



*The New Frontier of  
Illicit Nicotine Products  
in Canada*

Christian Leuprecht

March 2026



**CNAPS**  
CENTER FOR NORTH AMERICAN  
PROSPERITY AND SECURITY



## BOARD OF DIRECTORS

---

### CHAIR

**Gerry Protti**

President, Collaborative Canadian Energy Solutions, Calgary

### VICE-CHAIR

**Jacquelyn Thayer Scott**

COO, Airesun Global Ltd;  
President Emerita, Cape Breton University, Sydney

### MANAGING DIRECTOR

**Brian Lee Crowley**, Ottawa

### SECRETARY

**Elizabeth Burke-Gaffney**

Commercial Negotiator, Oil & Gas, Calgary

### TREASURER

**Martin MacKinnon**

Lecturer (part-time),  
Cape Breton University, Sydney

### DIRECTORS

**Richard Boudreault**, CEO,

AWN Nanotech, Montreal

**Wayne Critchley**

Senior Associate,  
Global Public Affairs, Ottawa

**François Guimont**

Retired, Federal Public Service, Ottawa

**Colleen Mahoney**

Independent Researcher, Calgary

**Simon Nyilassy**

Founder, Marigold & Associates Limited,  
Toronto

**Hon. Christian Paradis**

Co-founder and Senior Advisor,  
Global Development Solutions, Montréal

**David Schneider**

Senior Investment Advisor,  
Aligned Capital Partners, Victoria

**Aaron Smith**

Partner, Ernst & Young LLP, Nepean

**Cheryl Ziola**

Owner, Cheryl Ziola Communications,  
Management & Advocacy, Vancouver

## ADVISORY COUNCIL

---

**John Beck**

President and CEO,  
Aecon Enterprises Inc, Toronto

**Aurel Braun**,

Professor of International Relations and  
Political Science, University of Toronto,  
Toronto

**Erin Chutter**

Executive Chair, Global Energy  
Metals Corporation, Vancouver

**Navjeet (Bob) Dhillon**

President and CEO,  
Mainstreet Equity Corp, Calgary

**Jim Dinning**

Former Treasurer of Alberta, Calgary

**Richard Fadden**

Former National Security Advisor to the  
Prime Minister, Ottawa

**Brian Flemming**

International lawyer, writer, and policy  
advisor, Halifax

**Wayne Gudbranson**

CEO, Branham Group Inc., Ottawa

**Calvin Helin**

Aboriginal author and entrepreneur,  
Vancouver

**David Mulroney**

Former Canadian Ambassador to China,  
Toronto

**Peter John Nicholson**

Inaugural President, Council of Canadian  
Academies, Annapolis Royal

**Barry Sookman**

Senior Partner,  
McCarthy Tétrault, Toronto

**Sam Sullivan**

CEO, Global Civic Policy Society,  
Vancouver

**Rob Wildeboer**

Executive Chairman, Martinrea International  
Inc, Vaughan

**Bryon Wilfert**

Former Parliamentary Secretary to the  
Ministers of Finance and the Environment,  
Toronto

## RESEARCH ADVISORY BOARD

---

**Brian Ferguson**

Professor, Health Care Economics,  
University of Guelph

**Jack Granatstein**

Historian and former head of the Canadian  
War Museum

**Patrick James**

Dornsife Dean's Professor,  
University of Southern California

**Rainer Knopff**

Professor Emeritus of Politics,  
University of Calgary

**Larry Martin**

Principal, Dr. Larry Martin and Associates  
and Partner, Agri-Food Management  
Excellence, Inc

**Alexander Moens**

Professor and Chair of Political Science,  
Simon Fraser University, Greater Vancouver

**Christopher Sands**

Senior Research Professor,  
Johns Hopkins University

**Elliot Tepper**

Senior Fellow, Norman Paterson School of  
International Affairs, Carleton University

## Contents

Executive Summary / Sommaire.....	4
Introduction.....	8
Regulatory context/background.....	11
Enforcement.....	13
Retail investigation: method/approach.....	15
Investigative findings: illicit vaping products and nicotine pouches.....	17
Analysis.....	22
Implications.....	26
Anticipated future trajectory.....	28
Recommendations.....	29
Conclusion.....	34
About the author.....	35
References.....	36

Cover design: Renée Depocas

Copyright © 2026 Macdonald-Laurier Institute. May be reproduced freely for non-profit and educational purposes.

---

The author of this document has worked independently and is solely responsible for the views presented here. The opinions are not necessarily those of the Macdonald-Laurier Institute, the Center for North American Prosperity and Security, or their directors or supporters..

## Executive summary | *sommaire*

**Canada is confronting** a rapidly expanding illicit nicotine market that has evolved well beyond traditional contraband tobacco. Criminal networks that once focused on cigarettes now traffic in high-nicotine disposable vapes, unauthorized nicotine pouches, and a sprawling ecosystem of online black market platforms. Fragmented regulation, uneven enforcement, and the rise of e-commerce have created structural vulnerabilities that illicit actors are exploiting at scale.

The study shows that illicit nicotine products are now distributed through the same channels long used for contraband tobacco – cross-border smuggling, grey-market wholesalers, on-reserve and off-reserve storefronts, and increasingly, anonymous online vendors. Enforcement data and a national retail compliance sweep across seven provinces reveal extensive non-compliance, particularly in British Columbia, Alberta, and Quebec, where oversized disposable vapes, mislabelled nicotine strengths, and illegal high-nicotine pouches are widely available. In many cases, products are concealed in back rooms or offered “off menu,” which signals deliberate evasion rather than misunderstanding of regulations.

A central finding is the transformative role of online commerce. Hundreds of websites – many purporting to be Indigenous-owned – openly sell contraband cigarettes, illicit vapes, and unauthorized nicotine pouches, often alongside narcotics, all shipped through unmarked parcel post with no age verification. This digital infrastructure mirrors, and magnifies, the spread of contraband tobacco. Criminal actors leverage sophisticated marketing, payment processing, and logistics systems to normalize illicit purchases and reduce the chance of being caught.

Public-health consequences are significant. Unregulated vaping products often exceed nicotine concentration limits, contain undisclosed ingredients or contaminants, and lack safety standards for packaging, labelling, and battery integrity. Unauthorized nicotine pouches – many imported from Europe, the US, or China – frequently exceed safe nicotine levels, raising risks of poisoning, rapid dependence, and youth uptake. Youth remain especially vulnerable, with evidence of social-media-enabled sales directly targeting minors.

Fiscal harms are equally consequential. Governments lose excise, provincial duty, HST/GST, and income-tax revenue, while compliant retailers are undercut by untaxed competitors. In provinces with aggressive restrictions, such as Quebec's flavour ban and 2 mL capacity limit, regulatory asymmetry has encouraged large-scale circumvention rather than compliance, with interprovincial e-commerce pipelines supplying prohibited products.

The study finds that Canada's enforcement framework – last meaningfully updated in the mid-2010s for contraband tobacco – has not kept pace with the diversification of illicit nicotine markets. Provinces vary widely in inspection capacity and tax-stamp rules; regulatory fragmentation creates criminogenic asymmetries and jurisdictional arbitrage: bad actors seek to gain a competitive advantage, such as lower taxes, reduced operating costs, or laxer standards, by exploiting different legal, tax, or regulatory regimes across different jurisdictions. Without coherent federal leadership, enforcement remains reactive, fragmented, and easily bypassed.

To reverse these trends, the study recommends:

- **Prioritizing illicit online sales** through coordinated actions targeting payment processing, hosting infrastructure, and postal logistics.
- **Establishing a national Illicit Nicotine Task Force** that unifies federal, provincial, and law-enforcement partners under a shared strategy with measurable targets.
- **Strengthening legal authorities over nicotine pouches** by defining them clearly in federal law, empowering CBSA, and imposing escalating penalties.
- **Closing loopholes in vaping regulation**, aligning definitions, restricting flavour-shot workarounds, tightening tax-stamp systems, and expanding inspection powers.
- **Enhancing public awareness**, including youth-focused prevention, educating retailers, and publicized enforcement actions.

