

**Annual Report for the Greenhouse Gas Reduction Fund**  
**Pursuant to section 6(13) of the Management of Greenhouse Gas Act**  
**Fiscal Year 2024-25**

**Environment, Conservation, and Climate Change**  
**November 5, 2025**

## **Overview**

Sections 6 to 9, 29(1)(c.1) and 30(1)(g), (j) and (m) of the **Management of Greenhouse Gas Act** establishes the Fund and its governance framework.

Section 6(13) of the Act requires that the Minister make an annual report on the Fund available to the public. This report covers fiscal year 2024-25 (compliance reporting year 2023 for regulated facilities).

Sections 9 and 12 of the **Management of Greenhouse Gas Regulations** outline provisions related to Fund credits, including their price. Sections 13 and 14 of these Regulations contains provisions related to payments of monies from the Fund, and Section 16 outlines meeting requirements for an Advisory Council reporting to the Minister. The Council is established through Section 8 of the Act.

Section 2 and 3 of the **Management of Greenhouse Gas Administrative Penalty Regulations** outline how administrative penalties will be calculated and contraventions for which an administrative penalty may be applied. Revenue from penalties is payable to the Fund.

The Fund was established in Fall 2020 in advance of the 2019 compliance report deadline for regulated facilities under the Act and its regulations.

## **Fund Activity in 2024-25**

A total of \$599,170 in revenue was deposited into the Fund in 2024-25. The balance in the Fund as of March 31, 2025, was \$1,060,973.

The Fund has one commitment for a maximum of \$442,607. No expenses were made in 2024-25. Expenses related to this commitment will be recognized in future years as they are incurred.

Audited financial statements are attached as Annex A, as required by section 6(10) of the Act.

In February 2023, the Advisory Council was appointed. Members include Susan Squires (chair), Michelle Lethbridge, Natasha Kettle, Richard Severs, and Ashley Smith.

## **Fund Expectations for 2025-26**

There is no ability to project revenues into the Fund for future years.

The Advisory Council has developed a three-year Activity Plan for the 2023-2026 period as required by the **Transparency and Accountability Act**. Annual reports will be developed by the Council for each fiscal year during the planning cycle.

**Annex A**  
**Financial Statements**

**NEWFOUNDLAND AND LABRADOR  
GREENHOUSE GAS REDUCTION FUND**

**FINANCIAL STATEMENTS**

**MARCH 31, 2025**



OFFICE OF THE AUDITOR GENERAL  
NEWFOUNDLAND AND LABRADOR

## INDEPENDENT AUDITOR'S REPORT

To the Minister  
Department of Environment and Climate Change  
St. John's, Newfoundland and Labrador

### Opinion

I have audited the financial statements of the Newfoundland and Labrador Greenhouse Gas Reduction Fund (Fund), which comprise the statement of financial position as at March 31, 2025, and the statement of operations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2025, and the results of its operations for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

### Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Emphasis of Matter – Basis of Accounting and Restriction on Use

Without modifying my opinion, I draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared solely for the information of the Minister of Environment and Climate Change and the Government of Newfoundland and Labrador to meet their information needs under Section 6 of the Management of Greenhouse Gas Act. As a result, the financial statements may not be suitable for any other purpose. My report is intended solely for the use of the Minister and the Government of Newfoundland and Labrador and should not be used by anyone other than the specified users.

## **Independent Auditor's Report (cont.)**

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Minister is responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Independent Auditor's Report (cont.)

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



**DENISE HANRAHAN, CPA, MBA, ICD.D**  
**Auditor General**

October 3, 2025  
St. John's, Newfoundland and Labrador

**NEWFOUNDLAND AND LABRADOR GREENHOUSE GAS REDUCTION FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As at March 31**

**2025**

**2024**

**FINANCIAL ASSETS**

Cash	\$ 1,057,807	\$ 428,962
Interest receivable	3,166	-
	<u>1,060,973</u>	<u>428,962</u>

**ACCUMULATED SURPLUS** \$ 1,060,973 \$ 428,962

The accompanying notes are an  
integral part of these special purpose financial statements.

Signed on behalf of the Fund:

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Minister

**NEWFOUNDLAND AND LABRADOR GREENHOUSE GAS REDUCTION FUND**  
**STATEMENT OF OPERATIONS**  
**For the Year Ended 31 March**

	<b>2025</b>	<b>2024</b>
<b>REVENUES</b>		
Fund Credits	\$ 599,170	\$ 185,800
Interest	32,856	16,857
	<b>632,026</b>	<b>202,657</b>
<b>EXPENSES</b>		
Operating	15	53
	<b>15</b>	<b>53</b>
<b>Annual surplus</b>	<b>632,011</b>	<b>202,604</b>
<b>Accumulated surplus, beginning of year</b>	<b>428,962</b>	<b>226,358</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 1,060,973</b>	<b>\$ 428,962</b>

The accompanying notes are an  
integral part of these special purpose financial statements.

**NEWFOUNDLAND AND LABRADOR GREENHOUSE GAS REDUCTION FUND**  
**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**March 31, 2025**

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**1. Nature of operations**

The Fund has been established under the authority of the Management of Greenhouse Gas Act (the Act) and is funded by industry facilities paying money into the fund to obtain fund credits. The Act came into effect June 7, 2016. The objective of the Fund is to make greenhouse gas-reducing capital investments that will achieve greenhouse gas reductions that were not made by industry facilities purchasing fund credits.

The Fund is managed by the Minister of Environment and Climate Change. The money in the Fund does not form part of the Consolidated Revenue Fund and the Fund is not a division of the Consolidated Revenue Fund, but the money is the property of the Crown.

**2. Summary of significant accounting policies**

These special purpose statements have been prepared by officials of the Department of Environment and Climate Change in accordance with the significant accounting policies set out below to meet the information needs of the Minister and the Government of Newfoundland and Labrador under Section 6 of the Act. The basis of accounting used in these financial statements require officials to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. Outlined below are the significant accounting policies followed.

**(a) Cash**

Cash consists of cash in bank.

**(b) Interest receivable**

Interest receivable consists of accrued interest earned on cash balances not yet received.

**(c) Revenue recognition**

Revenue generated from the sale of Fund credits is recognized in the period it is earned. Investment income is recognized as earned.

**(d) Expenses**

The Fund recognizes expenses on an accrual basis. The cost of all goods consumed and services received during the period is expensed.

### **3. Financial Risk Management**

The Fund recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Minister is provided with timely and relevant reports on the significant risks. The risk that the Fund is exposed to through its financial instruments is credit risk.

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund's main credit risk relates to cash. The Fund is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank.

### **4. Financial instruments**

The Fund's financial instruments recognized on the statement of financial position consist of cash and interest receivable. The Fund generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition. The Fund subsequently measures all of its financial assets and financial liabilities at cost.

The carrying value of cash and interest receivable approximates fair value due to their nature.

Interest attributable to financial instruments is reported on the statement of operations.

### **5. Contractual Obligations**

The Fund has one commitment under the Act for a maximum of \$442,607. Expenses related to this commitment will be recognized in future years as they are incurred.