

# QUICK IMPACT



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## Budget 2025: Security, Defence, and Arctic Infrastructure

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On 4 November 2025, Finance Minister François-Philippe Champagne presented the federal government's budget for 2025 titled *Canada Strong*. Both the Prime Minister and Finance Minister highlighted that the new budget is built on a fresh economic foundation and signifies a new era of Canadian leadership. The 493-page document emphasizes Ottawa's plan to focus on large-scale capital investments in infrastructure, defense, security, clean energy, and innovation and productivity. This will be achieved while reducing spending on daily operating costs. The budget estimates a deficit of \$78 billion for 2025-26 and predicts that the deficit will decrease to \$65 billion the following fiscal year, then gradually decline to \$57 billion by 2029-30.

Budget 2025 allocates \$141 billion in new spending over the next five years. *Canada Strong* is based on the idea that Canada is at a crossroads, and the "systems that long underpinned our prosperity and enabled decades of economic growth — stable global trade alliances, predictable supply chains, a cooperative international order, and reliable partnerships — are being redrawn and constantly challenged."<sup>1</sup> According to the government, this is not just a transition but a rupture and a generational shift happening quickly. This change is based on "the rules-based international order and the trading system that powered Canada's prosperity for decades are being reshaped — threatening Canada's sovereignty, prosperity, and values."<sup>2</sup> This statement highlights the main goals, actions, and investments in Canada's new budget. The government plans to build and strengthen new economic and security relationships with key international partners and to create "one" Canadian economy by promoting nation-building infrastructure to safeguard Canadian sovereignty and ensure the safety of Canadians. Due to the evolving global economic, security, and political landscapes, the government has mainly focused this budget on security, defense, and nation-building projects.

Outlined in the "By Defending our Sovereignty and Security" pillar, the budget commits a generational investment in Canada's capacity to strengthen and protect Canadian sovereignty and security. By rebuilding, Rearming, and reinvesting in the Canadian Armed Forces (CAF), the government is ensuring our military has the personnel, equipment, training, and infrastructure it needs to protect Canadians and lead abroad. Prime Minister Carney and his Cabinet have proposed that these objectives be completed through two avenues over the next five years, specifically via present-day reinvesting and capacity building.

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First, the proposal to reinvest in defence and security is the largest in decades, committing \$30 billion over a five-year horizon on an accrual basis. This reinvestment is broken down into three pillars: \$20 billion in capabilities, \$5 billion in infrastructure and equipment, and \$5 billion directed towards industrial support.<sup>3</sup> Second, presented on a cash basis over 5 years, the budget proposes \$81.8 billion in investment starting in 2025-2026 to rebuild, rearm, and reinvest in the CAF. This includes \$20.4 billion over five years to recruit and retain a strong fighting force, \$19.0 billion over 5 years allocated to repairing and sustaining the CAF's current capabilities and capacities, as well as investing in defence infrastructure. Finally, \$17.9 billion over five years is committed to expanding Canada's military capabilities, with investments in logistics, utility, and armoured vehicles, as well as counter-drone, long-range precision strike capabilities, and domestic ammunition production.<sup>4</sup>

This figure also includes over \$9 billion in 2025-2026, which was previously announced in June.<sup>5</sup> Of the \$6.6 billion to strengthen Canada's defence industry, the government is already allocating \$4.6 billion over five years on a cash basis, starting in 2025-26, for initial investments under the forthcoming Defence Industrial Strategy. The forthcoming strategy seeks to improve access to capital, drive research and innovation, bolster domestic supply chains, and grow critical resource stockpiles. Because of these investments, the government notes that Canada will meet the North Atlantic Treaty Organization's (NATO) 2 percent defence spending pledge this year, 5 years ahead of schedule. The expedited commitment will accelerate investments in the years ahead to put Canada on a path to meet NATO's new expectation of meeting the 5 percent Defence Investment Pledge by 2035. As part of this, Canada will invest 3.5 per cent of GDP by 2035 in core military needs such as supporting the Canadian Armed Forces, modernising military equipment, technology, and building up Canadian defence industries.<sup>6</sup> An additional 1.5 per cent of GDP will also be dedicated to defence and security-related investments made by all levels of Canadian government, such as telecommunications and emergency preparedness systems which serve national defence and national security purposes. The government expects that currently planned spending by federal, provincial, territorial, and municipal governments will meet this 1.5 per cent commitment.<sup>7</sup>

