SEPTEMBER 2026

Canada's New Capital Playbook

How five key sectors show what's possible

McKinsey & Company

RBC Thought Leadership

The world has entered a new chapter of capitalism. More savings are flowing into new sectors and frontier technologies. More governments are leveraging their balance sheets again to direct economies. And more investors are looking anew to a range of mid-sized economies and resource basins to hedge against geopolitical disruptions.

Canada is at the centre of it all, competing for the trillions of dollars of capital at play.

Ahead of the Canada Investment Summit, in Toronto in September, RBC Thought Leadership and McKinsey & Company teamed up to assess the new global map of capital and Canada's place in it. This unprecedented project is built on the McKinsey Global Institute's seminal report, Catalyzing competitiveness: Where investment happens and why, which reframed the competitiveness question around a simple test: where is productive capital being invested, and why? Its analysis looked beyond broad measures of competitiveness to the economics of real investment decisions across sectors.

A McKinsey & Company and RBC Thought Leadership research team layered on to that methodology a rich set of Canadian insights and data. We sought to understand how investors might assess Canada when deciding where to put their next dollar of capital. The resulting research illustrates that Canada is quite competitive with its peers, particularly when it comes to some key future-focused sectors.

The report aims to help public- and private-sector leaders better understand this new age of capital-and Canada's opportunity in it.

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Key findings

- **Global capital is scarcer and increasingly channelled to a handful of innovative sectors.** About three-quarters of announced foreign direct investment (FDI) since 2022 has gone to data centres, semiconductors, electric vehicles (EVs) and batteries, pharmaceuticals, and enabling industries, such as critical minerals and energy.

- **The global capital map is shifting with middle powers, such as Canada, emerging as heavyweight investors.** The Capital 10 (C10), the ten largest players outside the U.S. and China, produce one-fifth of global GDP but control 43% of outward FDI, far more than the U.S. and China combined despite having half the economic mass.[1] The C10 also comprises Japan, Singapore, Germany, France, Australia, Spain, Brazil, Sweden, and South Korea.

- **These global shifts have resulted in many large, institutional investors looking to diversify.** Greater returns, speed, certainty and market access are key ingredients to success. But the competition for global capital has never been more intense.

- **Canada could become the G7's growth leader if it changes its playbook.** Unlocking $1 trillion in incremental capital expenditure over five years could translate into $950 billion in GDP and up to 1.4 million direct jobs.

- **Canada has a powerful story to tell as an investment hub.** Canada, abundant in resources, is most competitive where power costs dominate. However, it will need to raise its game on labour costs and scale economics. The country can capitalize on several opportunities, including in these five sectors:

  a. **Liquefied natural gas:** Canada's west coast sits at one of the cheapest cost-levelized positions for LNG producers exporting to Asia, and its east coast is strategic for European nations seeking to diversify their energy supply.

  b. **Mining:** Canada combines an enviable endowment with deposits that are competitive to operate, a skilled workforce, a dense supplier base, and research partnerships that it can leverage to scale its established industries (potash and uranium) and minerals that are critical to meeting projected global demand shortfalls (copper, nickel, and zinc).

  c. **Electric vehicles:** Canada could transform into a tech hub by focusing on high-value auto components (powertrains, electronics, battery systems, and software-intensive parts), increasing its potential for export diversification.

  d. **Pharmaceuticals:** Canada ranks favourably relative to the U.S., Ireland, and Germany on manufacturing costs per unit and could leverage its highly skilled labour force built from a network of world-class universities and hospitals.

  e. **Data centres:** Canada could become a preferred data-centre location with its cool climate, available land, relatively low-cost energy, grid stability, and skilled construction workers. Levelized costs to build a data centre in Canada stands at $190 per megawatt hour (MWh), compared with $242 for the U.S.

Chapter 1

The global capital map is shifting

The geopolitical realignment currently unfolding has dramatically changed how investors assess risk and rewards, with many institutional players with large pools of capital looking to diversify. For proof, look no further than the Canada Investment Summit, attracting some of the world's biggest investors, with a total of more than $100 trillion under management.

With so much capital in search of a new home, and nation building very much in style, competition is heating up. Many countries, looking to shore up their domestic economies, are trying to create the necessary conditions to attract large amounts of foreign direct investment (FDI) to fund critical infrastructure and technology. The big winners will be those who best combine higher returns with speed, certainty and market access.

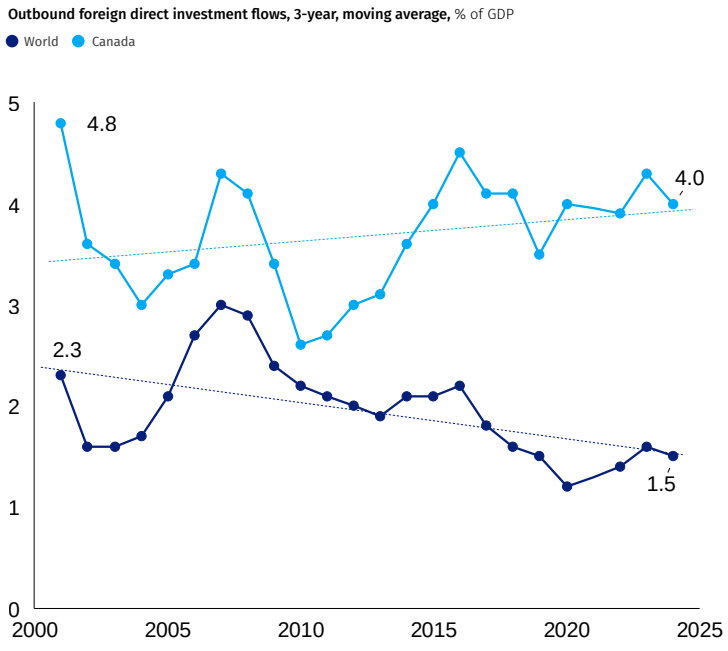
Canada is well positioned for this new dynamic.

Our analysis indicates that with some changes to its playbook, Canada could unlock $1 trillion in incremental capital expenditure in the next five years, transforming the country into the G7's GDP growth leader. That scale of investment implies a 10-15% increase in GDP per capita and up to 1.4 million direct jobs.

Exhibit 1

Canada's foreign direct investment presence is rising, even as global foreign direct investment shrinks.

Outbound foreign direct investment flows, 3-year, moving average, % of GDP



Source: RBC Thought Leadership analysis of UN Trade and Development

But before diving into what it will take for Canada to capitalize on this generational opportunity, it's important to zoom out. When you do, it becomes clear that global capital is caught in three crosscurrents, each pulling in a different direction.

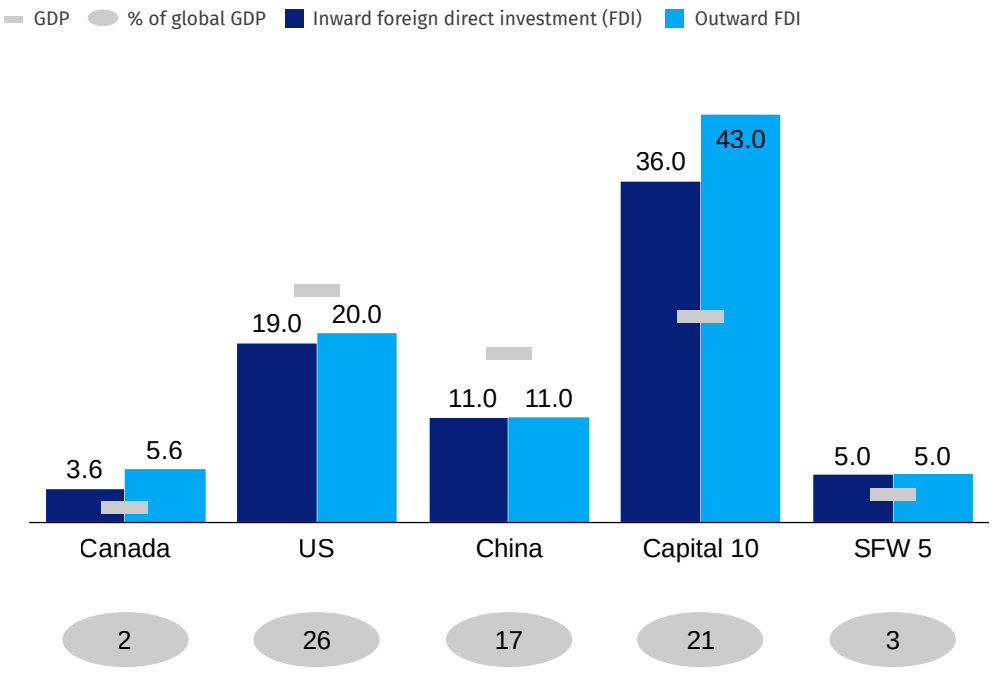
First, global FDI is becoming scarcer and concentrating in future-shaping industries (Exhibit 1). Data centres, semiconductors, electric vehicles and batteries, pharmaceuticals, and enabling industries such as critical minerals and energy have absorbed roughly three-quarters of announced greenfield FDI since 2022.

Second, the U.S.—long the world's biggest destination for FDI—is changing politically and turning inwards. Strong domestic capital expenditure in the U.S., reinforced by efforts to strengthen America's investment competitiveness in new and old sectors, has meant Corporate America is investing more at home (Exhibit 2). The world's biggest sources of capital have also invested heavily in U.S. assets, drawn by its deep capital markets and impressive returns. The U.S.'s share of Canada's outbound FDI, for example, is now 36%, up from 11% over the past two decades. Many global institutional investors are eyeing new avenues to park their capital.