Absent decisive action, the illicit nicotine economy risks becoming entrenched – replicating the trajectory of contraband tobacco, undermining public health, draining public revenues, and strengthening organized crime networks. The study makes a case for coordinated leadership, modernized legislation, and targeted enforcement to restore regulatory integrity and protect Canadians. [MLI](#)

*Le marché illicite de la nicotine prend de l'ampleur au Canada, éclipsant désormais la contrebande de tabac traditionnel. Les réseaux criminels préfèrent maintenant les vapoteuses jetables et les sachets à forte concentration, en exploitant un vaste écosystème numérique au service du commerce clandestin. La fragmentation de la réglementation, l'inégalité d'application des lois et l'essor du commerce en ligne ont créé des failles que les acteurs illégaux exploitent à grande échelle.*

*L'étude révèle que les produits de nicotine illicites empruntent les mêmes voies que le tabac de contrebande historiquement : passeurs transfrontaliers, grossistes semi-clandestins, comptoirs dans et hors des réserves et vendeurs en ligne anonymes, de plus en plus sollicités. Les données et un survol de la conformité des points de vente à travers sept provinces mettent en évidence de nombreuses infractions, notamment en Colombie-Britannique, en Alberta et au Québec : vapoteuses surdimensionnées, concentrations non déclarées et sachets illégaux. Souvent, ces produits sont cachés ou vendus "hors carte", indiquant une intention de déjouer plutôt qu'une méconnaissance des règles.*

*Le rôle du commerce en ligne est transformateur. Des centaines de sites Web – prétendument autochtones – vendent ouvertement des cigarettes de contrebande, des vapoteuses illicites et des sachets interdits sans vérifier l'âge, parfois même des stupéfiants, et les expédient sans marquage. Cette infrastructure révèle et amplifie le rayonnement du tabac de contrebande. Les criminels exploitent des techniques de marketing, de paiement et de logistique sophistiquées pour faciliter les achats illégaux et minimiser les risques.*

*Les impacts de santé publique sont considérables. Les produits de vapotage non réglementés excèdent fréquemment les concentrations de nicotine autorisées, contiennent des ingrédients non déclarés ou des contaminants, et contreviennent aux normes de sécurité d'emballage, d'étiquetage et d'intégrité (batterie). Les sachets non autorisés – principalement importés d'Europe, des États-Unis ou de Chine – augmentent d'autant les risques d'empoisonnement, de dépendance et de consommation chez les jeunes, ciblés sur les réseaux sociaux.*

*Les préjudices fiscaux sont tous aussi importants. Les gouvernements perdent droits d'accise, taxes provinciales, TPS/ TVH et impôts sur le revenu, tandis que les détaillants conformes subissent une concurrence déloyale. Là où les contraintes sont les plus fortes (interdiction des arômes et limite de 2 ml au Québec), le contournement des règles est devenu la norme, favorisé par l'essor du commerce électronique interprovincial qui exploite cette asymétrie réglementaire.*

*L'étude montre que la loi n'a pas évolué de pair avec la diversification des marchés illicites depuis les années 2010. En outre, les différences entre les provinces en termes d'inspection, de taxation et de réglementation favorisent les comportements criminels et la concurrence fiscale – au sens où les acteurs malveillants cherchent à exploiter les différences entre les régimes légaux, fiscaux et réglementaires des diverses autorités pour obtenir un avantage concurrentiel sous forme de baisses d'impôt, de coûts d'exploitation*

moindres ou de normes plus clémentes. Sans leadership fédéral cohérent, l'application de la loi reste réactive, fragmentée et aisément contournable.

Pour inverser ces tendances, l'étude propose les actions suivantes :

- **Prioriser la lutte contre les ventes illicites en ligne** au moyen d'actions concertées visant les processus de paiement, d'hébergement Web et de logistique postale.
- **Créer un groupe de travail national sur la nicotine** rassemblant tous les partenaires (fédéraux – provinciaux – instances juridiques) pour une stratégie commune et des objectifs mesurables.
- **Définir les pouvoirs juridiques sur les sachets dans la législation fédérale**, tout en responsabilisant l'Agence des services frontaliers du Canada et en imposant des sanctions graduelles.
- **Éliminer les lacunes réglementaires** en harmonisant les définitions, en interdisant les solutions de contournement relatives aux arômes, en renforçant les droits de taxation et en élargissant les pouvoirs d'inspection.
- **Sensibiliser le public**, accentuer la prévention chez les jeunes, informer les détaillants et rendre publiques les mesures d'application de la loi.

Sans mesures décisives, l'économie souterraine risque de pérenniser la nicotine illicite –reproduisant l'évolution du tabac de contrebande, portant préjudice à la santé publique, diminuant les recettes étatiques et renforçant les réseaux criminels. L'étude recommande un leadership concerté, une législation modernisée et une application ciblée de la loi pour rétablir l'intégrité réglementaire et protéger les Canadiennes et les Canadiens. **MLI**

## Introduction

Illicit tobacco has evolved: from a local nuisance into a national organized crime problem that has become entrenched in communities across Canada. The trade in illicit tobacco has converged with other criminal economies – firearms, narcotics, and cash smuggling – and is now entrenched in Canada’s broader organized crime landscape. Profits are financing a spectrum of serious criminal activity, from gun smuggling to human trafficking. On the one hand, there are real consequences for vulnerable individuals, communities, and public safety. On the other hand, strong financial incentives embolden the trade in illicit tobacco, amplified by the relative impunity with which transnational criminal organizations launder illicit gains in Canada. Absent a coordinated strategy to trace and dismantle illicit financial flows, the illicit tobacco economy is flourishing, all the while deepening its ties to organized crime and transnational networks.

According to studies conducted by Ernst & Young, Canada loses more than a billion dollars in unpaid tobacco taxes each year. In Ontario, illicit cigarettes now account for almost half the market: the province is out hundreds of millions in lost revenue annually. In BC, Manitoba, Newfoundland, and New Brunswick, contraband accounts for between 45 and 52 per cent of cigarette sales. Alberta and Nova Scotia once had lower levels of contraband but as of late have been seeing sharp increases. Quebec is the outlier: years of steady enforcement and investment have contained the share of the illicit market in that province below 20 per cent (Ernst & Young 2023; Ernst & Young 2024).

Without political top cover to direct and guide a national strategy, enforcement and policy responses are struggling. There have been no significant updates to the federal contraband tobacco strategy since the mid-2010s. Regulatory fragmentation (federal, provincial, municipal, and Indigenous) has

resulted in jurisdictional arbitrage by organized crime. While Quebec's ACCES Tabac program and Criminal Code amendments (e.g. 2014's Bill C-10) have delivered some successes in combatting distribution and consumption of contraband cigarettes, other provinces have been slower to allocate resources. The result is an inconsistent patchwork of regulations and enforcement that is uneven across Canada, creating gaps that criminals can exploit.

“*Canada loses more than a billion dollars in unpaid tobacco taxes each year.*”

**Disposable vapes and nicotine pouches** are now on a similar trajectory. Illicit next-generation products have been proliferating across Canada through the same channels long used for contraband cigarettes: cross-border smuggling, grey-market wholesale networks, storefronts on and off reserve, and e-commerce. In many cases, the actors are the same: distributors and facilitators who once specialized in illicit tobacco now move high-nicotine disposables and unapproved pouches alongside or in place of cigarettes. Online marketplaces and social media are making illicit product readily accessible, while fragmented jurisdiction and uneven enforcement create safe harbours where non-compliant products can be warehoused and sold. The result is a rapidly expanding illicit nicotine economy that mirrors contraband tobacco in method, personnel, and impact on public health and tax integrity.

The growing role of online sales has added a new layer of complexity to enforcement. Consumers across Canada can now purchase contraband cigarettes, high-nicotine disposable vapes, illicit nicotine pouches, and even illicit drugs through a wide and growing network of websites. These platforms operate freely, with relative impunity. Many present themselves as Indigenous-owned and operated, where enforcement is complicated by legal and jurisdictional complexity. Hundreds of such sites, in Canada and abroad, sell and ship directly to Canadian consumers, often without age verification. Shipments typically arrive through Canada Post in unmarked packaging,

making detection and interdiction difficult (Rothmans, Benson & Hedges 2025). The evolution of e-commerce infrastructure has become a defining feature of the illicit nicotine trade, facilitating the widespread distribution of unregulated and unsafe products across Canada.

This historical context sets the stage for an evolving nicotine landscape: as smoking rates decline and new nicotine products emerge (vaping devices, nicotine pouches, etc.), criminal networks are diversifying into “beyond tobacco” markets. The following sections analyze trends, enforcement gaps, and the public policy challenges for the illicit trade in vaping products and nicotine pouches in Canada.

Evidence indicates that vaping products and nicotine pouches – when properly regulated and effectively enforced to prevent the sale of unregulated, high-potency products – can support smoking cessation and deliver public-health benefits. Policymakers and public-health authorities, therefore, must strike a balance: regulations must protect consumers without becoming so restrictive that they displace demand into illicit and unregulated channels. As discussed below, measures such as broad bans on flavourings and strict limits on e-liquid volume have proven difficult to enforce and have tended to incentivize circumvention rather than compliance. For nicotine pouches, limiting legal sales to pharmacies similarly constrains access through regulated outlets and can unintentionally push consumers toward unauthorized sources.

The study concludes with proposals to contain this new wave of illicit nicotine commerce. In brief, these recommendations focus on tightening product and tax controls (including stronger compliance mechanisms for excise stamps and product standards), closing enforcement gaps that enable illegal retail and interprovincial e-commerce, and improving coordination and intelligence-sharing across federal, provincial, and local authorities. Together, these steps are intended to reduce the profitability and accessibility of illicit vapes and nicotine pouches while protecting public revenues and supporting credible harm-reduction pathways through regulated products.

## Regulatory context/background

Canada regulates nicotine products through a mix of federal and provincial laws. The *Tobacco and Vaping Products Act* (TVPA) and the *Excise Act* set the national framework for vaping products, while nicotine pouches fall under the *Food and Drugs Act*. Provinces layer on their own regulations, sales rules, and restrictions. The result is considerable variation across the country, and an asymmetric regulatory environment. **Table 1** provides a high-level overview of how selected provinces regulate vaping products.

