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New Economy Insights

Timely insights for a competitive Canadian economy.

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Canada's economic growth relies on electricity we don't have. Can we build it in time?

In short

- Reactive electricity planning — the traditionally conservative approach of waiting for demand certainty before investing in new infrastructure — has resulted in missed growth opportunities and placed economic constraints on Canadian communities.
- Canada is already investing in an economy predicated on the rapid expansion of clean electricity. Shifting from reactive to proactive electricity planning will unlock massive potential.
- Barriers to this shift are embedded in utility regulations, overseen by provincial governments.
- Provincial governments can enable proactive electricity planning by embedding economic growth into utility regulation, aligning incentives and responsibly supporting strategic grid investments, while protecting affordability for ratepayers.

The story in data

Industries that depend on abundant, clean electricity are driving Canadian jobs and investment.

48 **major projects** announced in electricity–intensive sectors since 2021.

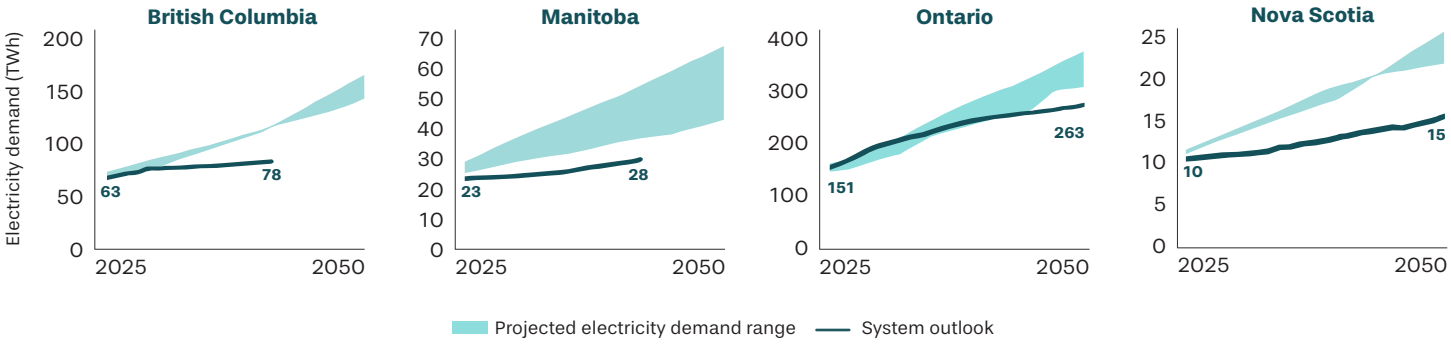
26,000 **full-time jobs** are expected from these projects.

$65 Billion

in announced investment tied to proceeding projects.

Source: Power at Risk

Provinces are where the rubber hits the road on electricity planning. But most provincial plans far undershoot national growth projections for electricity demand in a net-zero future.



Source: Forecasting Canada's Electricity Future

The breakdown

Canada is building an electrified economy. It needs an electricity system to match.

Canada has entered a period of electricity demand growth that hasn't been seen in generations. A new report from the Canada Energy Regulator shows that, under every imagined scenario, electricity will play an increasingly important role in powering Canada's economy. The Regulator's analysis shows that, by 2050, Canada is likely to need more than double the electricity supply we have today. Even lower-energy and business-as-usual scenarios require significantly more electricity to meet demand from data centres and electric vehicle adoptions.

Canada's national and provincial economic growth agendas are pinned to the expansion of sectors and projects that require access to abundant, clean electricity. That includes critical minerals mining and processing, battery supply chain and manufacturing, and next-generation steel. Current and planned investments in Canada's military capabilities — from increased quantum computing to a stronger Northern presence — will also spur electricity demand.

However, the actual plans to build out Canada's electricity system do not match anticipated needs. An analysis by The Transition Accelerator and Dunsky found that provincial electricity forecasts are likely underestimating future electricity demand in a net-zero future driven by industrial and digital load growth. Dunsky also notes that provinces are not sufficiently accounting for the expansion of data centres, the electrification of industry, or the production of clean fuels.

The opportunity we must seize

A modernized Canadian electricity system will open the door to increased jobs and investment. But failing to keep pace with demand will impose hard costs on the real economy. Based on an analysis of large-scale projects facing clean energy constraints, Dunsky estimates that **$110-$220 billion** in capital investment is at stake along with as many as **80,000 direct jobs.**

Delayed developments in Kelowna, B.C.

Multiple housing development projects in Kelowna have stalled due to uncertain electricity supply, putting housing availability, provincial funding, as well as local jobs and business at risk.

"Power supply constraints have been a simmering issue in our development community for years...the reality is hitting hard." – Jeremy Dawn, Founder and CEO, SNFLWR Investment Corporation.

Innovation on ice in Renfrew, Ont.

Insufficient grid infrastructure in Renfrew County is hindering growth in key sectors — advanced manufacturing, agriculture, forestry — and dampening investment in innovative biomass projects.

"Our efforts to find a solution to high electricity costs have been complicated by limited access to transmission lines that are at capacity in our region." – Roseburg Forest Products

Mining projects at stake in Labrador

Electricity capacity is the single largest determinant, and barrier, to Labrador's future as a major player in the global critical minerals market.

"If the clock [for new electricity] runs out, investment is going to walk away, and then we're going to be stuck in the same place we are right now. Where we have two maxed out power lines and no ability to grow." – Mayor Jordan Brown, Mayor of Labrador City

The root of the problem: reactive utility regulations

Electricity regulators worldwide operate with a similar mindset when it comes to building new infrastructure. *Build for the demand we know, not for the supply we might need.* This stems from deeply ingrained principles dictating that utilities should keep electricity rates stable, predictable, and should minimize changes that could adversely affect ratepayers (i.e., the people and businesses that pay electricity bills).

