Sustainable Infrastructure Financing: From Promise to Proof

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The fight against climate change calls for a major energy transition, but the undertaking is made even more complex by a growing demand for electricity driven by the proliferation of artificial intelligence and other new technologies. However, the urgency of the problem alone does not make a project to fix it bankable. As we mentioned in our previous article in this series,[1] a project is financed on a risk-by-risk basis, based on demonstrable revenue streams and coherently allocated contractual risks. Similarly, environmental criteria must be identified, measured and allocated so that they can be incorporated into feasible projects.

This article examines the issue in two parts. First, it outlines the conditions a green project must meet to be bankable. These are the same as for any infrastructure project, but in an environment that now requires a common language, verifiable indicators and guarding against greenwashing. Second, it provides concrete examples of how these stringent standards are put into practice.

Making a green project bankable: the same principles, but with greater discipline

The fundamentals of bankability do not change simply because a project carries a green label. The principles set out in our previous article—risk allocation, revenue certainty, commercial viability and regulatory stability—apply in exactly the same way. What is added is the need for a framework to assess environmental performance using common, precise and measurable language.

This terminology is currently being defined in Canada. The Taxonomy and Transition Council, established by the Business Future Pathways consortium in collaboration with the Canadian Climate Institute, is developing a national sustainable finance taxonomy. In its draft methodology report, open for public consultation until August 13, 2026,[2] three categories of activities are proposed: green, transition and abatement. Furthermore, the Council is expected to issue guidelines for six

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priority sectors by the end of 2027. In Quebec, the White Paper on Sustainable Real Estate, published in April 2026 by Décarbone+ with the support of Hydro-Québec, the CDPQ, the National Bank, Montoni, Lavery and the Pôle IDEOS at HEC Montréal, pursues the same objective in the real estate sector: to provide a collective benchmark based on concrete data and demonstrate that building decarbonization is not only possible, it is profitable.[3]

In a financing context, a proper taxonomy can facilitate due diligence, broaden the investor base by providing clarity and predictability, and, through the certainty it brings, reduce the rates at which funds are made available. However, a standardized taxonomy is not sufficient on its own, and any environmental claim must be verifiable. According to TD Securities, global sustainable debt issuances stood at just under USD 1.6 trillion in 2025, down 7% from 2024, while sustainability-linked loans fell from 530 to 418 billion.[4]This decline could be attributed to a tightening of standards, with lenders looking beyond advertised “greenness” to analyze the underlying substance of a project.

Since 2017, Québec’s green bond program has yielded nine issuances totalling approximately $5.7 billion,[5] and the $1.85 billion issuance for the REM is among the largest in Canada.[6]According to the Ministère des Finances, “green bonds do not represent an additional source of financing for Quebec. They are simply another means of financing borrowings that would otherwise have been financed through conventional bonds.”[7] The innovative aspect of green bonds lies in the allocation, tracking and reporting frameworks built into them, which unlocks access to pools of investors bound by mandates restricting capital to green initiatives alone.

If the project company promises a specific level of environmental performance to a public authority, such as a building’s energy consumption, carbon intensity or a proportion of recycled materials, it must be able to secure the same standard from the contractor, operator and suppliers. Definitions, measurement periods, audit rights and remedies must be consistent across all contracts; otherwise, the project company will face a payment reduction with no recourse against the party responsible for the shortfall, exactly as applies to an improperly allocated construction risk.

The risk of greenwashing follows the same logic. An unsubstantiated environmental claim is no longer merely a reputational risk. Since June 2024, such a claim can be sanctioned under the *Competition Act*, with a fine of up to 3% of annual worldwide gross revenues. Furthermore, since June 20, 2025, the Act has also introduced a private right of action, making third parties entitled to bring proceedings before the Competition Tribunal under certain conditions.[8]In cases of project financing, an unsubstantiated claim represents an unallocated risk trapped within the structure that could jeopardize the project’s bankability. A well-defined scope and verifiable indicators are necessary to effectively analyze and mitigate this risk.

From principles to practice

Deep Sky: revenue certainty takes precedence over environmental benefits

Although direct air capture is becoming increasingly essential to achieving carbon reduction targets, the bankability of these projects remains grounded in revenue certainty, rigorous contracting and the quality of the financial model.