Exhibit 2

Capital and economic weight have decoupled.

Average FDI and GDP, 2022–24, % of the global total



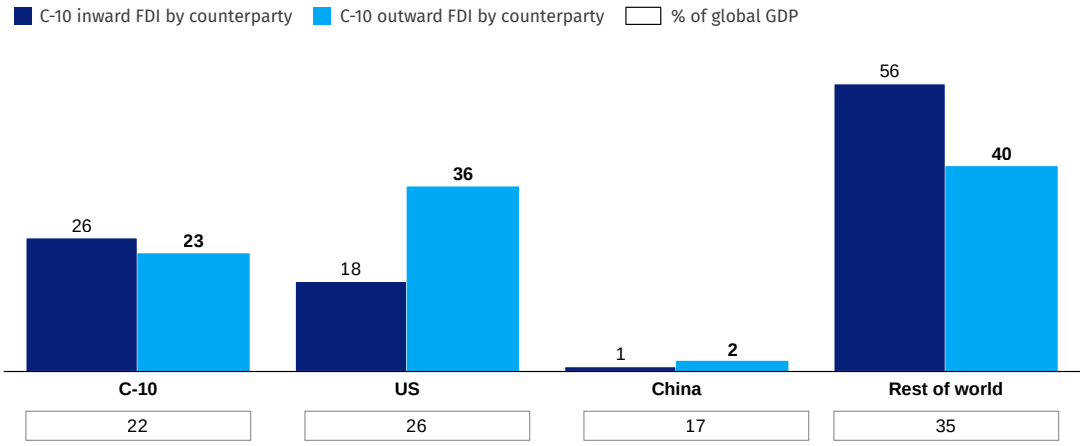
Note: Hong Kong has been removed from Capital 10 because of its status as a tax conduit for Chinese capital.
Source: RBC Thought Leadership analysis of UN Trade and Development

Third is the rise of what we're calling the Capital 10, or C10, comprising the ten largest sources of foreign capital outside of the U.S. and China. The group of middle-power nations—Canada, Japan, Singapore, Germany, France, Australia, Spain, Brazil, Sweden, and South Korea—has quietly become the super heavyweight in global FDI (Exhibit 3). Collectively, these countries produce a fifth of global GDP but control 43% of global outward FDI—over 40% more than the U.S. and China combined, despite having half the economic mass.

Exhibit 3

The C-10 export more than twice as much capital to the US as they import.

Average source and destination for Capital 10 (C-10) foreign direct investment (FDI), 2022–24, %



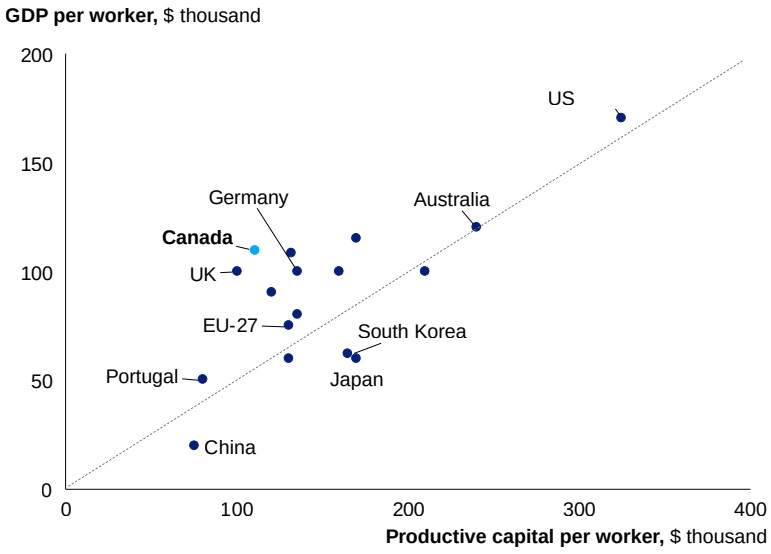
Source: GDP and FDI from UNCTAD in Millions of Current $USD. Processed by RBC Thought Leadership.

Canada is in a unique position within the C10. In recent years, the country has attracted 3.6% of global inward FDI against just 2.0% of global GDP (and is punching even further above its weight on outward FDI, at 5.6%).[2] But relative to its potential—abundant resources, a highly educated workforce, and clean, affordable power—Canada remains an underinvested jurisdiction.

Exhibit 4

Canada uses capital efficiently, but the capital base is thin and expanding slowly.

GDP and productive capital per worker, 2024



Source: Statistics Canada; Australian Bureau of Statistics; Eurostat; Japan e-Stat; IMF; KOSIS (South Korea); Penn World Table; UK Office of National Statistics; US Bureau of Economic Analysis; World Bank; McKinsey Global Institute analysis; RBC Thought Leadership

Despite its many strengths, Canada's domestic investment has trailed peers. Canada's capital stock per worker is roughly $125,000, the fourth lowest among peers and well below the U.S. ($337,000) (Exhibit 4). And though Canada's GDP per worker ranks fourth highest in the same group, giving Canada the second-most-efficient capital-to-output ratio in the set, the country invests too little to sustain it. Domestic capital expenditures stand at 15% of GDP, tied with the U.K. near the bottom of the peer group. On a net basis, after depreciation, Canada's investment rate falls to just 1.6% of GDP, the third lowest of the peer group (Exhibit 5).

Canada has been doing more with less, but that's not a sustainable growth strategy. Increasingly, Canadian capital is finding its way abroad (Exhibit 6).

Reversing that trend requires a reset.

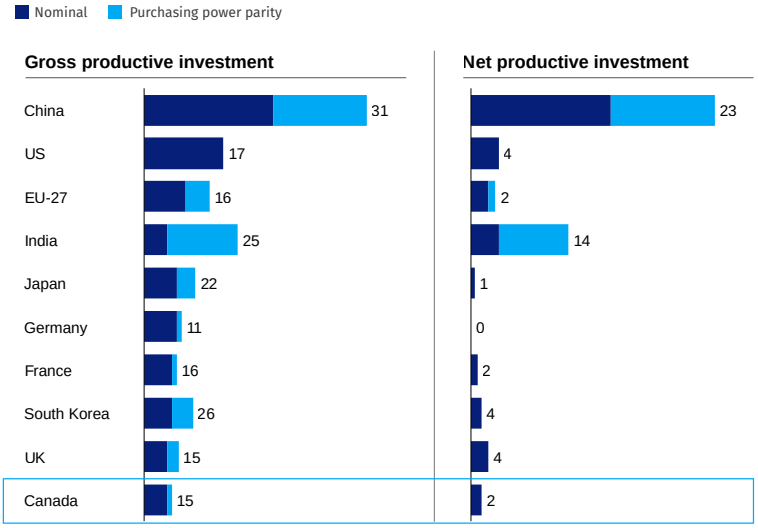
To attract fresh capital, Canada will need to pivot toward and scale new industries. Two decades ago, thanks to the oilsands boom, oil and gas was the dominant inbound industry in Canada by a wide margin—39 cents of every inbound dollar. Today, it's two cents.[3] In contrast, Canadian institutional investors and corporations have become major participants in the global AI and data-centre build-out, causing outbound Canadian investment in data centres to hit $20 billion in 2025—a sum that nearly equals cumulative inbound data-centre investment since 2005.[4] Some of that domestic capital seeking high-tech opportunities abroad could be redirected back home, given the right conditions and returns.[5]

Realizing this potential will also require Canada to improve its investment attractiveness at the industry level and address the constraints limiting capital formation. The next chapter examines five future-shaping industries to highlight Canada's investment competitiveness against its peers.

Exhibit 5

Canada underinvests in both gross and net productive investments.

Canada's investments, % of GDP

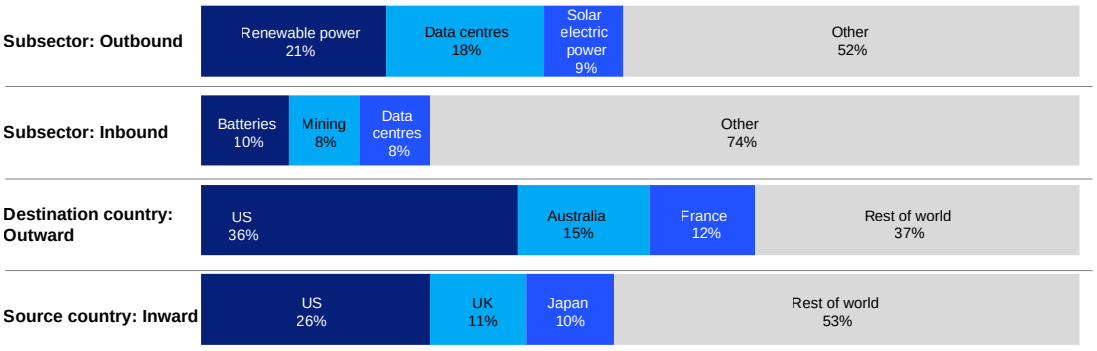


Source: OECD; S&P Global Market Intelligence; Eurostat; national statistical agencies; World Bank; Statistics Canada; McKinsey Global Institute analysis; RBC Thought Leadership

Exhibit 6

Sources of investment into Canada have diversified.