Vaping rules differ by province, particularly on flavours, device capacity limits, who may sell, and how products are taxed and stamped. Variation creates uneven incentives and enforcement capacity across the country, and opens vulnerabilities that are subject to exploitation:

- **Flavours:** Some provinces confine non-tobacco flavours to age-restricted specialty shops; others prohibit them entirely.
- **Device capacity limits:** Some provinces target large-format disposables, capping the e-liquid capacity per device to 2 mL.
- **Retail channel restrictions:** Sales may be limited to specialty vape stores, with convenience stores/gas stations barred from carrying flavoured or higher-nicotine products.
- **Age thresholds and access controls:** Beyond the national minimum, some provinces set higher purchase ages and tighter ID/point-of-sale requirements.
- **Taxation and stamping:** Provincial tax levies vary; participation in the federal excise-stamp program is staggered, doubling duty only where provinces opt in. Every vaping product sold legally in Canada must carry an excise stamp on the package showing that at least the federal vaping duty has been paid. In provinces that add their own vaping duty, products must be affixed with the province-specific stamp, which reflects that combined federal and provincial duty has been remitted.
- **Online sales ban:** In Quebec, the sale of e-cigarettes via the Internet is explicitly prohibited under provincial law (Gouvernement du Québec 2025). However, limited enforcement allows wide online access, particularly for illicit products offering prohibited flavours or delivery across provincial lines.

**TABLE 1:** Overview of provincial vaping regulatory frameworks (selected provinces)

PROVINCE	FLAVOURS	NICOTINE CONCENTRATION	DISPOSABLE CAPACITY LIMITS	TAXES / STAMPS
British Columbia	Adult-only vape shops.	20 mg/mL	2 mL cap	20% PST on vapour products; Federal Excise Stamp.
Alberta	No province-wide flavour ban.	20 mg/mL	No cap	Coordinated excise duty as of January 1, 2025; Provincial Excise Stamp.
Saskatchewan	Adult-only vape shops	20 mg/mL	No cap	20% Vapour Products Tax (VPT); Federal Excise Stamp.
Ontario	Adult-only vape shops.	20 mg/mL	No cap	Coordinated excise duty as of July 1, 2024; Provincial Excise Stamp.
Quebec	Full flavour ban (tobacco-flavour only).	20 mg/mL	2 mL cap	Coordinated excise duty as of July 1, 2024; Provincial Excise Stamp.
Manitoba	No province-wide flavour ban.	20 mg/mL	No cap	Coordinated excise duty as of July 1, 2024; Provincial Excise Stamp.
New Brunswick	Full flavour ban (tobacco-flavour only).	20 mg/mL	No cap	Coordinated excise duty as of January 1, 2025; Provincial Excise Stamp.

**Variation in provincial regulation incentivizes criminal actors to expand the illicit market:** Products that are legal or cheaper in one jurisdiction, such as flavoured vapes or lower-taxed items, are being diverted to provinces where they are prohibited or more expensive, often through online sales or cross-border smuggling (Criminal Intelligence Service of Canada 2025). Illicit sellers exploit gaps to bypass local bans and taxes. For instance, after Nova Scotia banned flavours, an industry trade association investigation identified widespread non-compliance (Vaping Industry Trade Association 2021) and local police executed large seizures of illegal flavoured vape liquids (Nova Scotia 2021), which indicates that the ban simply pushed supply underground. As a result of uneven tax-stamp requirements unstamped product from provinces

with no provincial duty can slip into high-tax provinces, which undermines tax enforcement. In short, inconsistent provincial regulations complicate enforcement and enable a thriving interprovincial illicit vape market to the detriment of public health.

Nicotine pouches are newer to the Canadian market and, with some authorized exceptions, illegal to sell. Health Canada treats them as therapeutic products: to be lawfully marketed, a pouch must be authorized as a nicotine-replacement therapy and contain no more than 4 mg of nicotine per dose. To date, only two products (Zonnic and NEÖ) are authorized for sale in pharmacies as a cessation aid. The sale of all other brands and strengths violates the *Food and Drugs Act*. Health Canada (2025a) warns against unauthorized pouches, acknowledges their growing presence in the market, and highlights associated health risks.

## Enforcement

Absent a cohesive regulatory framework and enforcement strategy, illegal and non-compliant vaping products and nicotine pouches have been proliferating across Canada. This study collates primary-source data from enforcement agencies, health authorities, and the media, all of which report a surge in black-market sales, ranging from unlicensed storefronts to online vendors. A thriving illicit market is now undermining the intent of federal and provincial laws. The examples below illustrate the scale and persistence of the problem over the past two years:

- **Black-market sales to youth in British Columbia:** In 2022–23, police in Saanich, BC, uncovered an organized operation selling vaping devices and e-liquids directly to high schoolers (Saanich Police 2023). Dealers were using Snapchat and other social media to advertise and then meet students at schools, malls, or parks – essentially running a pop-up vape shop out of backpacks and duffel bags. A bust in March 2023 culminated in a search of an illicit storage site, where officers seized over \$100,000 worth of vape pens, e-juice bottles, disposable vapes, and even high-THC cannabis vapes being peddled to minors.

- **Nationwide compliance inspections:** Inspections by Health Canada show that illegal vape products are a Canada-wide problem. In the 2022–2023 fiscal year, federal inspectors visited hundreds of retailers and found extensive non-compliance: 35 per cent of inspected specialty vape shops were selling non-compliant products. Health Canada seized offending products at 119 vape stores across multiple provinces (Health Canada 2024a). This pattern continued into 2023–24: roughly 109 specialty vape shops and 51 convenience stores were caught selling illegal vape products (Health Canada 2024b). Manufacturer and distributor inspections conducted in 2023–24 showed widespread distribution of vaping products that exceed the legal nicotine concentration limit. Health Canada seized over 400,000 non-compliant vaping products as a result of inspections (Health Canada 2025b).
- **Unauthorized nicotine pouches in stores:** The federal government has issued a public advisory/nationwide recall of unauthorized nicotine pouches, warning that they may pose serious health risks. The advisory notes that Health Canada has received reports of unauthorized nicotine pouches being sold at convenience stores, gas stations, and other retailers, as well as online (Health Canada 2025c). While the government claims that it is working closely with law enforcement to prevent unauthorized products from reaching the public, a sprawling black market that bypasses federal controls continues to operate across Canada.
- **Black-market storefronts:** illicit nicotine websites in Canada are no longer just selling vaping products or pouches. Increasingly, they are offering everything from illicit vapes and high-nicotine pouches to harder drugs such as cocaine, ketamine, and MDMA. What used to be confined to the dark web is now on display in plain view. One example is a site that is publicly accessible and targets Canadian buyers. The site lists both nicotine products and narcotics for sale, with no age checks in place. In January 2025, *Western Standard* journalists tested the platform and reported being able to purchase cocaine, crystal meth, illicit cigarettes and flavoured nicotine pouches through it (Oldcorn 2025). Unrestricted, unverified, and

open access adds a new level of urgency to public health and safety risks associated with illicit online nicotine sales.

- **Illicit nicotine pouches are being imported alongside traditional contraband tobacco:** CBSA's 27 January 2025 seizure in Cornwall of 2,600 cans of nicotine pouches, 14,000 cigarillos, and 350 lbs of chewing tobacco (Canada Border Services Agency 2025) confirms that existing tobacco-smuggling networks are diversifying into pouches in addition to new actors building parallel supply chains.
- **Nicotine pouches seized alongside narcotics and firearms:** In early October 2025, RCMP in Kelowna, BC, executed what they referred to as one of the largest local seizures of contraband tobacco in recent years (Royal Canadian Mounted Police 2025a). Police found more than 7,400 cartons of contraband cigarettes (valued at over \$750,000), illicit/unstamped nicotine pouches, large quantities of cannabis and cannabis products, cocaine, psilocybin mushrooms, prescription meds, cash, and a firearm – in the same location. According to the RCMP, these tobacco and nicotine products were not casual sideline sales but part of an organized-crime revenue stream bundled with drugs and weapons; the seizure “made a large dent in the cash flow of organized crime.”

## Retail investigation: method/approach

To assess the scope and scale of illicit vaping and nicotine-pouch sales in Canada, we ran a national retail compliance sweep across multiple provinces. An investigative company conducted covert visits to vape specialty shops, convenience stores, and other points of sale. Stores were sampled at random through publicly available business listings for vaping products.

After each visit, investigators completed an app-based questionnaire to capture findings in real time. Fieldwork combined discreet observation, brief clerk engagement (including checks for “off-menu” or back-room offers), and targeted test purchases of products that did not comply with federal and provincial regulations.

