Bill C-31 proposes major Defence Production Act changes affecting Canadian defence procurement

July 15, 2026

On June 3, 2026, the House of Commons completed second reading of Bill C-31, *Budget 2025 Implementation Act, No. 2* (Bill C-31) which will now proceed to study in the Standing Senate Committee on National Finance. Alongside numerous policy changes to Canada's defence procurement strategy, Bill C-31 includes amendments to the *Defence Production Act*, RSC 1985, c D-1 (the DPA).[1]

The tabled amendments to the DPA reflect Canada's prioritization of defence and security, including changes to the strategy for defence procurement.

I. Definition & Scope Changes – Associated Governments and Defence Services

Notably, Bill C-31 proposes the following amendments to the DPA, altering key definitions that affect the scope of application of the DPA. Generally, these amendments serve to recognize defence and security functions where Canada participates in cooperative defence initiatives with "associated" allied governments, now expressly including the European Union and its Member States. These amendments also significantly expand the meaning of "defence services" to include anything required or used for national defence or security and anything that is used for the production or supply of these services.

For example, Bill C-31 proposes to amend the following key definitions:

1. Modifying the definition of "associated government" to include governments or international organizations in good standing with NATO, and to include the European Union and its Member States;[2]
2. Expanding the definition of "defence projects" to include works in relation to residential communities on federal real property, and works "required for the purposes of national security" more broadly;[3]

3. Expanding the definition of “defence contract” to include contracts with the government of Canada, or Associated Governments, that relate to defence services “in any way”;[4] and
4. Adding a definition of “defence services”, which includes “anything” that is required or used for the purposes of national defence or national security, or for cooperative defence/security efforts carried on between Canada and an Associated Government, vessels, and “anything” used for the production of the same.[5]

II. Ministerial Powers

The DPA defined the “Minister” who is authorized to act in respect of the DPA as the Minister of Public Works and Government Services.[6] Conversely, Bill C-31 alters the definition so that the Minister of Public Works remains the “Minister” for the purposes of Part 2 of the Act (addressing the regulation of access to controlled goods), but the definition of “Minister” in Part 1 of the Act (addressing procurement of defence supplies) means the Minister designated under section 3 of the *Defence Investment Agency Act*, another enactment currently proposed under Bill C-31.[7] The referenced Minister is not identified, but would be designated by an order of Cabinet.[8]

Bill C-31 also clarifies that the powers, duties and functions pursuant to this legislation prevail over the *Department of Public Works and Government Services Act*.[9]

In addition to clarifications of Ministerial duties in section 312 of the bill, the Minister is empowered, if authorized by Cabinet, to do anything the Minister is authorized to do under this legislation, on behalf of an Associated Government.[10] This provision likely envisages future defence partnerships, such as the *Agreement between the European Union and Canada Concerning Participation under the SAFE Instrument*.

Notably, the Minister is also authorized to pay out of the Consolidated Revenue Fund up to $1 billion in aggregate, broadly for the purposes of (1) stockpiling, (2) financial assistance, and (3) defence services, defence supplies, and defence project procurement.[11]

III. Information Requests & Stockpiling

The Minister is entitled to request information about defence supplies and defence services that a person provides or contemplates providing, including about the source of supply for these supplies or services, and the facilities that a person has available for the provision of defence supplies, defence services, or the construction of defence products.[12] Notably, this type of information request can be made of anyone who provides defence services or who carries on a business that is suitable for providing defence services.[13] Previously, this type of request was limited to persons providing defence supplies or defence projects[14] – now the scope has been expanded to include persons providing defence services as well, which has been very broadly defined.