Top 3 sources and destinations of CanTada's greenfield foreign direct investment, by country and subsector, 2023–25, %



Source: fDi Markets via Financial Times. Processed by RBC Thought Leadership.

Chapter 2

Canada's FDI opportunities

So where might greenfield capital expenditure find a Canadian home?

This chapter examines a handful of sectors where FDI can realistically move. The selections were filtered using the McKinsey Global Institute's three archetypes that determine investment destinations, of which Canada has all three:

1. *Anchored* (resilient, localized), meaning tied to a geography by resource endowment, domestic demand, or regulation

2. *Footloose* (cost-competitive, traded), or sited on global cost competitiveness and sensitive to input costs, tariffs, and transport;

3. *Arenas* (growth, innovation), which are clusters where talent, capital, and infrastructure already co-locate.

We looked at productive, traded-activity-only sectors and excluded those with the added complexity and policy implications of limits to ownership (such as banking, telecommunications, broadcasting, airlines, and rail). The result: five sectors spanning the three archetypes:

- **Liquefied natural gas (LNG) and mining** (anchored, with Canada's endowment the draw but the constraint of getting projects built)

- **Electric vehicles and pharmaceuticals** (footloose, where Canada competes on delivered cost and proximity to the U.S., against active U.S. incentives)

- **Data centres** (arenas, where Canada competes on power, land and speed, against a U.S. market already building at scale)

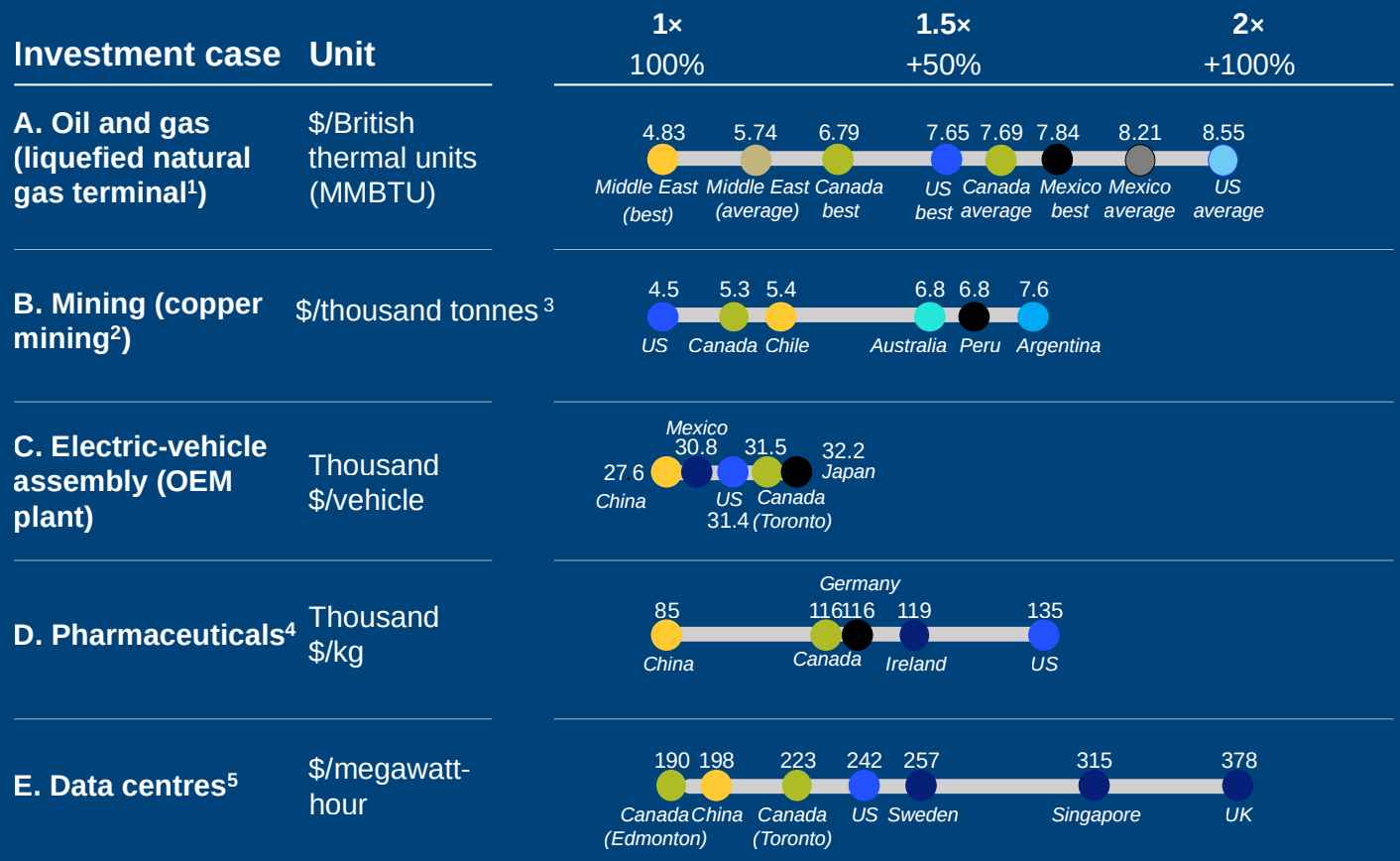
These sectors were selected not because we believe they represent Canada's highest-potential investment opportunities, but because, together, they span different investment archetypes and provide a useful lens on Canada's underlying competitiveness as a destination for investment.

While Canada's cost-competitiveness varies across these sectors (Exhibit 7), myriad inherent advantages provide the country with the opportunity to expand its presence. The balance of this chapter provides an overview of each sector, outlining the investment opportunity for Canada, while the appendix to this report has more detailed analyses.

Exhibit 7

Canada's levelized cost across projects will be benchmarked against select country base cases.

Levelized cost comparison across regions and investment cases, before taxes and direct subsidies

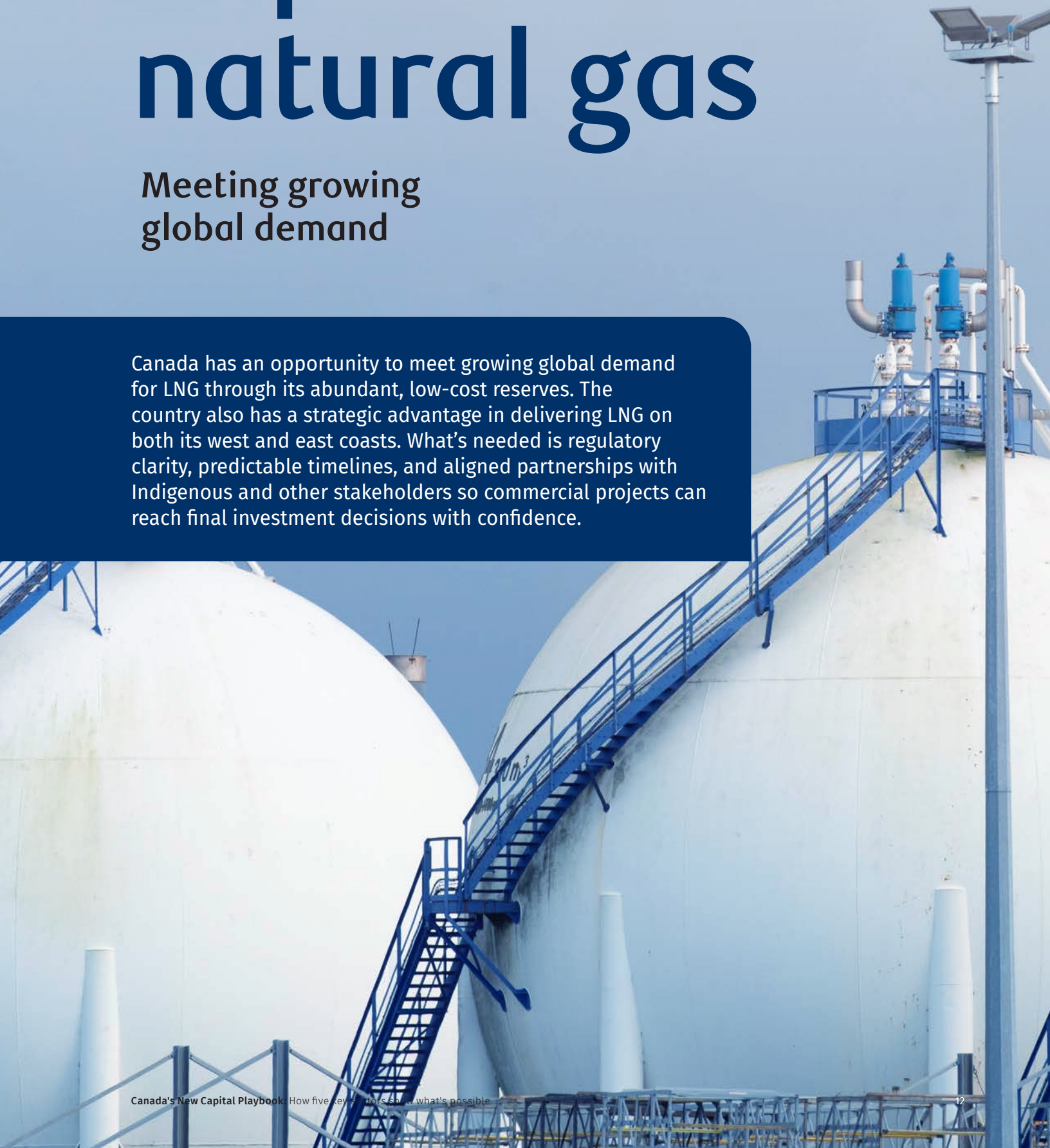


Note: Benchmarks are the least expensive market in a category.
[1]Full cycle cost of pre–final investment decision and delivered ex ship to Asia. [2]Average of a country's Greenfield copper projects including gross operating cost including sustaining capital, net of by-product credits, plus growth capital spread over life-of-mine payable output. Undiscounted with no return of capital. [3]All in, including growth capital. [4]1,200 kg monoclonal antibody drug substance production plant. [5]Full cycle cost of pre–final investment decision and delivered ex ship to Asia. [5]100 MW, colocated data centres, excluding chips.
Source: McKinsey Global Institute analysis

Liquefied natural gas

Meeting growing global demand

Canada has an opportunity to meet growing global demand for LNG through its abundant, low-cost reserves. The country also has a strategic advantage in delivering LNG on both its west and east coasts. What's needed is regulatory clarity, predictable timelines, and aligned partnerships with Indigenous and other stakeholders so commercial projects can reach final investment decisions with confidence.