The secondary primary focus of Budget 2025 is accelerating major nation-building projects. The Government notes that, for too long, the construction of major infrastructure in Canada has been stalled by inefficient approval processes, red tape, and duplicated and complex review processes that restrict and inhibit capital investment. Statistics Canada estimates that federal regulatory burden rose 37 per cent between 2006 and 2021. Had it remained at 2006 levels, business investment in 2021 would have been 9 per cent higher.<sup>8</sup> One of the core objectives of Prime Minister Carney's Government is to deliver on major projects, with the use of Bill C5, the Building Canada Act, which works to fast-track nation-building projects chosen by the federal government. According to the government, this is accomplished by creating a single set of conditions, reducing the approval timeline for projects of national interest to a maximum of two years, and working with provinces and territories to achieve a "one project, one review" approach.

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Coinciding with Bill C5, the federal government has established the Major Projects Office (MPO) to identify projects that are in Canada’s national interest and work to fast-track their development.<sup>9</sup> The MPO represents a shift in how government will advance regulatory approvals and coordinate financing to supercharge major project development in Canada. The MPO is drawing on public and private sector financial, legal, regulatory, and project management experts to coordinate financing and regulatory approvals across federal departments — acting as a streamlined “single window” for proponents. For a project to correlate with the MPO’s mandate, projects must be in Canada’s interests. To be in Canada’s national interest, a project must meet five prerequisites, based on whether a project will strengthen Canada’s autonomy, resilience, and security. These prerequisites include providing economic benefits, or other benefits to Canada, in addition to the likelihood of successful project execution, advancing the interests of Indigenous Peoples, contributing to clean growth and addresses climate change.<sup>10</sup>

The first series of projects are being referred to the MPO for consideration. Projects include LNG Canada Phase 2, the new Darlington nuclear project, Contrecoeur Terminal, McIlvenna Bay Foran Copper Mine, the Red Chris mine expansion, and the Port of Churchill. Together, these projects represent investments of more than \$60 billion in the Canadian economy.<sup>11</sup> The budget also highlights that, in addition to the first five projects, there are several strategies for future projects that could be transformative for the country.<sup>12</sup> These future projects are at an earlier stage and require further development and investigation. They include a Critical Minerals Strategy, Wind West Atlantic Energy, Pathways Plus, Arctic Economic and Security Corridor, Port of Churchill Plus, and Alto High-Speed Rail.<sup>13</sup> Budget 2025 references these strategies and their overarching connection to national objectives; however, they do not commit any direct capital.

Infrastructure investments are the primary foundation of Budget 2025, and the Canadian Arctic is a beneficiary of this as well. *Canada Strong* highlights that Canada is an Arctic Nation, proposing to provide \$1 billion over four years to Transport Canada for the creation of the Arctic Infrastructure Fund, which will invest in major transportation projects throughout the North - specifically, those with dual-use applications for civilian and military use, including airports, seaports, all-season roads, and highways.<sup>14</sup> Dual-use infrastructure investments in the North will reliably meet both military and local needs, and the government recognizes that Inuit, First Nations, and other communities are best placed to identify community needs. The government emphasizes that these investments will strengthen Canada’s sovereignty, support economic development and job creation in Northern communities, advance Indigenous economic reconciliation, and promote further trade diversification by opening new gateways to global markets. Dual-use infrastructure investments in the North will reliably meet both military and local needs, and the government recognizes that Inuit, First Nations, and other communities are best placed to identify community needs. Budget 2025 proposes providing \$25.5 million over four years to Crown-Indigenous Relations and Northern Affairs Canada and \$41.7 million over four years to the Canadian Northern Economic Development Agency. To facilitate the Arctic Infrastructure Fund’s support for northern projects, these funds will help accelerate regulatory processes in Canada’s North. This includes consultation with

Indigenous governments and organisations and local northern communities.<sup>15</sup> As Canada is an Arctic nation, Indigenous partnerships are critical to Canada’s sovereignty and security-related investments.