A store was non-compliant if it sold products that did not comply with federal and/or provincial regulations in each jurisdiction. For example, a

**TABLE 2:** Provincial compliance rates for sales of vaping and nicotine-pouch products

PROVINCE	LOCATION(S)	MONTH/ YEAR	NUMBER OF STORES VISITED	NON-COMPLIANCE RATE
British Columbia	Greater Vancouver	May/23	40	18/40 -> 45%
	Greater Vancouver	June/24	60	56/60 -> 93%
	Surrey	November/24	15	15/15 -> 100%
	Victoria and Greater Vancouver	June/25	55	54/55 -> 98%
Alberta	Calgary, Edmonton, and the Calgary-Edmonton Corridor	March/24	79	33/79 ->42%
	Calgary, Edmonton, and the Calgary-Edmonton Corridor	June/25	50	32/50 -> 64%
Saskatchewan	Saskatoon, Regina, and Moose Jaw	July/24	57	13/57 -> 23%
	Saskatoon, Regina, and Moose Jaw	July/25	63	9/63 -> 14%
Manitoba	Winnipeg	June/24	50	8/50 -> 16%
	Winnipeg	May/25	34	4/34 -> 12%
Ontario	Eastern Ontario and the Greater Toronto Area	April/24	87	31/87 -> 36%
	Ottawa	August/24	26	9/26 -> 35%
Québec	Greater Montreal	November/23	50	40/50-> 80%
	Greater Montreal and Québec City	February/24	60	51/60 -> 85%
	Greater Montreal and Québec City	October/24	72	60/72 -> 83%
	Rosemère and Blainville	April/25	15	14/15 -> 93%
New Brunswick	Saint John, Fredericton, and Moncton	May/25	30	18/30 -> 60%

flavoured vape product found for sale at a store in Quebec or New Brunswick would be coded as non-compliant. If a store anywhere in Canada was found to be selling a vaping product containing 50 mg/mL of nicotine (more than double the federal limit) the store would be categorized as non-compliant. Additionally, since Health Canada had authorized only one nicotine pouch product (Zonnica 4 mg) for sale exclusively in pharmacies, any other pouch product found in retail stores would also result in a non-compliant designation.

The scope of the coding instrument included: date/time, store name, address, observed non-compliant product types and nicotine strengths,

availability and display practices, price points, details of any test purchases, and narrative notes on staff interactions. Investigators also uploaded corroborating evidence – interior photos, product/packaging images, and receipts where available. Submissions were routed to a centralized system for coding review and analysis.

No minors were involved. Test buys were limited to the minimum quantity required to verify product characteristics and labelling. Before inclusion in the dataset, entries were validated by cross-checking photos, receipts, and investigator notes.

**Table 2** summarizes where and when deployments occurred, the number of stores visited, and the resulting compliance rates. “Non-compliance” denotes any retailer offering for sale a non-compliant vaping product or a non-compliant nicotine-pouch product.

## **Investigative findings: illicit vaping products and nicotine pouches**

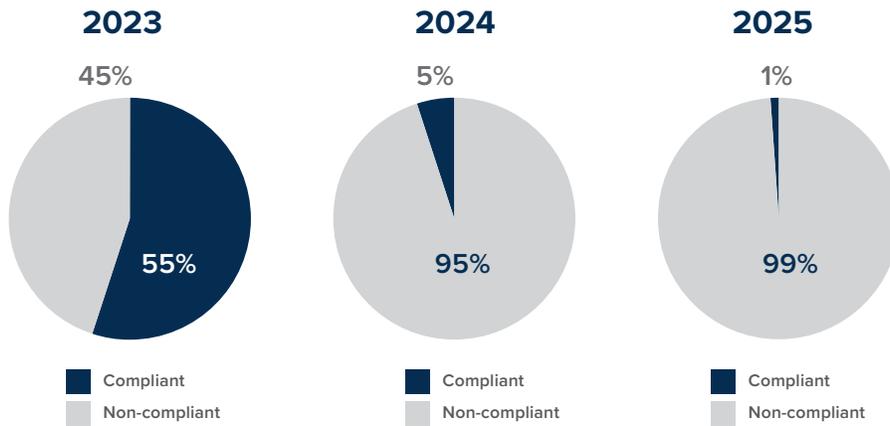
Compliance rates for vaping products varied considerably across provinces, which reflects disparities in regulatory design and enforcement capacity. For nicotine pouches – governed federally under the *Food and Drugs Act* – illicit availability proved even more uneven, which is likely a function of local demand, frequency of inspection, and limited reach of federal oversight. In general, unauthorized nicotine pouches and flavoured disposables in flavour-restricted jurisdictions were typically kept out of sight (in back rooms or closed cabinets/drawers) and supplied only upon request.

### **British Columbia**

Retail compliance with federal and provincial vaping regulations has steadily deteriorated over the past three years. As visualized in **Figure 1**, in 2023, just over half (55 per cent) of retailers were found to be compliant. However, that figure dropped sharply to 5 per cent in 2024; by 2025 only 1 per cent of retailers remained in compliance. This indicates near-universal disregard for rules governing vaping product and nicotine pouch sales.

The majority of vape stores visited openly carried disposable vapes that were visibly oversized but fraudulently labelled as 2 mL. Many retailers advertised

**FIGURE 1:** British Columbia compliance rates – year over year



implausible puff counts (the estimated number of puffs a disposable device can generate), ranging from 10,000 to 90,000, that are impossible for a 2 mL device to deliver. Beyond violating capacity restrictions on disposables, most retailers also claimed multiple brands contained 5 per cent (50 mg/mL) nicotine, in contravention of federal and provincial limits on nicotine concentration. In fact, we submitted nine disposable vape samples for analytical testing: eight of the nine were found to exceed the legal limit of 20 mg/mL. Most measured more than twice that threshold.

Still, non-compliant vaping products are usually affixed with the proper federal tax stamp, which (mis)leads consumers and inspectors by providing an air of legitimacy.

Illicit nicotine pouches are also widely available but concealed in closed cabinets or back rooms and are only produced upon request. Out of the 75 retailers visited in 2024, illicit nicotine pouches were identified for sale at 39, that is, more than half the stores.

### Alberta

Instances of non-compliance identified during store inspections primarily include:

- The sale of disposable vapes bearing only the federal peach-coloured excise stamp, rather than the required Alberta-specific stamp under the harmonized federal–provincial excise taxation framework. These

federally stamped products were found in 40 per cent of stores visited in June 2025, which suggests widespread tax evasion, as provincial excise duties are not remitted when products bearing only the federal stamp are sold in Alberta.

- Illicit nicotine pouches (commonly ZYN and White Fox brands) were offered for sale at approximately 25 per cent of stores visited in 2024 and over 40 per cent of stores visited in June 2025, indicating growing demand and sales of illicit nicotine pouches. Akin to British Columbia, illicit nicotine pouches were generally hidden from view but readily produced upon request.
- Sales of disposable vapes packaged at 20 mg but described by store clerks as containing 50 mg/mL nicotine concentrations were less common than in BC but still identified at a significant number of stores in both 2024 and 2025. Additionally, several stores were selling disposable vapes intended for sale in the United States, labelled as 50 mg/mL nicotine concentration and lacking both the required Canadian excise stamp and bilingual health warnings.

### **Saskatchewan**

Compliance is among the highest among the provinces visited. Most specialty vape shops appear to comply with federal and provincial regulations. Where violations occur, they skew toward unauthorized nicotine pouches (EU-sourced, high strengths, non-Health-Canada labelling) and occasional vapes with US-only warnings, missing provincial stamps, or reported by staff to contain nicotine levels exceeding 20 mg/mL despite being labelled as 20 mg. Among 120 stores visited, 21 offered unauthorized nicotine pouches, while only five offered non-compliant vaping products. High compliance findings in Saskatchewan are indicative of effective enforcement.

### **Manitoba (Winnipeg)**

The majority of retailers visited in Manitoba complied with both federal and provincial regulations. Non-compliance included sales of unauthorized nicotine pouches and disposable vapes containing nicotine concentrations above the legal limit.

Among compliant retailers visited in 2025, most reported that the new excise tax regime has significantly increased the retail price of vaping products,

resulting in reduced sales and lower foot traffic. Several store clerks noted that it is now often cheaper for consumers to purchase vaping products online.

## Ontario

Compliance varies by region. Eastern Ontario (Ottawa and Kingston) is generally tighter, while GTA and Hamilton retailers are more likely to stock or source non-compliant products. Common patterns include US-market “5 per cent” disposables that lack the required Canadian excise stamp, staff steering customers toward devices labelled as 20 mg/mL but described as containing higher nicotine strengths, and the routine availability of unauthorized nicotine pouches (> 4 mg per pouch, EU-style tins), displayed only upon request. Even shops that avoid overt violations show active demand: clerks at 12 of the stores visited offered to obtain certain pouch brands or indicated where they are available. The result is a shadow channel of high-strength vapes and illicit pouches moving through recommendations, back-stock, or quick-order arrangements.

## Quebec

Quebec’s post-October 2023 vaping restrictions (which ban all non-tobacco flavours, cap device capacity at 2 mL, and restrict youth-appealing designs) have spurred widespread circumvention rather than wholesale compliance. Consumer demand for flavours, combined with uneven retail enforcement, is the primary driver of continued availability of non-compliant vaping products in Quebec through brick-and-mortar retailers and interprovincial supply channels.

Over 80 per cent (165/197) were identified as non-compliant with provincial regulations that govern the sale of vaping products. Of the 165 non-compliant stores visited, the most common non-compliant products available included:

- 132 (80 per cent) offered flavour shots sold alongside flavourless e-liquid
- 61 (37 per cent) offered flavoured disposables, pods, and/or e-liquid

Figure 2 documents the most prevalent tactic, which is the “flavour-shot” model: retailers sell a flavourless nicotine base alongside separate flavour concentrates (often labelled as food or flavouring products) and instruct customers to combine them. Other workarounds include coded or misleading labels (e.g., “tobacco,” numbers, colours) to mask fruit or menthol flavours;

**FIGURE 2:** Quebec products undermining and violating regulations



off-shelf storage of non-compliant stock that is only retrieved on request; and refill-pod or “snap-on” formats that effectively exceed the 2 mL cap.