Behind the opportunity

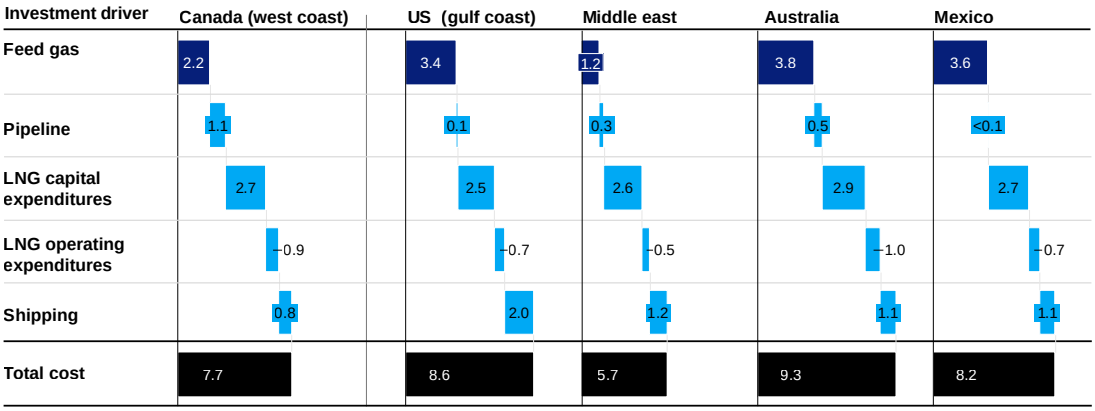
Global demand for LNG is expected to increase to nearly 800 million tonnes a year by 2050, an increase of around 75% from 2025 levels. Current project timelines and the global locking-in of long-term contracts suggest a major global LNG supply gap may emerge after 2033 (even before the pre-2026 Strait of Hormuz crisis).

When delivering to Asia, Canada's west coast sits at one of the cheapest cost-levelized positions for LNG producers; its east coast is strategic for European nations seeking to diversify from current low-cost but geopolitically high-risk suppliers (Exhibit 8).

Exhibit 8

Canada's levelized costs for liquefied natural gas are lower cost than most jurisdictions, but above the Middle East.

Levelized cost of producing liquefied natural gas (LNG) from a pre–final investment decision (pre-FID) project, $/mmbtu, crude oil $70/bbl, HH $3.5/mmbtu,[1] DES to Asia, 20-year payback period



[1] Weighted average (weighted by capacity) of pre-FID decision projects selected in the funneling process; Delivery ex-ship; Excludes projects currently facing difficulties in terms of technology, sanctions, financing or stakeholder alignment (including Russian, Iranian, and other projects); Send out capacity at 95% of nameplate capacity.
Source: McKinsey Energy Solutions

Canada's LNG is also relatively low-emission. Canada is designed to produce at about 0.15 tonnes of CO2 equivalent per tonne of LNG versus a global average of around 0.35, while fully electrified British Columbia projects are even lower (at around 0.02–0.08 tonnes).[6] These emission advantages reflect Canada's cold climate and the use of low-carbon hydroelectricity to power liquefaction.

Increasing Canada's LNG output to 56 million tonnes per annum (MTPA) – the capacity level modelled in a 2020 Conference Board of Canada scenario – is estimated to add more than $11 billion annually to GDP, create 96,600 jobs, and generate more than $90 billion in government revenue to 2064.[7] These benefits extend across the country but also depend on terminals being built—and to fill a terminal, producers drill and process more gas, sustaining $8 billion to $10 billion per year of capital spending, jobs, and royalties.[8]

A secondary benefit is environmental. The stringent regulatory and measurement standards Canadian oil and gas producers operate under results in upstream methane leakage rates lower than many global competitors—the country's LNG is among the lowest-emission in the world. If it can displace coal in Asian power generation, for example, natural gas could reduce CO2 per megawatt hour by 50–60%,[9] an important reduction in global emissions.

Canada can position itself to meet upcoming demand by streamlining regulatory approvals and increasing clarity to prevent schedule delays that previously led to cancelled investments. Project viability now also hinges on modern stakeholder alignment, including effective Indigenous partnerships and the reconciliation of capacity growth with net-zero mandates to ensure Canada exports a premium, low-carbon energy product that meets environmental and social considerations.

For a deeper dive on liquefied natural gas visit page 26

Mining

Unlocking critical reserves

Canada has significant mineral reserves waiting to be unlocked, not only in areas in which it is already an established leader (such as potash and uranium) but also in those critical to meeting projected global demand shortfalls (such as copper, nickel, and zinc).[10] The latter cluster in remote northern districts, where success depends on shared roads, power, and logistics, not mine-by-mine investment. Investing in shared corridor infrastructure and streamlined, district-scale permitting could move many projects forward at once.

Behind the opportunity

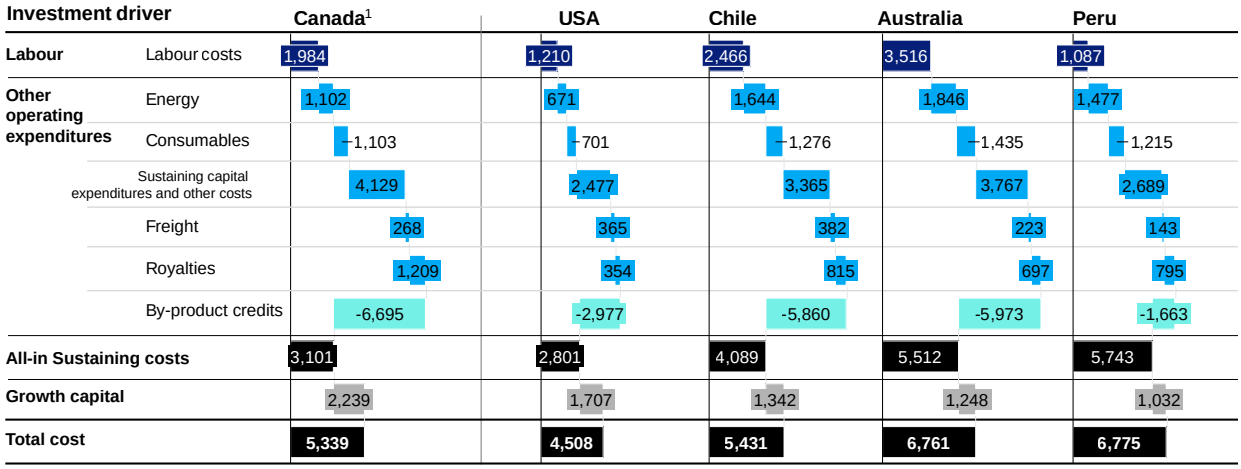
Global demand for copper and nickel are forecast to outstrip supply in the years ahead driven by projected demand from electrification, grid build-out, data centres, and defence.

Although capital costs are higher, Canada combines a first-rank endowment with deposits that are competitive to operate, a skilled technical workforce, dense supplier base, and research partnerships (Exhibit 9). It has 1,097 listed mining issuers, or about 40% of the world's listed miners, and in 2024 saw about $10.4 billion in mining equity raised.[11]

Exhibit 9

Canada's levelized cost for greenfield copper projects are lower cost than most jurisdictions, but not the United States.

Levelized cost of producing a metric ton of copper from a greenfield mining project, $ per thousand metric tons of copper produced[1]



Note: Figures may not sum, because of rounding.
[1]The average of a country's greenfield copper projects including gross operating cost and sustaining capital, net of by-product credits, and growth capital spread over life-of-mine payable output, undiscounted with no return of capital.
Source: McKinsey MineSpans

In 85 identified Canadian development projects with a publicly disclosed resource or reserve and an identifiable development concept, 88% of pipeline value sits within 18 districts with geographic proximity and shared infrastructure needs. The bottom line: Investment in infrastructure can unlock development, as can more-streamlined permitting and regulatory processes (for example, by resolving Indigenous participation and equity at district scale rather than project by project). Indeed, Canada averages 20.4 years from discovery to production, versus 13.3 years in Australia, and lead times have nearly tripled in three decades.[12]

Addressing the infrastructure gap and creating more certainty in permitting and regulatory process, could help make Canada's resources both more accessible and affordable. For example, today, northern mines carry operating costs 30–60% higher, while critical mineral projects more than 50 kilometres from transmission record more than three times the capital cost of those within it.[13]

Productivity gains could also be pursued at existing operations. North American mining productivity has been flat since 2018. Copper mill-head grades fell 17% between 2012 and 2024. Costs are forecast to rise 23% through 2035, and 78% of projects ran over on cost or time between 2003 and 2023. The cost base concentrates in five categories—sustaining capital, maintenance and spares, energy, consumables, and labour—and AI, automation, and electrification can address each.[14]

For a deeper dive on mining visit page 32

Electric Vehicles

Canada's sum is in the parts

Canada is competitive in EV assembly, but the more attractive opportunity is upstream in high-value auto components such as powertrains, electronics, battery systems, and software-intensive parts that leverage the country's precision engineering and supplier capabilities.