The Minister is also empowered to engage in stockpiling of designated materials in a broader range of circumstances. Previously, stockpiling was limited to materials designated by Cabinet as essential to the needs of the community to safeguard against possible shortages. Bill C-31 expands this stockpiling power to include anything

“essential to the needs of Canada” as well as for a “community in or outside of Canada” and for “an associated government” for the purposes of national defence, national security, and economic security.[15]

IV. Defence Procurement

There are several added provisions and amendments that are likely to impact prospective suppliers in a defence procurement process.

a. Financial Assistance

Bill C-31 contemplates expanded ministerial powers to offer financial assistance for a purpose related to national defence production, procurement, and investment, as well as relating to defence supplies, defence services, and defence projects, and for stockpiling. Financial assistance can include providing loans or advanced payments, grants and contributions, and to enter into other financial arrangements, with the authorization of Cabinet.[16]

b. Business Information

Notably, Bill C-31 confirms that no information about an individual business that was obtained pursuant to this legislation will be disclosed without consent, except to a government department for the purposes of discharging its functions, for the prosecution of an offence under this legislation, or for the purposes of another legal proceeding (with the consent of the Minister).[17]

c. National Security Exemption

Bill C-31 confirms that the national security exemption may be invoked in relation to any domestic or international trade agreement that Canada is a party to.[18] Relevant trade agreements include the *Canadian Free Trade Agreement*, for domestic trade, the *Canada-EU Comprehensive Economic and Trade Agreement*, and the *World Trade Organization Agreement on Government Procurement*.

Generally, the national security exemption operates to allow Canada to derogate from standard procedures within a given procurement process to safeguard national security interests. Invocation of a national security exemption can allow for non-competitive procurement structures, limit the procedural protections afforded to prospective suppliers and limit legal routes of recourse.

d. Competitive Defence Procurement

Despite confirming that the national security exemption may be invoked, Bill C-31 also contains a general requirement that the Minister must conduct a competitive procurement process for a contract before entering into it, subject to some exceptions.[19]

The exceptions where a competitive procurement is not required include:

- Contracts for addressing urgent operational requirements;

- Where necessary for conducting military operations, critical defence projects, or safeguarding national security;
- To support a sector of the Canadian economy that is important to national defence, national security, or economic security;
- Contracts for defence supplies or services that are interoperable or interchangeable with defence supplies, services, or projects of Canada or an Associated Government;
- Contracts in relation to sensitive technology;
- Contracts where only one person is capable of performance;
- Contracts to fulfil an interim requirement, for operational reasons;
- Contracts to fulfil interim requirements;
- Contracts for research, development, or innovation in relation to defence supplies or services;
- Contracts for defence supplies or services that were the subject of funding from Canada for research, development, or innovation;
- Contracts that are to be entered into with a government entity, under an agreement/arrangement with a government entity, or under a procedure of an international organization, of which Canada is a member;
- Where exceptions arising from regulations to the *Financial Administration Act* apply; or
- Where prescribed by regulation.

Even where an exception does not apply, the Minister is still entitled to exclude any person from participating in a competitive procurement process, if there are reasonable grounds to believe that this person or anything proposed to be used poses a risk to national defence, national security, or public safety. The Minister is not obliged to provide reasons to a person who is excluded from participation on this basis.

V. Future Regulations & Reviews

Cabinet is entitled to make regulations, including to address the Minister's stockpiling powers, as well as to fix terms that are deemed to be expressly set out in contracts for defence procurement, the provision of information relating to the costing of procurement contracts, and the procedure for competitive procurement processes. Regulations may also set out additional details and definitions for certain exceptions to competitive procurement processes, including what is an "urgent operational requirement", "sensitive technology", and a contract with a "government entity."[20]

The Minister would be required to undertake a review of this legislation within three years after coming into force and prepare a report to Parliament.[21]

VI. Implications of Bill C-31's Proposed Amendments to the DPA

The proposed amendments in Bill C-31 have not been enacted yet. As of the date of writing, the bill has completed second reading in the House of Commons and is currently before the Standing Senate Committee on National Finance.

However, the proposals in Bill C-31 signal some key takeaways for established defence sector and dual-use industries, if enacted in the same or substantially similar form.

a. Broader Market Access & Associated Government Procurements

Expanding the definition of “associated governments” to include states and international organizations in good standing with NATO, the European Union (EU), and EU member states signals a clear intent to deepen cross-Atlantic industrial and defence cooperation among allies. This proposed legislative change builds on Canada’s recent agreement with the EU, granting Canadian companies preferential access to defence procurement funded through the EU’s Security Action for Europe (SAFE) instrument.