Excise-stamp irregularities – misapplied stamps, stamping at/after sale, or using stamps intended for other provinces – further blur legality. Interprovincial e-commerce websites continue to ship flavoured vaping products into Quebec, the majority of which are based in Ontario (Convenience Industry Council of Canada 2024). Finally, Montreal, Quebec’s largest city, borders the Kahnawà:ke Mohawk Territory, where numerous retailers sell illicit tobacco, vaping products, and nicotine pouches, which creates yet another ready source of supply.

### New Brunswick

In 2021, New Brunswick implemented a ban on non-tobacco vape flavours, followed by strengthened licensing and enforcement provisions adopted in June 2024. Retailers visited in Fredericton or Saint John did not carry flavoured disposables; six retailers citing increased inspections and fines. However, nine

retailers visited in Fredericton and Saint John carried flavour shots, alongside flavourless e-liquid, which are prohibited by provincial regulations. Yet the legality of flavour shots appears open to interpretation; four retailers claimed that flavour shots are permissible for sale: “The government said shots were fine,” these clerks tended to claim.

Moncton differs: several shops quietly sell flavoured disposables from the back and are quite open about their resistance to the flavour ban. Packaging frequently points to back-room stock sourced from major Ontario wholesalers. On St. Mary’s First Nation (inside Fredericton), smoke-shack style outlets openly sell flavoured vapes, illicit nicotine pouches, and other untaxed restricted goods to a broad clientele – outside provincial enforcement reach.

## Analysis

In provinces with mL capacity limits and flavour restrictions on vaping products, labelling on non-compliant devices often mimics regulated formats in ways that can create an appearance of compliance, even when the product remains clearly unlawful. In British Columbia, many products displayed familiar regulatory markers – such as 2 mL and 20 mg/mL – despite devices appearing to exceed those limits. In Quebec, some flavoured products were packaged and presented as “tobacco” in ways that appear designed to fit within the restricted flavour framework. These tactics do not represent good-faith compliance; rather, they are best understood as misrepresentation intended to reduce scrutiny at point-of-sale and to facilitate continued distribution of unlawful products. Importantly, this is not an argument about “spirit” versus “letter” of the law: the issue is that labels can be used to obscure illegality, making enforcement and consumer identification more difficult even where broader non-conformity is widespread.

Illicit nicotine pouches in Canada follow a “classic diffusion” pathway: supply originates largely outside the country and then spreads through retail channels enabled by consumer demand and limited enforcement. Authentic products are sourced via direct online orders and bulk imports from Europe – especially Scandinavia – while additional volume enters through cross-border leakage from the United States, where pouches are widely available and

**FIGURE 3:** Illicit nicotine pouches: classic diffusion



profit margins for resale in Canada are substantial. A third stream consists of counterfeit and white-label products manufactured in China (2Firsts 2024), including branded replicas and custom tins, with variable nicotine content and quality. Once inside Canada, distribution faces minimal resistance, allowing sales to expand from specialty vape and on-reserve outlets into convenience stores, gas stations, and online sellers.

Illicit nicotine pouches have followed the classic diffusion curve depicted in **Figure 3**.

The result is an enforcement equilibrium to which retailers readily adapt: visible inspections push violations out of sight, but product quickly resurfaces once scrutiny subsides. The remedy is to assess compliance through randomized test-buy programs that measure actual behaviour, not declared conformity.

### **Online sales**

Illicit nicotine sales have evolved from a local, brick-and-mortar problem into a national e-commerce ecosystem. A growing network of websites offers contraband cigarettes, high-nicotine disposable vapes, and unauthorized nicotine pouches to consumers across the country – often without age verification and with minimal risk of enforcement. In line with a broader trend of criminality shifting online, digital infrastructure has become central to the illicit trade: orders are fulfilled by mail, typically in unmarked Canada Post parcels that are difficult to detect or interdict. The Convenience Industry Council of Canada has identified more than 90 e-commerce sites selling an entire suite of illicit nicotine products including cigarettes, vapes, and nicotine

FIGURE 4: An example of illicit goods available for purchase online

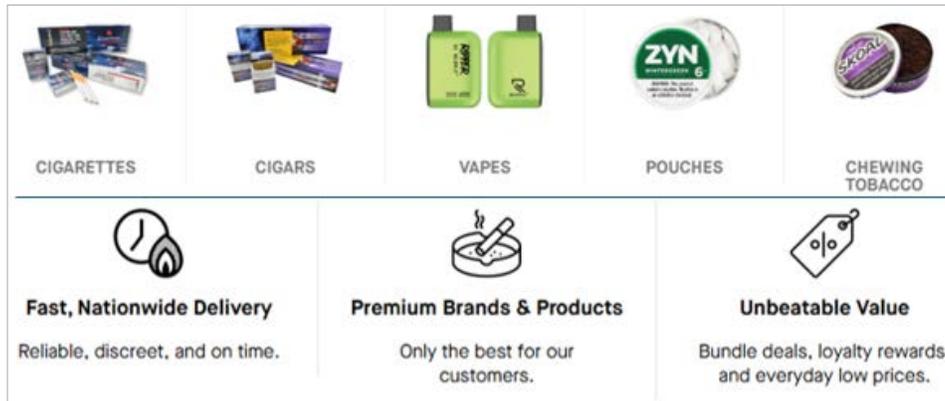
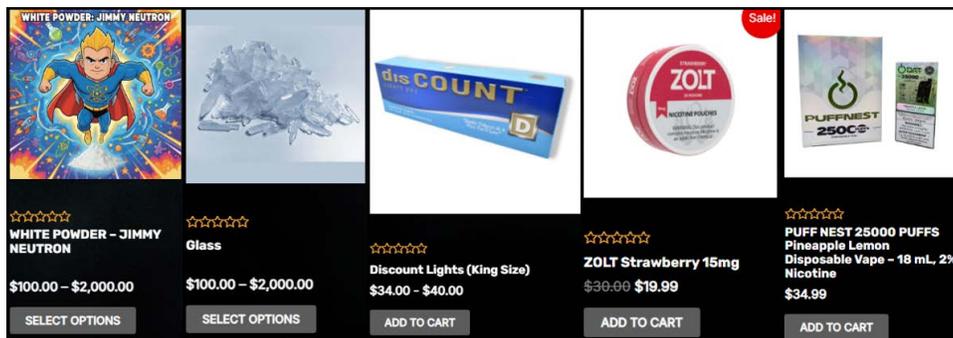


FIGURE 5: Screen shots taken from online tobacco retailer that serves a Canadian audience



pouches (Kothawala 2024). Figure 4 provides an example of the illicit offerings on these websites.

Illicit websites in Canada are no longer just selling vaping products or pouches. They are broader black-market storefronts that offer flavoured vapes and high-nicotine pouches alongside harder drugs such as cocaine, ketamine, and MDMA. A CBC News investigation identified more than a dozen different websites selling illegal drugs (Dabaghi-Pacheco and Garland 2026). What used to be confined to the dark web is now happening in plain view. Online retailers are publicly offering illicit goods to Canadian buyers (Figure 5). One site lists both nicotine products and narcotics for sale, with no credible age verification in place. In 2024, reporters with the *Western Standard* tested the platform. They

outlined the ordering process for cocaine, crystal meth, and flavoured nicotine pouches (Oldcorn 2025). Ready online access –unrestricted, unverified, and operating in the open – accelerates the public health and safety risks associated with illicit online nicotine sales.

Canadian law enforcement has concluded that revenues from contraband tobacco support organized crime activities (Royal Canadian Mounted Police 2025b). As sales of contraband nicotine products shift online, it is reasonable to assume that multi-product illicit websites are also connected to organized crime. A large e-commerce operation with warehousing, payment processing, and postal shipments is not trivial to run. It requires investment, coordination and sophistication. The Convenience Industry Council of Canada (CICC) notes that “bad actors” behind online contraband sites employ professional marketing tactics, social media ads, and email campaigns to reach customers (Kothawala 2024). That level of sophistication combined with sales of illegal drugs suggests organized illicit businesses, not just casual sellers: that includes methods to “legitimize” illegality, such as fast Canada Post delivery, which gives consumers a false sense of normalcy. Direct delivery erodes the stigma or awareness that buyers might otherwise have when meeting a smuggler in a parking lot.

Online illicit sellers effectively nullify flavour bans, nicotine caps, and provincial excise regimes by exploiting jurisdictional asymmetries and the anonymity of parcel post. Enforcement options include: coordinated investigations of website operators and their payment and shipping pipelines; regulators pairing takedown efforts with sustained test-purchase programs and referral to law enforcement; and policymakers closing definitional gaps that allow “compliant-on-paper” listings to deliver non-compliant products in practice. Yet, merely taking down websites is insufficient – new domains (re)emerge within days. Effective disruption requires tracing financial flows, merchant accounts, and intermediaries that enable payment processing and order fulfilment.