Behind the opportunity

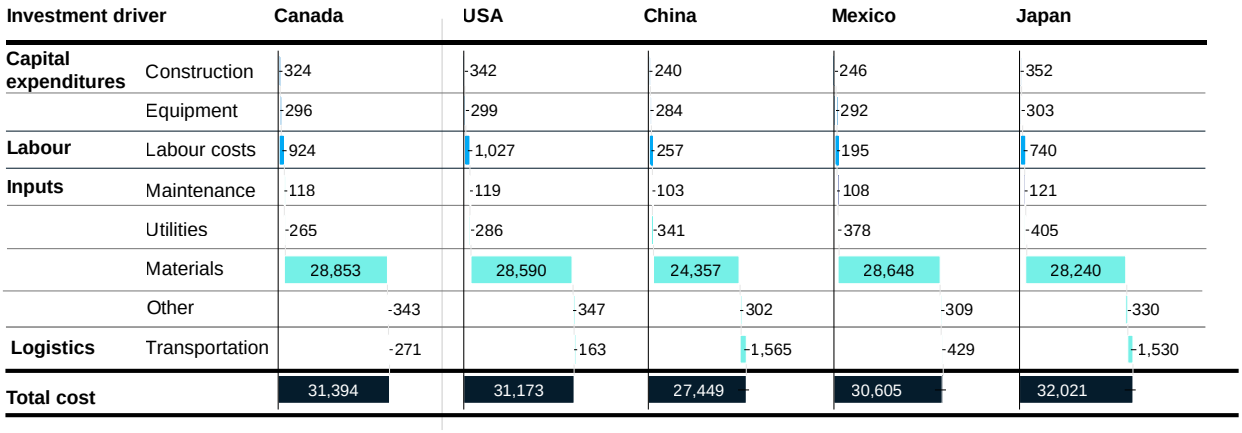
Leaning into components would better protect against tariffs, competition from China, and possible wage convergence. Canada already has the base: a world-class supplier ecosystem, strong automotive R&D, access to critical battery minerals, and lower-cost low-carbon power.

The country's competitiveness in full-vehicle assembly has been slipping—automotive assembly declined by 44% for Canada between 2010 and 2024 (auto parts increased by 9%). And Canada's competitive edge in labour is lower compared with some jurisdictions, including Mexico, and may not be durable compared with the U.S. over time (Exhibit 10).

Exhibit 10

Canada's levelized cost for electric vehicles is very similar to the United States, as lower labour costs and higher logistics costs offset effects.

Levelized cost of manufacturing of electric vehicles,[1] $ per vehicle before taxes and direct subsidies



[1]Includes manufacturing of electric vehicles across stamping, the body shop, the paint shop, and assembly stages of production.
Source: S&P Global Market Intelligence; McKinsey and McKinsey Global Institute analysis

Evolving beyond manufacturing cheaper, commoditized car parts allows Canada to commercialize its own IP in high-value parts of the supply chain such as advanced software, proprietary battery diagnostics, and specialized recycling tech.

Focusing on the EV aftermarket could unlock continuous, high-margin re-occurring revenue over a vehicle's lifespan. It could transform Canada into a sophisticated technology hub.

Expanding into high-end components could lower the barrier to entry for entrepreneurial innovation relative to assembly, allowing Canada to rapidly scale local tech, build specialized competencies, and attract foreign investment.

It also increases the potential for export diversification. Components are cheaper and easier to transport than multi-tonne vehicles. This could allow Canada to contribute to production models globally, especially in Europe and Asia, where sales of EVs are projected to grow the most—all while reducing the industry's overreliance on the U.S.

For a deeper dive on electric vehicles visit page 37

Pharmaceuticals

Converting innovation to commercialization

Canada can capitalize on accelerating demand for biologics—products made from living organisms—by securing major manufacturing facilities and, in tandem, address its longstanding challenge of converting innovation to commercialization. More broadly, strengthening Canada's pharmaceutical manufacturing base can support both domestic health security and participation in resilient global supply chains, while biologics represent a particularly attractive opportunity to build on Canada's existing scientific and manufacturing capabilities. Canada can become a second manufacturing base alongside the U.S. or European hubs as investors add North American capacity and global manufacturers seek cost-competitive sites for expansion.

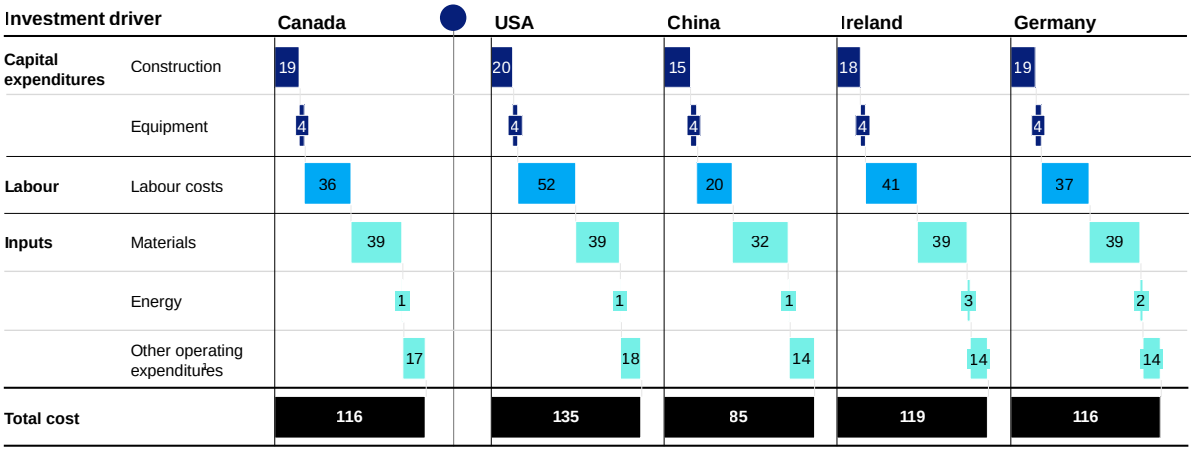
Behind the opportunity

Canada ranks favourably relative to the U.S., Ireland, and Germany on manufacturing costs per unit (Exhibit 11). The country has a highly skilled labour force built from a network of world-class universities and hospitals, as well as an existing pharma presence. It also offers access to the world's two largest pharmaceutical markets—the U.S. and Europe.

Exhibit 11

Canada's levelized cost for pharma is less than the United States, in line with Europe, but above China, with labour being the driving factor.

Levelized cost of producing a monoclonal antibody drug substance, $ thousand/kg before taxes and direct subsidies



Note: Figures may not sum, because of rounding; Country benchmarks are based on Toronto (for Canada), North Carolina (US), Dublin (Ireland), and country averages for China and Germany.
[1]Including quality (consumables), production, logistics, overhead, IT, licensing, and other.
Source: S&P Global Market Intelligence; McKinsey analysis; McKinsey Global Institute analysis

While Canada's pre-tax operational costs are the lowest in this peer group, this advantage can narrow on a post-tax basis; ultimate site selection often depends on the integration of federal and provincial government incentive packages.

Canada's existing pharma base includes both innovative products and generics. The country could attract life sciences FDI by offering a single unified pitch: Canadian IP priority (that is, the right of first refusal), its competitive cost positioning, a coordinated Health Canada review path, consolidated provincial payor approvals, and privileged access to public research institutions that produce skilled labour for advanced manufacturing.

If done well, Canada could commercialize and retain more of its IP. The country's domestic capital participation historically drops from 42% in early-stage rounds to 24% in late-stage rounds, with 75% of exit investors being foreign,[15] meaning the country's companies exit prematurely, exporting their IP and value.