As a result, defence sector participants may see new opportunities emerge for Canadian companies, particularly in accessing and contributing to multinational procurement programs and integrated supply chains under models similar to SAFE.

However, participation in allied or EU-led procurements will engage a complex overlay of regulatory considerations. In addition to Canadian national security, investment review, and procurement requirements, companies should expect heightened expectations around compliance, interoperability, and security clearances. Depending on the structure of the procurement process, compliance with the Associated Governments’ own procurement requirements and security regimes may be required in some cases. Successfully navigating these frameworks will be critical to realizing the benefits of expanded market access.

b. Expanded Scope: Defence Services

By broadening the DPA to cover “defence services” in addition to “defence supplies” and “defence projects” and by encompassing a wider range of defence-related projects, more entities, including service providers, technology companies, and dual-use businesses, may be engaged in procurement processes and contract arrangements that now fall within the scope of the DPA. Due to an increased emphasis on community protection and economic security, businesses that engage in key infrastructure building and operate within critical economic sectors may also see contracting opportunities and requests for information arising out of the DPA regime.

If and when these changes come into force, a wider range of government contracts may now be termed as defence contracts to which the DPA applies. As a result, traditionally non-defence or dual-use companies may be subject to information requests about their possible supply chains and ability to provide supplies.

Companies that provide services into the defence ecosystem, as well as those looking to enter the sector or compete in defence procurements, should proactively assess whether their activities are now captured. Early evaluation and preparation will be critical to managing heightened regulatory scrutiny and adapting to a more complex compliance environment.

c. Centralization of Procurement Authority

Granting greater authority over defence and national security procurement to a single procurement entity is a welcome and long anticipated reform. Arguably, the most impactful change stemming from Bill C-31 the amendment indicating that the DPA prevails over the *Department of Public Works and Government Services Act* – this change could represent a shift away from the role for defence procurement in the Minister of Public Works and PSPC. Centralizing decision-making has the potential to accelerate timelines, particularly for urgent or strategically sensitive projects, while improving coordination and consistency across major procurements.

At the same time, this shift will likely introduce new approval pathways and require stakeholders to navigate a more centralized procurement framework that may be less predictable in the near term as new processes and institutional practices evolve.

d. Clarifying Competitive Procurements vs. Non-Competitive Procurements

Although the proposed amendments do clarify that the default rule is for competitive defence procurement processes, the long list of exceptions, some of which are broadly worded, likely means that many defence procurement processes will not be wholly competitive.

However, the proposed new structure of the DPA may offer some greater clarity on when a competitive procurement process is required or not. Currently, the national security exemption is typically invoked in a defence procurement, which allows for derogation from the typical procedural requirements to enable competition between prospective suppliers. By setting a standard rule in favour of competitive requirements, a non-competitive procurement process must fall within one of the outlined exceptions. By assessing the likelihood of an exception applying to a given procurement, this allows suppliers to better anticipate how the process will be run.

Certain exceptions may also afford greater opportunities. One exception is directly linked to supporting a sector of the Canadian economy linked to defence, which would likely allow for a procurement process that favours Canadian suppliers, or excludes non-Canadian suppliers. Another exception is linked to procurement of defence supplies/services relating to research and development, which may incentivize participation in Canadian R&D programs and grants. Lastly, the exception relating to contracts entered into with a government entity or under a procedure of an international organization may allow for tailored procurement processes that fall within the scope of international agreements and envisage participation by suppliers with content from Canada and other countries to participate, such as under the *Agreement between the European Union and Canada Concerning Participation under the SAFE Instrument*.

Lastly, Bill C-31 appears to contemplate that further clarity on the scope of some exceptions will be provided by regulation, and also envisages the possibility of regulations to set out fixed terms that are deemed to be included in defence contracts, which may offer more clarity for prospective suppliers, in understanding the contractual allocation of risk for particular classes of defence contract early in the procurement process.

e. Increased use of Industrial Policy Tools

The broadening of financial assistance powers (*e.g.* loans, grants, advance payments) reflects a shift toward more active government participation in defence industrial development, particularly at the direct investment level. Companies should monitor funding opportunities, but also anticipate conditions tied to national security priorities.