The Deep Sky Alpha facility in Innisfail, Alberta, combines several direct air capture technologies with permanent geological storage.[9] Its financing was made possible in particular by carbon removal credit purchase agreements concluded with companies such as Lufthansa and ENGIE, with the latter having committed to purchasing up to 15,000 credits.[10] These contracts serve the same purpose as power purchase agreements in wind farm projects, for example, by providing the project with the

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revenue certainty needed to attract financing. However, as with any offtake agreement, the parameters must be clearly defined: price, volume, delivery schedule, removal certification, permanence of storage, replacement of undelivered credits and buyer creditworthiness. Deep Sky also secured an $11-million credit facility from Finalta Capital backed by refundable clean economy tax credits,[11] a structure in which the federal tax credit acts as financing leverage. These examples illustrate the principle that a technology is not bankable simply because it is green—it becomes so when its revenues are as predictable as those of a conventional project.

Énergir: financing the transition in a shifting regulatory environment

Strict standards do not dictate that only assets that are already “perfectly green” can be financed. The Canadian taxonomy recognizes the “transition” and “abatement” categories, reflecting the reality of an economy in which many sectors can only gradually reduce their carbon intensity rather than shifting it overnight. To finance transition and abatement projects, regulatory predictability is absolutely necessary.

Énergir’s trajectory is a clear case in point, as are the uncertainties inherent to its environment. Its regulatory obligation to supply gas from renewable sources rose to 5% in 2025–2026 and was set to reach 10% in 2030–2031.[12] To achieve this, Énergir launched a dual-energy program combining electricity and natural gas in April 2026[13] and set up a subsidiary dedicated to residential geothermal energy in December 2025.[14]However, in July 2026, the Québec government announced its intention to review the regulatory trajectory for gas from renewable sources, requested an opinion from the Régie de l’énergie (slated for fall 2026), and formed an expert committee whose recommendations are expected in early 2027.[15]

Clearly, if the regulatory targets underpinning a transition project are subject to midstream changes, the project’s financial model is weakened, its revenue assumptions open to challenge and its appeal to lenders diminished. Because the markets and revenue streams of entities such as Énergir are governed by planning approved by the Régie de l’énergie du Québec, projects led by regulated utilities generally benefit from an unusually high degree of predictability. They are largely insulated from occasional shifts in government policy.

Furthermore, the same technical system can produce different results depending on the power grid, the climate or the baseline it replaces. The economic viability of different projects using the same system must therefore be assessed jurisdiction by jurisdiction.

Measuring Beyond: measuring what is promised

Verifying that environmental promises are kept requires a standard of measurement that goes far beyond simply including covenants into contract documentation. The Measuring Beyond Initiative, launched by HEC Montréal in partnership with the University of Oxford’s Saïd Business School, was designed with this objective in mind: to measure ESG performance with sufficient rigour to allow the findings to be built into financial models, not simply relegated to annual reports.[16] The initiative is accompanied by the creation of a Chair in Sustainable Finance, a sign that measuring non-financial performance is now a professional discipline in its own right.

HEC Montréal’s Sustainable Transition Office, co-led by Dominique Anglade, is also helping train decision-makers to understand and articulate transition challenges. Climate literacy is, in itself, a prerequisite for sound governance. Decision-makers must be able to understand the environmental

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assumptions they build into a project before they become contractual covenants. For their part, lenders must verify the consistency of the information throughout the project lifecycle, from the tender stage, through construction and operating contracts, to the financing documentation. Ultimately, sound governance is precisely what turns an environmental metric from an aspirational target into verifiable data that financiers can truly rely on.

Conclusion

To paraphrase Romain Rolland, rising to the challenge of the energy transition requires combining the pessimism of the intellect—which cuts through every illusion—with the optimism of the will. Optimism is needed to devise ambitious projects, while realism (in lieu of pessimism) provides the discipline required to make them bankable. Without such discipline, an environmental label can turn into greenwashing, undermining the very financing it was intended to support. With it, however, the verified sustainability of a project broadens access to capital markets and makes climate-related revenues genuinely bankable.

The same logic applies to so-called “smart” infrastructure. Its data and performance indicators must likewise be reliable, verifiable and subject to contractual requirements. This will be the subject of the next article in this series.

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