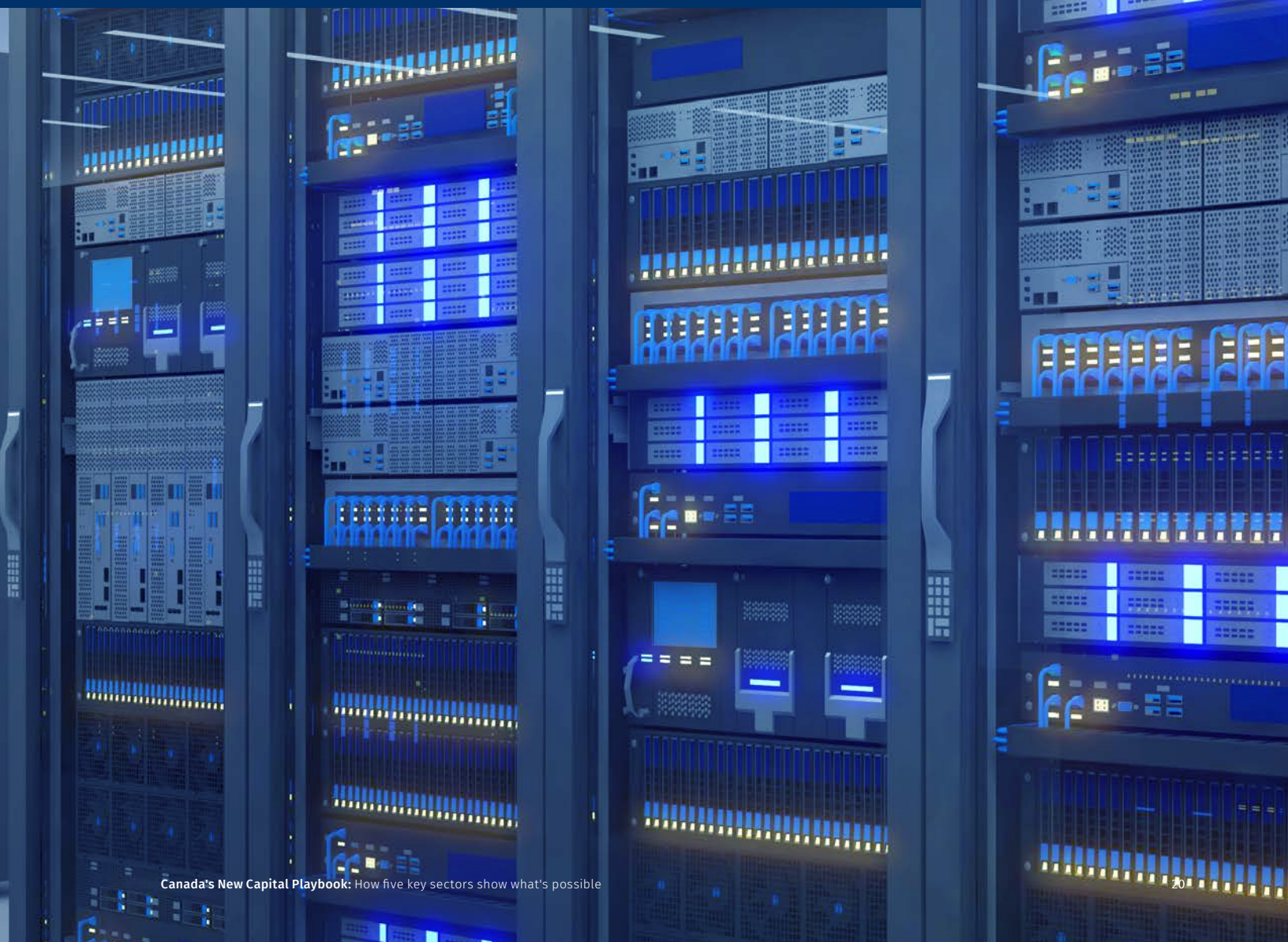
Contract development and manufacturing organizations (CDMOs) choose sites based on production cost, regulatory track record, technical labour depth, and qualification speed. Canada is attractive on these criteria. Acting now could help the country gain a leadership position as a qualified Canadian CDMO base for antibody-drug conjugates (ADCs), training the operators, processes, and supplier networks. This may give manufacturers a reason to maintain development and clinical work in the country.

For a deeper dive on pharmaceuticals visit page 42

Data centres

Shaping the new economy

Canada can participate in shaping the global AI and supercomputing economy while securing its own national security and digital sovereignty through investment in data centres. With its cool climate, available land, relatively low-cost energy, grid stability, and skilled construction workers, the country can also use data centres to support downstream capture of value through talent, IP, and AI adoption across the wider economy.



Behind the opportunity

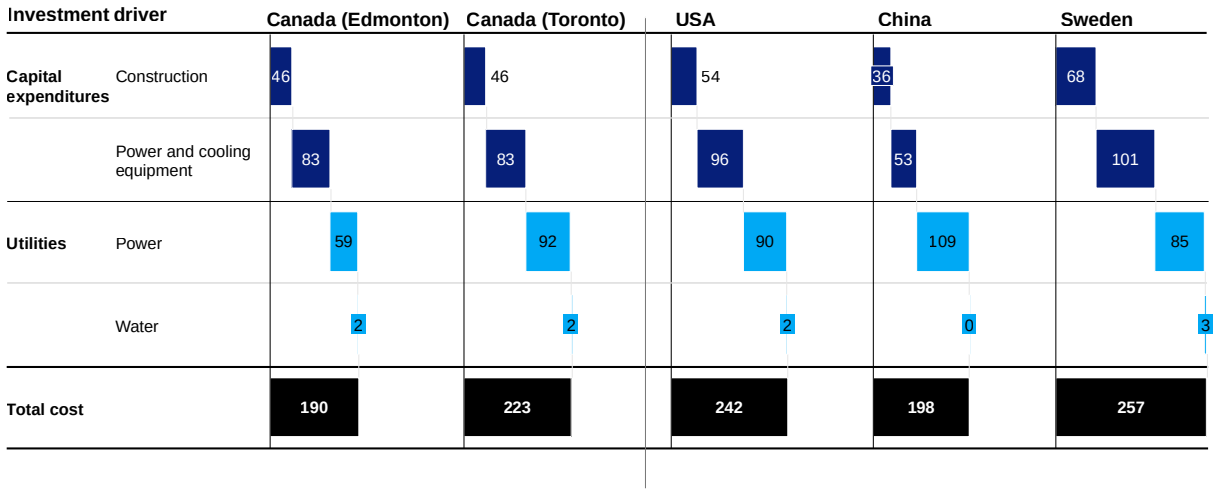
Global data-centre demand—measured by the energy required—is expected to roughly triple by 2030, to 278 gigawatts from around 82 gigawatts, with AI accounting for about 70% of that growth.[16] It's estimated that the cumulative investment in facilities alone could exceed US$2 trillion to US$2.5 trillion through 2030, multiplying to US$8 trillion to US$10 trillion once compute and IT hardware is included.

Canada has several competitive advantages when it comes to becoming a preferred data-centre location. The country is cost-competitive, with low-cost power on a current grid that is relatively low-carbon (Exhibit 12), a cool climate, and grid stability. It also has available land, with the opportunity for some AI data centres (including those for training) to be built away from metropolitan areas, opening parts of Canada previously less suited to development.

Exhibit 12

Energy costs have emerged as a primary determinant of data centre colocation cost competitiveness.

Levelized cost of collocating data centres (AI, excluding chips), $ per megawatt-hour before taxes and direct subsidies



Source: S&P Global Market Intelligence; Turner & Townsend; McKinsey Global Institute analysis

U.S. interconnection is congested, with a median wait of about five years from request to operation.[17] Canada can compete by streamlining and standardizing grid connection and permitting and by offering data-centre-ready sites with secured power and pre-cleared permits, backed by a published and enforceable connection timeline.

As data centres grow, Canada could work with hyperscalers, other corporate partners, and developers to add new generation of all types (including gas and nuclear), structured so that large loads help protect existing ratepayers (for example, by funding their own grid connection and, in some cases, returning revenue to other customers). In this way, the country could also capture lasting value such as IP, talent and sovereignty rather than only hosting others' capacity.

For a deeper dive on data centres visit page 45

Chapter 3

Factors shaping investment decisions

Canada does not need another competitiveness strategy. What's required are actions to change the outcome of investment decisions so they increasingly favour Canada. We recommend doing three things well:

1. **Finishing the play:** Turning good ideas and policy commitments into truly investable projects.

2. **Energizing the system:** Making a few bold moves that materially alter risk-adjusted returns.

3. **Clearing the bottlenecks:** Solving binding constraints in each targeted sector.

1. Finishing the play

Many of the challenges highlighted in our analyses of investment sectors have been on government agendas for decades—from the slow, uncertain pace of permitting to a lack of enabling infrastructure, sluggish productivity, and interprovincial barriers. Canada has been moving in the right direction, standing up new initiatives and enacting supportive legislation such as the Major Projects Office, Powering Canada Strong, the National Energy Corridor Agreement, and mutual recognition under the One Canadian Economy Act.

What these announcements and enacted legislation reinforce, though, is that *execution*, not diagnosis, is what is holding Canada back. Investors do not reposition capital on commitments but proof of change, and Canada needs visible wins it can point to.

Setting clear objectives with milestones and accountability is one potential approach. For example, the UK's Infrastructure and Projects Authority (IPA) and National Infrastructure and Service Transformation Authority (NISTA) produced annual reports with KPIs, dashboards, and timelines for all major government projects.[18]

2. Energizing the system

There is a finite window to attract the capital that is rapidly reallocating to future-shaping industries. Canada's imperative is to swiftly reshape how investors evaluate the country, especially as peers are moving quickly themselves.