While loans, grants, and advance payments will go a long way toward democratizing market participation in defence-sector projects, there are a number of risk-allocation reforms that need to occur in order to generate meaningful industry buy-in. From a contracting perspective, Canada's traditional reluctance to accept limitation of liability or contractor-friendly indemnification provisions has long been a defining feature of its procurement posture. When combined with the high dollar value and complexity of major defence projects, this approach can create a level of contractual risk that discourages participation, particularly among small and mid-sized enterprises.

Although the federal government has signalled an intention to modernize its approach to risk allocation in defence procurement, it is unlikely that core positions on contractual flow-down obligations, limitation of liability, or indemnities will be addressed through legislative amendments. Instead, any meaningful evolution in these areas is more likely to emerge through policy guidance and procurement practices developed by the Defence Investment Agency.

f. Greater Flexibility in Stockpiling

Removing limits on what may be stockpiled is a clear signal that Canada intends to take a more proactive and strategic approach to supply chain resilience, including economic security considerations. This change is likely to drive increased demand for domestic production capacity and support longer-term, more predictable supply arrangements across the defence industrial base.

More fundamentally, the proposal reflects a shift in Canada's traditional procurement philosophy. Rather than treating industry primarily as a means of delivering discrete projects, the government appears to be repositioning industry as a strategic partner in building and sustaining sovereign defence capabilities.

This evolution aligns Canada more closely with key allies and reflects a growing recognition that maintaining readiness and technological edge requires deeper industrial integration. In doing so, Canada is also signalling an intention to better position itself in an environment defined by growing competition with peer and near-peer adversaries, where industrial capacity and supply chain security are increasingly central to national defence.

VII. Conclusion

Taken together, the proposed amendments represent a material evolution in Canada's defence procurement and industrial policy framework. While not yet in force, they signal a clear shift toward a more centralized, multi-faceted, and security-driven approach that aligns more closely with key allies. For industry participants, this creates meaningful opportunities, particularly in allied markets and domestic capability development, but it also introduces increased regulatory complexity and compliance expectations.

Organizations should begin assessing how these changes may affect their operations, contracts, and growth strategies. Early engagement, regulatory preparedness, and alignment with government priorities will be critical to successfully navigating this transition and capitalizing on the opportunities it presents.

Footnotes

[1] See Bill C-31, *A Second Act to Implement Certain Provisions of the Budget Tabled in Parliament on November 4, 2025*, First Session, Forty-fifth Parliament, 3-4 Charles II, 2025-2026, Division 16, Subdivision B [Bill C-31].

[2] Bill C-31, subsection 307(2).

[3] Bill C-31, subsection 307(2).

[4] Bill C-31, subsection 307(4).

[5] Bill C-31, subsection 307(8).

[6] DPA, section 2.

[7] Bill C-31, subsection 307(3).

[8] Bill C-31, section 290.

[9] Bill C-31, subsection 308 (new section 4).

[10] Bill C-31, section 311.

[11] Bill C-31, section 320.

[12] Bill C-31, section 313.

[13] Bill C-31, subsection 313(3).

[14] DPA, subsection 13(2).

[15] Bill C-31, section 315.

[16] Bill C-31 section 316.

[17] Bill C-31, subsection 308 (new section 5).

[18] Bill C-31, subsection 310.

[19] Bill C-31, section 322.

[20] Bill C-31, section 324.

[21] Bill C-31, section 337.

By

Marin Leci, Christian Halt, Quinn Hughes, Kaeli Kristensen

Expertise

Defence & National Security

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 800 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary
Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3
T 403.232.9500
F 403.266.1395

Ottawa
World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9
T 613.237.5160
F 613.230.8842

Vancouver
1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2
T 604.687.5744
F 604.687.1415

Montréal
1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4
T 514.954.2555
F 514.879.9015

Toronto
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3
T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2026 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.