In short, the online marketplace is now the backbone of illicit nicotine supply in Canada; dismantling its financial and logistical underpinnings is essential to restore the credibility of the law and protect youth and public health.

## Implications

These patterns compare with contraband cigarettes: rules ignored at scale, illicit markets that draw in organized crime, enable money laundering, and undermine the rule of law. Public-safety agencies consistently flag how illicit trade fuels organized crime and laundering networks, while national assessments tie these activities to broader criminal portfolios that span tobacco, drugs, and more (Department of Finance Canada 2023). The lesson to draw from contraband tobacco regarding illicit vapes and unauthorized nicotine pouches is straight-forward: tolerating non-compliance in whatever nicotine category (vapes, pouches, or cigarettes) creates infrastructure for crime that is costly to unwind.

Public budgets take a double hit when illicit vaping products circulate outside the law – governments lose both excise and sales tax revenue. Unauthorized nicotine pouches compound fiscal losses: sold outside the therapeutic framework, they evade any form of taxation altogether. Second-order effects are significant: compliant retailers are undercut by untaxed competitors, the share of the lawful market shrinks, and governments end up spending more on enforcement while collecting less. Cheaper, untaxed products also drive higher consumption – especially among price-sensitive groups.

The effect on long-term health risks compounds concerns over fiscal costs and criminality. Regulated products are subject to standards for labelling, packaging, and safety; unregulated imports may not meet those standards, which raises the risk of contaminants (e.g., heavy metals or microbes), mislabelled nicotine strengths, and unknown ingredients. While vaping is a less harmful alternative to cigarettes, public health guidance notes that it can expose users to harmful chemicals such as formaldehyde and contaminants including nickel, tin, chromium, and aluminum (Health Canada 2023).

Canadian injury data show what can go wrong when vaping products are not properly controlled. A Public Health Agency of Canada analysis of emergency-department cases found that many injuries and poisonings involved children who swallowed vaping liquids, and that even small amounts of nicotine-containing e-liquid can be serious or life-threatening (Government of Canada 2018). The same review reports burns and other trauma from device malfunctions, such as overheating batteries that explode or catch fire. In a regulated market, standards for packaging, labelling, and device safety are

meant to reduce these risks; when products are imported or sold outside that framework, those basic protections may be missing, leaving users and children more exposed to poisoning and injury.

*Unauthorized nicotine pouches sold in Canada may contain nicotine levels that exceed safe limits or ingredients not listed on the label.*

For nicotine pouches, the risks of evading regulation are not theoretical. Health Canada has warned that unauthorized nicotine pouches sold in Canada may contain nicotine levels that exceed safe limits or ingredients not listed on the label, exposing users to unknown doses and additives (Health Canada 2020). Research shows that high-strength pouches and formulations using alkalizing pH modifiers can deliver nicotine rapidly and at levels comparable to – or higher than – cigarettes, increasing the risk of acute nicotine toxicity and accelerating dependence (Al-Otaibi and Althobiani 2025). In real terms, this has meant consumers unknowingly using products known to cause nausea, vomiting, palpitations, and other symptoms of nicotine poisoning (German Federal Institute for Risk Assessment 2022). When such products bypass oversight, buyers lose the most basic protection: knowing what they are putting in their mouths – and at what dose. Youth are especially vulnerable. Health authorities warn that nicotine can harm the developing brain, that dependence can start quickly, and that youth who use e-cigarettes face increased risks for attention, learning, and mood problems, as well as a higher likelihood of future addiction (Health Canada 2025d). High-nicotine, youth-oriented products that skirt regulations make it easier to start and harder to quit, directly undermining policies designed to prevent uptake. Keeping nicotine products within a regulated, enforceable framework is, therefore, not just a compliance issue, but also a long-term investment in protecting young people in general, and at-risk youth in particular. By design, the illicit sales tactics prey on society’s most vulnerable.

## Anticipated future trajectory

The arc is familiar. With contraband cigarettes, absent a serious, coordinated federal strategy a regional problem – largely concentrated in Ontario and Quebec – spawned a robust country-wide illicit market dominated by organized crime (Leuprecht and Ferrill 2023). The same enablers now exist for vaping products and nicotine pouches: predictable demand, price differentials driven by taxes and regulation, weakly governed supply chains and uneven enforcement. The historical trajectory with contraband cigarettes suggests that inertia will not hold the line; it will invite scale.

Without sustained enforcement at all levels of government, non-compliance hardens into a business model characterized by “packaging theatre,” where compliant labels mask non-compliant products, more coded flavours and refill kits, misuse of stamps, and greater reliance on online and cross-border channels to bypass provincial and federal regulations. Health Canada’s 2023–24 manufacturer *Compliance and Enforcement Report* documents concrete instances where inspections and lab testing found **nicotine exceeding 20 mg/mL and/or nicotine concentration statement labelling issues**, alongside other non-compliance such as **promotion of prohibited flavours**, resulting in seizures (Health Canada 2025b). As illicit sellers grow more confident, networks consolidate, wholesale distribution professionalizes, and cash-based operations expand, links to money laundering and broader criminal portfolios deepen (Leuprecht and Ferrill 2023).

Fiscal and health consequences compound. Untaxed and under-taxed products drain public revenues twice over (excise and sales tax), while cash operations skip income and payroll taxes – a triple hit that squeezes funds for health care, prevention, and enforcement. In terms of public health, unregulated imports raise the risk of contaminants, mislabelled nicotine strengths, and packaging that lacks basic safeguards. More users (especially price-sensitive youth) are pushed into higher-nicotine, higher-risk products that are harder to quit.

That culminates in the erosion of the rule of law and of the regulatory regime itself. Compliant retailers are crowded out by those who treat rules as optional; organized crime profits grow at the detriment of community safety and public health; and governments end up spending more to contain a problem that would have been easier to contain before it proliferated. The lesson from

contraband cigarettes is telling: delay multiplies the cost of enforcement on the one hand, and the cost to the taxpayer, community safety and public health on the other hand. Only a commitment to a credible, coordinated, and continuous enforcement strategy can change the trajectory.

“Canada’s grip on the nicotine market is slipping. Illicit cigarettes, illegal vapes, high-strength nicotine pouches, and unchecked online sales are a growing problem.”

## Recommendations

Canada’s grip on the nicotine market is slipping. Illicit cigarettes, illegal vapes, high-strength nicotine pouches, and unchecked online sales are a growing problem. How to respond? This section lays out recommendations with the aim of closing the gaps. The recommendations below reflect a range of options varying in effectiveness and impact: some are harder to implement, others easier; some offer high impact, while others offer less impact.

### 1. Crack down on illicit online sales: easy / high impact

**Recommendation:** Make illicit online nicotine sales a first-line enforcement target. The tools already exist – new laws are not required. Prompt, coordinated action can deliver national reach at low cost.

- **Follow the money.** Trace e-transfer and card payments with police, cybercrime units, and FINTRAC-style partners; freeze/seize proceeds and cut off repeat merchant accounts. FINTRAC’s operational alert on illicit online cannabis shows these markets often rely on high volumes of incoming e-transfers, merchant credits/cash deposits, and rapid movement of funds across related accounts – and that, when accounts are closed, operators often shift to new accounts/contact details, making payment-rail disruption and repeat-merchant identification especially effective. Use this playbook to support investigations and pursue restraint/seizure through the appropriate legal processes (FINTRAC 2022).

- **Disrupt the infrastructure.** Work with payment processors, hosting providers, and domain registrars to rapidly de-platform sellers (takedowns, domain seizures, repeat-site blocklists). By way of example, during the LabHost transnational disruption, coordinated action across many jurisdictions (with private-sector partners) compromised/disabled the platform's infrastructure and identified tens of thousands of linked domains/servers, which is indicative of infrastructure-focused action that degraded an illicit online ecosystem (Trend Micro Research 2024).
- **Leverage delivery networks.** Partner with Canada Post and courier companies to flag repeat senders/recipients, target high-risk parcels for examination under applicable authorities, and build repeat-shipper intelligence packages. A practical illustration is the Calgary-linked fentanyl case where an international mail centre interdicted a parcel destined for Calgary, which then supported a downstream warrant and arrest (Calgary 2015). More broadly, Canadian police leaders have emphasized that criminal groups exploit Canada Post to move controlled substances/contraband, and that closing investigative gaps and improving coordinated interdiction is a key disruptor (Canadian Associations of Chiefs of Police 2024). Similar approaches already exist for both international and domestic parcels. International mail is screened at CBSA mail centres within Canada Post facilities using electronic data and targeting to flag high-risk items, while **domestic parcels** are addressed through Canada Post's postal inspectors and security teams working with law enforcement on inspections and investigations. That provides a foundation to target repeat-shippers.

**Implementation (easy / high impact):** These actions have a proven track record. They leverage existing authorities, standard cooperation agreements, and established playbooks from piracy/fraud cases. A small, coordinated team can rapidly remove payment access, web presence, and delivery routes – choking supply, reducing youth access, while increasing civil and criminal risk to illicit business operators.