For example, the U.S. instituted an "Unleashing Prosperity Through Deregulation" executive order, part of which requires agencies to repeal ten existing rules, regulations, or guidance documents for any new one.[19] This ten-to-one deregulation initiative expanded on the prior two-for-one initiative with similar logic. In addition, the U.S. has used multiple tools to incentivize investment, from the One Big Beautiful Bill Act restoring full expensing of domestic R&D to initiatives from prior administrations, including CHIPS[20] (combining grants, finance, and a 25% manufacturing ITC) and the IRA[21] paying production credits on scaled output.[22]

Canada can make adjustments to energize its investment climate, while also improving risk-adjusted returns along the dimensions of time, cost, certainty and addressable market. While not exhaustive or prescriptive, some actions Canada could consider include the following:

- **Improving the country's speed** by compressing the time-to-build. Regulatory reform could be undertaken to streamline laws across all levels of government or establish precertified corridors and districts where land, baseline assessment, grid, and water are resolved once, not project-by-project.
- **Making Canada more predictable** by reducing policy and regulatory risk for nation-building projects. Canada could freeze key rules at approval (such as environmental standards, carbon pricing, assessment, and consultation) so they remain in force for the life of a project, not only until the next policy cycle.
- **Incentivizing productive investment** by providing an integrated (federal and provincial) package of fiscal, financial, and market incentives for priority sectors and designed for multiple investors at national scale, rather than bespoke negotiations. For example, Canada could provide refundable investment tax credits to support upfront project economics, crowd-in financing (such as loan guarantees and cofinancing), and in-kind support, including training and reserved site and grid capacity.

3. Clearing the bottlenecks

Investment decisions are made at the project level and each sector has its own bottleneck that, if removed, has the potential to unlock significant additional investment.

Data centres: Speed to power

Investors are most focused on speed. With power grids at or near capacity across Canada and globally, the binding constraint is new generation and grid connectivity at scale. To capture the opportunity, Canada must energize in years, not decades. This may require the use of near-term gas power generation paired with a concurrent streamlined connection process, smooth regulatory process, and local community compatibility.

Advanced manufacturing: Move up the value chain, not down the cost curve

While Canada's competitiveness in traditional manufacturing relies on wage differentials and, often, subsidies, the country has skilled labour and process knowledge advantages for higher-value components and systems, including for specialized manufacturing in sectors such as pharmaceuticals and EVs. Shifting up the value chain requires shovel-ready sites (for example, pre-permitted with power in place), fiscal and financial support tied to outcomes (such as qualification, export volumes, and training), and a credible plan to redeploy and reskill workers to support the shift.

LNG: Provide certainty for capital

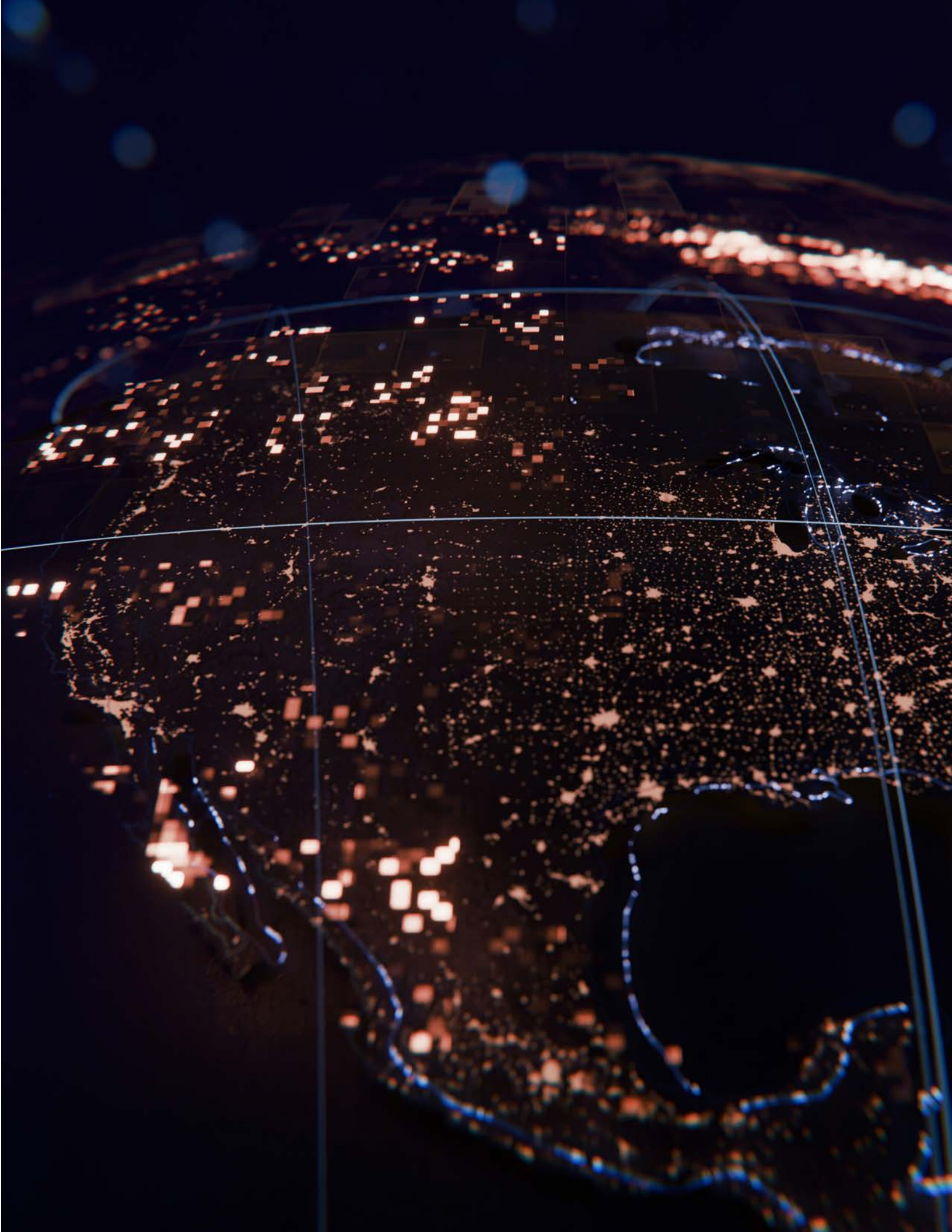
Ambiguity and changing rules around factors such as permitting, requirements for stakeholder engagement, and carbon pricing may discount otherwise attractive risk-adjusted return calculations. By setting clearer rules and committing to hold them stable over time, qualified projects may proceed on commercial terms, even if timelines are longer than other jurisdictions.

Mining: If you build it, they will come

Many of Canada's undeveloped mining projects sit in remote districts where the constraint is not geology but everything after discovery. The opportunity lies in making those districts shovel-ready through corridor-scale infrastructure, coordinated permits, grid, and road access. Shared access spreads cost and risk across a cohort of projects—infrastructure that no single mine could justify alone becomes viable at district scale, and investment decisions follow.

Capital locates where risk-adjusted returns are highest, and Canada has inputs many peers lack—from endowment, to talent and market access, to clean power. Yet the country has historically been underinvested in compared with its peers. By increasing Canada's competitiveness and, in turn, capturing its fair share of investment, investment in Canada could increase by around $1 trillion over five years, adding an estimated $950 billion to GDP and potentially lifting average annual GDP growth by 2.3 percentage points to about 4% over the period—above the OECD average of 1.5%. This could add 1 million to 1.4 million direct jobs—up to around 2 million when including induced employment.[23]

Canada's path to closing this gap is both highly ambitious and achievable and will require rapid, decisive action to turn policy commitments into investable projects, make bold moves that materially alter risk-adjusted returns, and solve binding constraints in critical sectors. It's not too late. But Canada needs to make decisions that will define the role it plays in critical industries for the next half century—and shape the country's presence on the international stage.



Appendix

Canada's investment opportunities in depth

LNG: Closing an emerging supply gap

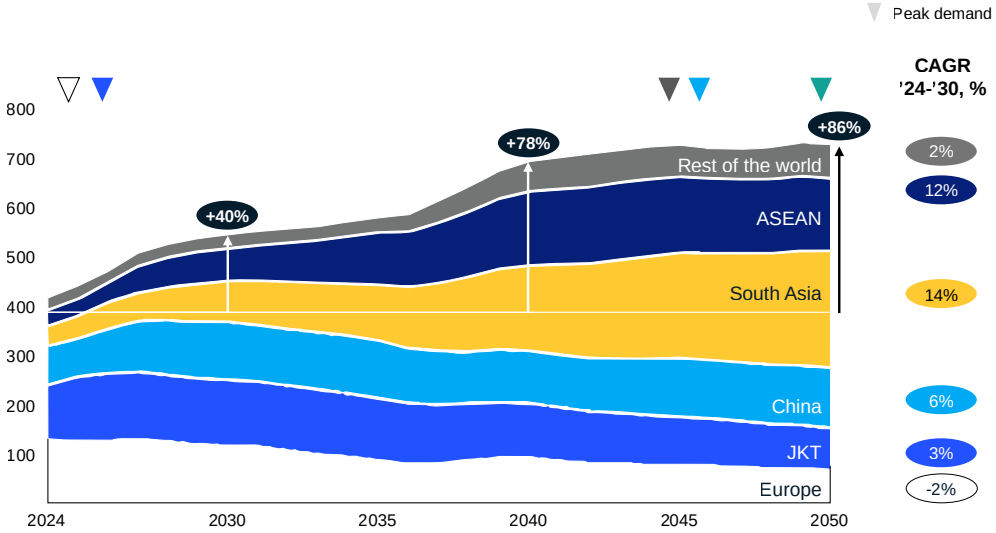
Canadian LNG is a generational export opportunity capable of driving domestic economic growth while meeting surging global energy demands and decarbonization targets. That's because global energy demand is rising due to economic growth, electrification, and rapidly increasing power needs in Asia (for manufacturing and data centres), while natural gas remains a reliable, dispatchable complement to intermittent renewables. In addition, recent geopolitical events have highlighted the need to diversify energy supply. Global demand for LNG is expected to increase to nearly 800 million tonnes a year by 2050, an increase of around 75% from 2025 levels (Exhibit A1).