Overall, *Canada Strong* delivers fiscally conservative, long-term investments, with defence, security, and infrastructure being front and centre. Prime Minister Carney’s budget draws comparisons to Stephen Harper’s 2009-2010 budget, based on the projected budget deficit of \$78 billion, which is similar in real-dollar value to that of Stephen Harper’s deficit of \$55.6 billion in 2009-2010. Correspondingly, both budgets were oriented towards “meeting the moment” during periods of domestic and international instability in a responsible and targeted fashion, and not shying away from making tangible generational investments in under-invested areas within Canada. Major infrastructure and defence investments within Canada in the past decade were sub-par, but laid a foundation and direction for more targeted conservative investments. Prime Minister Carney’s budget seems to be a re-toning and retooling of government, particularly in relation to security, defence, and infrastructure investment that Canada has not witnessed since the 1950s. *Canada Strong* proposes that the Department of Defence, CAF, and the overall Canadian defence and security apparatus undergo a massive revamp that is arguably long overdue.<sup>16</sup> For instance, the *Fall Economic Statement and Defence Spending (2020)* from Canada’s Department of National Defence acknowledged concerns that the government was not providing enough funding for the military and reflected the ongoing debate about whether Canada’s defence investments were sufficient to meet urgent needs. Fast forward to 2025, allocating \$90 billion over five years, is a substantial investment that should be viewed optimistically.

Due to significant under-investment over the last twenty years for security, defence, and infrastructure, this budget balances investing in the future while making up for lost time. Much of the investment listed concerning defence and security was needed before the COVID-19 pandemic.<sup>17</sup> Budget 2025 is ambitious. But, defence procurement in this country has been a major issue for a long time, and the Defence Investment Agency frankly has its work cut out for them. The government needs to ensure that the internal procurement capacities and capabilities are able to spend this amount of capital at the speed of relevance and urgency that is required. All in all, Budget 2025 is a good start when it comes to investments and capital spending in relation to security, defence, and infrastructure. But actions and progress speak louder than money, and so do results. Canadian defence, whether it concerns procurement or creating infrastructure, has not experienced positive results in a while; hopefully, that will change in the not-too-distant future. Ultimately, time is of the essence in the present geopolitical environment.

## Notes

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<sup>1</sup> Department of Finance, *Canada Strong: Budget 2025* (Ottawa: His Majesty the King in Right of Canada, 2025), 4, <https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf>.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid., 27.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid., 185.

<sup>6</sup> Ibid., 183.

<sup>7</sup> Ibid., 184.

<sup>8</sup> Ibid., 76.

<sup>9</sup> Ibid., 77.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid., 78.

<sup>12</sup> Prime Minister's Office, "Prime Minister Carney Announces Second Tranche of Nation-Building Projects Referred to the Major Projects Office," 13 November 2025, <https://www.pm.gc.ca/en/news/news-releases/2025/11/13/prime-minister-carney-announces-second-tranche-nation-building-projects>.

<sup>13</sup> *Canada Strong: Budget 2025*, 78-79.

<sup>14</sup> Ibid., 78-79, 137.

<sup>15</sup> Ibid., 138.

<sup>16</sup> Ross Fetterly, "National Defence and the Tyranny of Time," *Canadian Global Affairs Institute*, 1 July 2021, 1-14, [https://www.cgai.ca/national\\_defence\\_and\\_the\\_tyranny\\_of\\_time](https://www.cgai.ca/national_defence_and_the_tyranny_of_time).

<sup>17</sup> Department of National Defence, "Fall Economic Statement and Defence Spending," 17 August 2021, <https://www.canada.ca/en/department-national-defence/corporate/reports-publications/proactive-disclosure/secd-state-of-caf-19-april-2021/reference-material/fiscal-economic-statement-2020.html>.