## 2. Develop federal strategy and task force: hard / high impact

**Recommendation:** Issue a federal coordination directive that unifies the fight against illicit nicotine across Public Safety, RCMP, CBSA, Health Canada, CRA, FINTRAC/CIROC, and provinces. Stand up a permanent Illicit Nicotine Task Force to coordinate investigations, set national targets (e.g., cut illicit share by 50 per cent in five years), publish scorecards, and close gaps across cigarettes, vapes, and pouches. This approach can be modelled on Quebec’s ACCES Tabac program, coordinated by the Ministère de la Sécurité publique and integrating Revenu Québec, police services, and federal partners (RCMP, CRA, CBSA) to run coordinated investigations against production and distribution networks, which Quebec reports has generated substantial enforcement outcomes, including significant fiscal recoveries, fines, and seizure values.

- **One plan, one playbook.** A national strategy that covers offline and online sales, stamping/tax leakage, and youth access, with shared definitions and priorities.
- **Shared intelligence.** Central watchlist of high-risk importers, domains, shippers, and payment accounts; weekly interagency syncs; rapid tasking to local units.
- **Measurable results.** Public KPIs on seizures, prosecutions, tax recovery, youth access metrics, and site/domain takedowns.

**Implementation (easy / high impact):** This approach leverages existing authorities and agencies. A cabinet directive and MOUs can launch the task force quickly, creating national reach at low cost by aligning work already underway. The payoff is immediate: fewer silos, faster cases, visible progress, and significant tax recovery to fund continued enforcement.

## 3. Target nicotine pouches with specific enforcement powers: hard / high impact

**Recommendation:** Amend federal/provincial legislation (including tobacco control acts) to prohibit unauthorized pouches and equip regulators and law enforcement with tools to stop importation, distribution, and sale.

- **Federal import and upstream controls:** Amend federal statutes (e.g., the *Customs Act* and *Food and Drugs Act*): (1) formally define “nicotine pouch” and designate unauthorized pouches as prohibited imports; and (2) grant CBSA explicit authority to seize, forfeit, and

issue administrative penalties for unauthorized pouches intercepted in mail and courier streams.

- **Prohibit and define:** Create clear statutory definitions; ban possession for sale, distribution, advertising, and online offers; apply escalating penalties.
  - **“Unauthorized nicotine pouch”** means a nicotine pouch not authorized for sale in Canada under applicable federal law (e.g., lacking required market authorization) or otherwise prohibited by regulation (e.g., exceeding prescribed nicotine limits or lacking required labelling).
  - **“Sell/offer for sale”** includes selling, exposing for sale, offering, delivering, distributing, or bartering, whether directly or through an online platform.
  - **“Distribute”** includes shipping, mailing, delivering, couriering, or otherwise making available to another person, including via a third party.
  - **“Advertise”** includes any representation, by any means, that promotes sale or availability, including websites, social media, and digital listings.
- **Disrupt money and infrastructure.** Orders against payment processors/hosts/registrars; domain blocks and repeat-offender blacklists; proceeds-of-crime asset freezes/seizures and sender interdiction.
- **Stronger inspection powers:** Undercover online buys, controlled deliveries, immediate detention/forfeiture of ultra-high-nicotine or mislabelled pouches, and Amplified Monetary Penalties (AMP)s to make non-compliance unprofitable.

**Implementation (hard / high impact):** Statutory amendments take time, but deliver missing levers—financial, digital, and on-the-ground—to collapse illicit pouch supply and protect youth.

#### **4. Strengthen vaping laws and close loopholes: *hard / high impact***

**Recommendation:** Leverage federal and provincial legislation to remove incentives and tools that enable non-compliance in the vape market.

- **Close loopholes and secure the supply chain.** Align definitions (capacity, nicotine strength, device/kit); count refills toward volume

limits; prohibit flavour-shot workarounds; require stamping/serialization and retailer record-keeping.

- **Disrupt non-compliance.** Escalating AMPs and fines, licence suspensions/revocations, seizure/forfeiture of proceeds and equipment, and evidentiary presumptions for unstamped/unexplained stock.
- **Control online and delivery channels.** Court-ordered blocks for repeat illicit domains, platform/processor liability for non-compliant sellers, mandatory ID-check on delivery, explicit test-buy and lab-verification powers with immediate detention of suspect inventory.

**Implementation (why it's hard / high impact):** Legislative change and interprovincial alignment are heavy lifts, but they reset incentives, simplify enforcement, and level the field for compliant retailers.

#### **5. Enhance public awareness and education: easy / low–moderate impact**

**Recommendation:** Reduce demand for illicit products and make enforcement stick by lifting public literacy and frontline detection.

- **Consumer awareness.** Use media, in-store signage, and social channels to explain risk: organized-crime links, unknown ingredients/contaminants, and penalties. Prompt a simple change in behaviour – “if it looks too good to be true, it probably is.”
- **Frontline training.** Equip inspectors, health units, and police with fast visual checklists: tell-tale packaging, sham “2 mL/20 mg” claims, flavour-shot workarounds, stamp anomalies, and cross-border shipping cues.
- **Visible enforcement.** Publicize raids, fines, seizures, and licence suspensions; name repeat offenders. Deterrence rises when consequences are seen.

**Implementation (easy / low–moderate impact):** Uses existing channels and budgets, and measures that are quick to stand up. These interventions will not solve the problem on their own, but reduce supply, improve inspection hit-rates, and amplify the impact of higher-effort enforcement and legislative reforms.

## Conclusion

Without concerted action, much of the progress achieved through decades of tobacco control risks being undone. The illicit nicotine trade is expanding, and the longer it remains unchecked, the more difficult and costly it will be to contain. Organized crime groups are already capitalizing on the market, and revenues from sales are not confined to nicotine; they help finance broader criminal enterprises, including weapons and human trafficking. It also bears reputational risk: Now that Canadian meth is showing up in Australia and New Zealand (Canada Border Services Agency 2024), Canada's credibility in global tobacco control is bound to come under scrutiny.

Public health implications are significant. Flavoured vapes and nicotine pouches remain readily accessible online, which exposes vulnerable youth in particular. That access threatens to reverse gains in smoking cessation and normalize nicotine dependence among a new generation. Meanwhile, cheap illegal cigarettes undermine cessation efforts and create a low-cost entry point for new smokers, especially among lower-income populations that are most sensitive to price.

Fiscal consequences are substantial. Mounting tax losses deprive governments of revenue that would otherwise support health care and prevention initiatives. Legal retailers, especially small convenience stores, face unfair competition from untaxed products sold openly or under the table. Over time, some may be tempted to cut corners simply to survive, further eroding the boundary between licit and illicit trade.

Finally, prolonged inaction risks institutionalizing regulatory failure. The experience with contraband cigarettes on select Indigenous reserves demonstrates that once normalized, illicit markets prove too resilient to dismantle. Coordinated enforcement, coherent regulation, and sustained public education are ready measures to prevent the illicit nicotine trade from becoming an entrenched feature of the landscape and a lasting threat to public health and national integrity. [MLI](#)

## About the author



**Christian Leuprecht** is a senior fellow at the Macdonald Laurier Institute and an award-winning professor at the Royal Military College and Queen's University. He publishes extensively on national security and the global illicit political economy. His many books include *Dirty Money: Financial Crime in Canada*. [MLI](#)

## References

2FIRSTS. 2024. “Unmasking Fake Nicotine Pouches.” 2Firsts, October 15. Available at <https://www.tobaccoasia.com/features/unmasking-fake-nicotine-pouches/>.

Al-Otaibi, Hajed M., and Malik A. Althobiani. 2025. “Nicotine pouches: a narrative review of the existing literature.” *Frontiers*, August 25. Available at <https://www.frontiersin.org/journals/public-health/articles/10.3389/fpubh.2025.1641308/full>.

City of Calgary. 2015. “Joint investigation leads to arrest, another fentanyl warning.” Press release, August 13. <https://newsroom.calgary.ca/joint-investigation-leads-to-arrest-another-fentanyl-warning/>.

Canada Border Services Agency. 2024. “The CBSA announces over 60 methamphetamine seizures bound for export to Australia.” Government of Canada, October 8. Available at <https://www.canada.ca/en/border-services-agency/news/2024/10/the-cbsa-announces-over-60-methamphetamine-seizures-bound-for-export-to-australia.html>.

Canada Border Services Agency. 2025. “CBSA investigation in Cornwall leads to conviction for nicotine and tobacco smuggling.” Government of Canada, September 23. Available at <https://www.canada.ca/en/border-services-agency/news/2025/09/cbsa-investigation-in-cornwall-leads-to-conviction-for-nicotine-and-tobacco-smuggling.html>.

Canadian Associations of Chiefs of Police. 2024. “Oral submission to the Standing Senate Committee on Legal and Constitutional Affairs.” Available at [https://www.cacp.ca/\\_Library/Position\\_Statements/CACP\\_Submission\\_-\\_Bill\\_S-256\\_-\\_LCJC\\_-\\_2024-09-26.pdf](https://www.cacp.ca/_Library/Position_Statements/CACP_Submission_-_Bill_S-256_-_LCJC_-_2024-09-26.pdf).

Convenience Industry Council of Canada. 2024. “600 Online Vaping Sales Sites in Canada.” *Globe Newswire*, October 31. Available at <https://www.globenewswire.com/news-release/2024/10/31/2972382/0/en/600-Online-Vaping-Sales-Sites-in-Canada.html>.

