fuel in China had reached a plateau.⁵⁹

The Wall Street Journal further confirmed in July 2025 that overall national oil consumption in China is expected to peak by 2027, then begin to fall.⁶⁰ The paper predicted the change would likely be gradual yet highly consequential, with billions of dollars of Chinese oil imports vanishing.⁶¹ The shift is the result of a focused government investment strategy to wean the country off foreign oil by boosting domestic production and simultaneously building up an electric vehicle industry with a strong global reach.⁶²

Competition for the slowing and soon-to-be declining China oil import market is fierce. The 2025 Wall Street Journal article noted:

*Many oil-exporting nations are eager to retain a slice of China's market. Russia has been selling oil to China at a discount to ensure Beijing keeps buying. Saudi Arabia has invested in Chinese refineries to shore up long-term contracts to supply those facilities with oil.*⁶³

China's rapid advances in deployment of electric vehicles is likely to affect the demand trajectory in other countries of Central Asia as well. China has developed a leading position in the vehicle market of Central Asia, strengthening its economic influence on the sector in such countries as Tajikistan, Kazakhstan, Kyrgyzstan, Uzbekistan and Turkmenistan. The effort benefited from China's own system of electric vehicle development incentives and the effects of the COVID-19 pandemic and international disruptions caused by Russia's invasion of Ukraine.⁶⁴

At the same time, Chinese GDP growth has slowed considerably, with structural challenges in the property sector, rising unemployment and declining demographic trends.⁶⁵ Concerns about the potential for a global recession also persist.

⁵⁶ IEA. [Oil 2024: Analysis and Forecast to 2030](#). June 2024, p. 38.

⁵⁷ Wall Street Journal. [China's EV boom is starting to pinch oil producers: Big, integrated oil companies could face a double whammy from the shift in China's car market](#). December 23, 2024.

⁵⁸ *Ibid.*

⁵⁹ IEA. [Oil demand for fuels in China has reached a plateau](#). March 2025.

⁶⁰ Wall Street Journal. [How China curbed its oil addiction—and blunted a U.S. pressure point](#). July 21, 2025.

⁶¹ *Ibid.*

⁶² *Ibid.*

⁶³ *Ibid.*

⁶⁴ OilPrice.com. [Trump Tariffs Fuel China's Electric Vehicle Expansion in Central Asia](#). April 10, 2025.

⁶⁵ European Central Bank. [The evolution of China's growth model: challenges and long-term growth prospects](#). May 2024.

Given these market headwinds, it is not at all clear that major new pipeline construction in Canada, with the attendant construction costs, would be well-supported over time by the Asia market.

An important question today is the extent to which public challenge of proposals for government financing for any major new oil pipeline construction, or calls for environmental safety, might be curtailed. A group of 14 oil and gas industry leaders issued a letter to the leaders of Canada's political parties in March 2025, arguing that pushing oil and gas projects through permitting at a faster pace would "help strengthen Canada's economic sovereignty."⁶⁶ The industry executives seek to curb the permit process, lift a production cap and revise environmental requirements.⁶⁷ Saskatchewan Premier Scott Moe declared in a social media post that all pipeline permits going east, west or south received in Saskatchewan would be considered pre-approved.⁶⁸

During the Trans Mountain construction fiasco, issues of transparency and public scrutiny were front and center.⁶⁹ Diminished scrutiny would increase the likelihood that Canada's taxpayers would again bear the financial burden of constructing an expensive oil pipeline that will not be sufficiently profitable to repay its debt to the public. Diminished scrutiny could also increase the burden of environmental risks on the host communities for such a pipeline project.

Conclusion

Oil infrastructure development, once seen as a financial boon, is beset by rising costs and lower price trends. As the Canadian government experiences pressure to pay industry infrastructure costs from public coffers, it's time to step back and take a hard look at the energy questions Canada faces. Such scrutiny should be based on full transparency. The rigorous analysis should include a realistic examination of the potential consequences for Canadian debt of a massive, taxpayer-subsidized pipeline buildout. The lessons of the Transmountain project should be learned—not forgotten—and the missteps should not be repeated.

⁶⁶ ARC Resources Ltd., *et al.* [Build Canada Now: An Open Letter to the Leaders of Canada's Political Parties](#). March 18, 2025.

⁶⁷ *Ibid.*

⁶⁸ Scott Moe, Premier of the Province of Saskatchewan. [Post on the social media platform X](#). February 26, 2025. Also see: OilPatch.com. [Saskatchewan pre-approves all pipelines through its territory](#). February 27, 2025.

⁶⁹ See E. Kung and J. Jones, West Coast Environmental Law. [Trans Mountain: Delays into 2023 will add millions to public cost](#). September 2021. Also see IEEFA. [Trans Mountain Pipeline Financials: Built on Quicksand and Clear as Mud](#).

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The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. www.ieefa.org

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