If the number one job of utilities is to protect "steady as she goes" electricity rates, a conservative approach to planning and building new supply and infrastructure, reliant on demand certainty, follows. Why? Because if utilities overbuild, if they have the capacity to churn out more electricity supply than the market consumes or have underutilized grid infrastructure, ratepayers bear the cost. There are good reasons to avoid this risk, including political ones. More than one election has turned on the issue of electricity rates and rising bills.

This helps explain why reactive planning is so common across Canada's diverse provincial electricity systems. How this approach is articulated, enshrined, and enforced looks different from province to province.

In some provinces, reactive planning is explicit and hard-wired. For example, in Newfoundland and Labrador, the 1994 Electrical Power and Control Act stipulates that electricity must be delivered "at the lowest possible cost consistent with reliable service." Meanwhile, provinces like British Columbia, Nova Scotia, Manitoba, and Quebec limit proactive planning more implicitly through prudence-based constraints. That includes, for example, requiring investments to be immediately justifiable, tying cost recovery to current or near-term use, and/or assigning greater penalties for overbuilding than underbuilding.

Proactive innovations are necessary

What's become increasingly obvious over the past year is that provinces cannot run "build baby build" electricity mandates on reactive operating systems. Expanding electricity capacity is not only about supporting regional economic growth, it has become a matter of national importance on par (and aligned) with protecting our sovereignty and competitiveness. Canada's strategy to double the size of its grid will be driven by and rely on provinces to build and modernize electricity systems, which will necessitate investments in new generation, storage, demand-side management, and interprovincial transmission infrastructure.

Achieving this outcome requires a shift in how provinces think about and regulate electricity infrastructure — from building in step with (or just behind) demand, to building in anticipation of it. Ontario's Bill 40, passed in 2025, begins to address this by codifying "economic growth" as a new objective to consider in planning. As Ontario Energy Board CEO, Carolyn Calwell, explained in a recent speech to the Ontario Energy Network, this change is a balancing act with cost. "As we think about our economic growth mandate, we must also consider system costs on ratepayers; affordability...Conversely, can we afford to take the risk of underbuilding?" she asks. Ultimately, she concludes, these are tensions Ontario must, and is, grappling with to meet this historic moment.

> ***"We are in an era where it is not possible to overbuild electricity infrastructure. We need it to unlock and unleash wealth creation across this country. It's time to stop thinking about electricity as a cost and start thinking about it as an investment in the Canadian economy and society."***
>
> Colleen Giroux-Schmidt,
> Senior Vice President, Development, Western Canada and Federal Government Affairs, Innergex Renewable Energy

The upshot: how utilities can build proactively

Provincial governments can explicitly direct regulators and utilities to build proactively and responsibly. That means integrating economic growth imperatives into electricity plans, alongside considerations for affordability and reliability. While each province will need to identify where and how to embed anticipatory electricity planning into their regulatory regimes, current efforts offer tangible examples of what this shift can entail.

Derisking growth with provincial backstops – To responsibly expedite the building of its North Coast Transmission Line, British Columbia committed to absorb potential costs associated with "overbuilding" to ensure they do not adversely affect ratepayers.

Integrated resource planning – Ontario is bringing together all provincial energy utilities to develop a common picture of growth based on the same set of assumptions and coordinated models. The aim is to "right-size" builds and enable cost-effective fuel switching. British Columbia aims to increase the frequency of integrated resource planning to enable faster response times to changing future demand trends.

Aligning incentives – Ensuring utility incentives are aligned with the province's desired outcomes is key to success. In Ontario, this includes addressing existing remuneration practices that reward high-cost capital builds over lower-cost energy saving technologies.

Enabling DERs – Ontario is enhancing the adoption of distributed energy resources (DERs), from rooftop solar and small-scale wind to local energy storage, in order to strengthen the grid and create consumer benefits. British Columbia is also incorporating DERs into its planning, and has a strong opportunity to take this further.

Ultimately, proactive electricity planning is not about abandoning the principle of prudence that has guided the growth of modern utilities. Rather it is about redefining that principle to protect not only today's ratepayers, but Canada's economic prospects.

About New Economy Canada

New Economy Canada is a non-partisan alliance uniting 70 companies, labour unions and Indigenous organizations, all committed to building Canada's clean economy. Our partners represent a mix of new and traditional industrial sectors who are acting to unlock the power of resilient and affordable clean energy and technology to grow investment, jobs and energy security. Our partners employ or represent over 485,000 workers and generate annual revenues over $200 billion CAD.

New Economy Canada.

About Innergex Renewable Energy

For more than 35 years, Innergex has been helping create a better world with renewable energy. Proudly headquartered in Canada, Innergex develops, owns and operates hydroelectric, wind, solar and energy storage facilities across Canada, the United States, France and Chile. The company has interests in 90 operating facilities representing 4,424 MW of gross installed capacity, nearly 2,000 MW under construction and development, and a growing prospective portfolio approaching 12,000 MW.

INNERGEX

New Economy Insights is a new series of short, business-focused briefs from New Economy Canada and our partners, designed to inform decision-making as Canada's clean economy grows. Each insight explores key issues — from electricity and electrification to critical minerals and clean development – through the lens of business, labour, and Indigenous leadership.

By turning complex challenges into clear, practical insights, the series aims to support smarter policy, stronger investment decisions, and faster progress toward a competitive Canadian economy.