Criminal Intelligence Service of Canada. 2025. *Summary – 2025 Public Report on Organized Crime*. Available at <https://cisc-scrs.gc.ca/media/2025/2026-01-19-eng.htm>.

Dabaghi-Pacheco, Omar, and Ryan Garland. 2026. “It’s like on Amazon’: Illegal drugs advertised online, delivered by Canada Post.” CBC News, January 6. Available at <https://www.cbc.ca/news/canada/ottawa/like-amazon-illegal-drugs-advertised-online-delivered-canada-post-9.7033700>.

Department of Finance Canada. 2023. “Updated Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada.” Government of Canada, March. Available at <https://www.canada.ca/en/department-finance/programs/financial-sector-policy/updated-assessment-inherent-risks-money-laundering-terrorist-financing-canada.html>

Ernst & Young. 2023. *Contraband Tobacco in British Columbia, Ontario and Newfoundland & Labrador: Impact on Legal Sales and Provincial Tobacco Tax Revenues*. Ernst & Young, September. Available at <https://convenienceindustry.ca/wp-content/uploads/2024/09/EY-Report-on-Contraband-Tobacco-in-BC-Ontario-and-Nfld-September-2023.-FINAL.pdf>.

Ernst & Young. 2024. *Contraband Tobacco in Alberta, Manitoba, Quebec, New Brunswick and Nova Scotia: Impact on Legal Sales and Provincial Tobacco Tax Revenues*. Ernst & Young, October. Available at [https://convenienceindustry.ca/wp-content/uploads/2024/11/EY-Report-on-Contraband-Tobacco-in-Alberta-Manitoba-Quebec-New-Brunswick-and-Nova-Scotia.-October-2024.FINAL\\_.pdf](https://convenienceindustry.ca/wp-content/uploads/2024/11/EY-Report-on-Contraband-Tobacco-in-Alberta-Manitoba-Quebec-New-Brunswick-and-Nova-Scotia.-October-2024.FINAL_.pdf).

FINTRAC. 2022. “Operational alert: Laundering of proceeds from illicit cannabis.” Government of Canada, September. Available at <https://fintrac-canafe.canada.ca/intel/operation/cannabis-eng>.

German Federal Institute for Risk Assessment. 2022. “Health risk assessment of nicotine pouches.” Available at <https://www.bfr.bund.de/cm/349/health-risk-assessment-of-nicotine-pouches.pdf>.

Government of Canada. 2018. “Injuries and poisonings from vaping products including e-cigarettes.” Data Blog, October. Available at <https://health-infobase.canada.ca/datalab/ecigarette-blog.html>

Gouvernement du Québec. 2025. *Tobacco Control Act*. Available at <https://www.quebec.ca/sante/conseils-et-prevention/saines-habitudes-de-vie/mode-de-vie-sans-tabac/loi-concernant-la-lutte-contre-le-tabagisme>.

Health Canada. 2020. “Unauthorized nicotine buccal pouches may pose serious health risks.” Available at <https://recalls-rappels.canada.ca/en/alert-recall/unauthorized-nicotine-buccal-pouches-may-pose-serious-health-risks>.

Health Canada. 2023. “Consider the Consequences of Vaping: Online Self-Led Module.” Available at [https://healthcanadaexperiences.ca/wp-content/uploads/2023/09/4074\\_HC\\_Vaping\\_Online-Module\\_EN\\_02.pdf](https://healthcanadaexperiences.ca/wp-content/uploads/2023/09/4074_HC_Vaping_Online-Module_EN_02.pdf).

Health Canada. 2024a. “Vaping Compliance and Enforcement Report: April 2022 – March 2023.” Available at <https://www.canada.ca/en/health-canada/services/smoking-tobacco/vaping/compliance-enforcement/report-april-2022-march-2023.html>.

Health Canada. 2024b. “Vaping Compliance and Enforcement Report: April 2023 – March 2024.” Available at <https://www.canada.ca/en/health-canada/services/smoking-tobacco/vaping/compliance-enforcement/report-april-2023-march-2024.html>.

Health Canada. 2025a. “Unauthorized nicotine pouches may pose serious health risks.” Available at <https://recalls-rappels.canada.ca/en/alert-recall/unauthorized-nicotine-pouches-may-pose-serious-health-risks>.

Health Canada. 2025b. “Vaping Compliance and Enforcement Report April 2023 – March 2024: Manufacturers.” Available at <https://www.canada.ca/en/health-canada/services/smoking-tobacco/vaping/compliance-enforcement/manufacture-report-april-2023-march-2024.html>.

Health Canada. 2025c. “Only use authorized nicotine pouches as directed, and do not use unauthorized nicotine pouches.” Available at <https://recalls-rappels.canada.ca/en/alert-recall/only-use-authorized-nicotine-pouches-directed-and-do-not-use-unauthorized-nicotine>.

Health Canada. 2025d. “Talking with teens about vaping: A tip sheet for teachers.” Available at <https://www.canada.ca/en/health-canada/services/publications/healthy-living/talking-teens-vaping-tip-sheet.html>.

Kothawala. 2024. “It’s time to protect our youth from the threat of easily accessible, illicit nicotine pouches.” Available at <https://ccentral.ca/its-time-protect-our-youth-threat-easily-accessible-illicit-nicotine-pouches>.

Leuprecht, Christian, and Jamie Ferrill. 2023. *Dirty Money: Financial Crime in Canada*. Available at <https://queensu.scholaris.ca/server/api/core/bitstreams/7317c063-d5e8-4b91-ab17-be46d5776f72/content>.

Nova Scotia. 2021. “Illegal Vape Products Seized in Halifax Regional Municipality and Truro.” Available at <https://news.novascotia.ca/en/2021/12/20/illegal-vape-products-seized-halifax-regional-municipality-and-truro>.

Oldcorn, Christopher. 2025. How I bought illegal drugs, contraband on ‘Dark Web Supplies’. Available at <https://www.westernstandard.news/canadian/oldcorn-how-i-bought-illegal-drugs-contraband-on-dark-web-supplies/61287>.

Rothmans, Benson & Hedges. 2025. Ontario takes steps to address contraband tobacco. Available at <https://www.newswire.ca/news-releases/ontario-takes-steps-to-address-contraband-tobacco-860179100.html>

Revenu Québec. 2011. “Brief submitted to the Finance Committee on the study of measures to counter the consumption of contraband tobacco.” Available at [https://www.assnat.qc.ca/Media/Process.aspx?MediaId=ANQ.Vigie.Bll.DocumentGenerique\\_49365&process=Default](https://www.assnat.qc.ca/Media/Process.aspx?MediaId=ANQ.Vigie.Bll.DocumentGenerique_49365&process=Default).

Royal Canadian Mounted Police. 2025a. “Major seizure of drugs and contraband tobacco products.” Available at <https://rcmp.ca/en/bc/kelowna/news/2025/10/major-seizure-drugs-and-contraband-tobacco-products>.

Royal Canadian Mounted Police. 2025b. “Nearly \$500K in tobacco seized at the Cornwall border this spring.” Available at <https://rcmp.ca/en/news/2025/08/nearly-500k-tobacco-seized-cornwall-border-spring>.

Saanich Police. 2023. “Police Seize over \$100,000 in vape products being sold to youth.” Available at <https://saanichpolice.ca/2023/03/22/police-seize-over-100000-in-vape-products-being-sold-to-youth/#:~:text=On%20March%2017%2C%202023%2C%20with,content%2C%20and%20some%20tobacco%20products>.

Trend Micro Research. 2024. “The Fall of LabHost: Law Enforcement Shuts Down Phishing Service Provider.” Available at <https://www.trendmicro.com/en/research/24/d/labhost-takedown.html>.

Vaping Industry Trade Association. 2021. “Illicit Market Experts Weigh in on Overregulation.” Available at <https://www.youtube.com/watch?v=5UBkiPcqxvw>.

constructive *important* forward-thinking  
excellent *high-quality* insightful  
timely *active*

# GOOD POLICY

is worth fighting for.

---

## WHAT PEOPLE ARE SAYING ABOUT **MLI**

**MLI** has been active in the field of indigenous public policy, building a fine tradition of working with indigenous organizations, promoting indigenous thinkers and encouraging innovative, indigenous-led solutions to the challenges of 21st century Canada.

– The Honourable Jody Wilson-Raybould

I commend Brian Crowley and the team at **MLI** for your laudable work as one of the leading policy think tanks in our nation's capital. The Institute has distinguished itself as a thoughtful, empirically based and non-partisan contributor to our national public discourse.

– The Right Honourable Stephen Harper

May I congratulate **MLI** for a decade of exemplary leadership on national and international issues. Through high-quality research and analysis, **MLI** has made a significant contribution to Canadian public discourse and policy development. With the global resurgence of authoritarianism and illiberal populism, such work is as timely as it is important. I wish you continued success in the years to come.

– The Honourable Irwin Cotler

M A C D O N A L D - L A U R I E R I N S T I T U T E



323 Chapel Street, Suite 300,  
Ottawa, Ontario K1N 7Z2  
613-482-8327  
info@macdonaldlaurier.ca

[macdonaldlaurier.ca](http://macdonaldlaurier.ca)