While the IEA projects an increase in global LNG capacity of 50% by 2030, current project timelines and the global locking-in of long-term contracts suggest a major global LNG supply gap may emerge after 2033 (even before the pre-2026 Strait of Hormuz crisis. In scenario modelling for both during and after the crisis, this supply gap could extend to around 30 MTPA, creating a highly lucrative window for new Canadian capacity).[24] Given these considerations, Canada has two ideal markets to serve: Asia, where demand is concentrated (it consumes around 70% of global LNG imports, led by China, Japan, South Korea, India, and Taiwan) and Europe (just six to eight shipping days away, the shortest of any North American LNG), although to a lesser extent, given falling demand.

Exhibit A1

Liquefied natural gas demand is expected to grow by 75 percent by 2050, mostly driven by Asian economies

Liquefied natural gas demand by region (continued momentum scenario), million metric tons per annum



Association of Southeast Asian Nations: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, and Vietnam. Japan, South Korea, and Taiwan, China.
Source: McKinsey Energy Solutions Gas Intelligence Model

Canada has two ideal markets to serve: Asia, where demand is concentrated (it consumes around 70% of global LNG imports, led by China, Japan, South Korea, India, and Taiwan and Europe (just six to eight shipping days away, the shortest of any North American LNG), although to a lesser extent, given falling demand.

The upside of unlocking the potential of Canadian LNG is clear. Increasing output to 56 MTPA – the capacity level modelled in a 2020 Conference Board of Canada scenario – is estimated to add more than $11 billion annually to GDP, create 96,600 jobs, and generate more than $90 billion in government revenue to 2064.[25] These benefits extend across Canada but also depend on terminals being built—and to fill a terminal, producers drill and process more gas, sustaining $8–10 billion per year of capital spending, jobs, and royalties across the Montney (spanning British Columbia and Alberta), plus a parallel export stream of natural gas liquids (for example, propane, butane, and condensate, although the higher prices producers receive may also raise domestic gas costs).[26] A secondary benefit is environmental. Canadian LNG is designed to be among the lowest-emission in the world. If it can displace coal in Asian power generation, for example, natural gas could reduce CO2 per megawatt hour by 50–60%.[27]

The Canadian edge: Close, clean, and cost-competitive

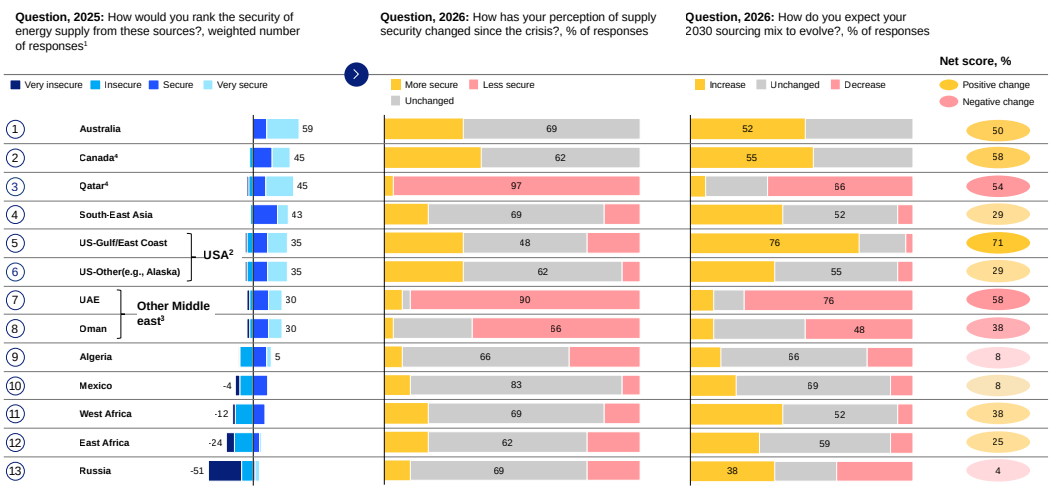
Canada possesses a distinct cost-competitive edge anchored in resource abundance, geographic positioning, and an ultra-low-carbon production profile.

- **Closer to Asia without chokepoints.** West-coast terminals are around ten shipping days from Asia, roughly halving shipping cost and voyage time from the U.S. Gulf Coast while avoiding chokepoints (such as the Panama Canal).[28]

- **Highly secure.** Canada ranks second in global energy security and is perceived by market participants as a highly secure supplier. Consequently, customers expect to expand their procurement (Exhibit A2).

Exhibit A2

Canadian liquefied natural gas is viewed as one of the most secure supply in the world, with the second highest change in positive perception in the past year.



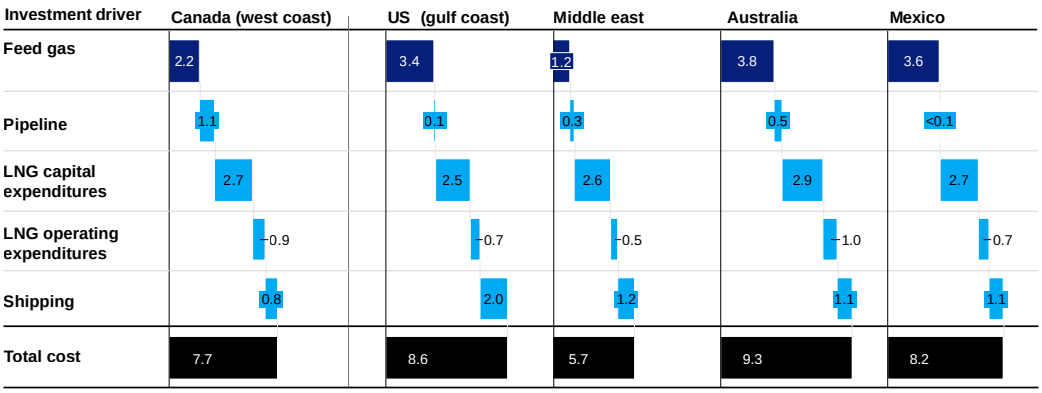
[1] Score (2 = very secure, 1 = secure, –1 = insecure, –2 = very insecure) multiplied by the number of responses. [2] Tied results; Canada preferred with fewer "very insecure" and "secure" responses than Qatar.
[3] In the 2025 edition, detailed regional breakdown within the US was not available. [4] In the 2025 edition, detailed breakdown for "other Middle East" suppliers was not available.
Source: McKinsey Energy Solutions LNG Buyers Survey 2026 (n = 29)

- **Lower cost.** According to announced or inferred capital expenditure numbers, under-construction Canadian terminals in the west coast cluster at the low-cost end of the North American curve, with around 50% of projects in the top quartile of the LNG supply cost curve (Exhibit A3). This results from lower liquefaction (cold climate), shipping (proximity), and feed-gas costs offsetting higher remote-build capital.[29]

Exhibit A3

Canada's levelized costs for liquefied natural gas are lower cost than most jurisdictions, but above the Middle East.

Levelized cost of producing liquefied natural gas (LNG) from a pre–final investment decision (pre-FID) project, $/mmbtu, crude oil $70/bbl, HH $3.5/mmbtu,[1] DES to Asia, 20-year payback period



[1] Weighted average (weighted by capacity) of pre-FID decision projects selected in the funneling process; Delivery ex-ship; Excludes projects currently facing difficulties in terms of technology, sanctions, financing or stakeholder alignment (including Russian, Iranian, and other projects); Send out capacity at 95% of nameplate capacity.
Source: McKinsey Energy Solutions

- **Clean, ultra-low-carbon production.** Canadian LNG is exceptionally clean. The LNG Canada facility aims to produce at around 0.15 tonnes of CO2e per tonne of LNG, compared with a global average of about 0.35. Fully electrified British Columbia projects target even lower emissions of 0.02–0.08 tonnes CO_2e).[30] This is a function of how the projects are designed (taking advantage of low-carbon electricity, the cold climate, low-CO2 feed gas, and low upstream methane), and shorter shipping routes further reduce emissions on a delivered basis.

Canada's execution gap

Canada has world-class resources, but capitalizing on this opportunity requires overcoming deep-rooted execution constraints. Historically, competitiveness has been hampered by slow, uncertain permitting processes, complex stakeholder navigation, and high capital costs, leading to a track record of multi-billion-dollar project cancellations.

Regulatory uncertainty

Since 2010, more than 30 export licenses have been filed, yet most projects were cancelled before construction.[31] For example, Pacific NorthWest LNG (valued at around $36 billion) was abandoned in 2017 after an investment of $10 billion and years of review amid permitting delays, salmon-habitat and First Nations concerns, carbon-policy uncertainty, and a collapse in prices.[32] Between 2010 and 2026, the U.S. built nine LNG export facilities, growing exports by 689%; in the same period, Canada built one facility, saw overall natural gas exports decline by 17%, and cancelled eight LNG projects (four valued at a total of more than $100 billion).[33]

Relatively higher build costs than the U.S. Gulf Coast

Several structural factors make terminals built in the U.S. Gulf Coast less expensive to build. U.S. terminals tie into an existing continental pipeline grid, whereas Canadian feed gas must travel hundreds of kilometres from the Montney to tidewater; remote west-coast sites carry higher camp and labour costs and draw on a thinner pool of specialized contractors; and first-of-a-kind projects lack an established domestic LNG supply chain.[34]

Lower capital productivity

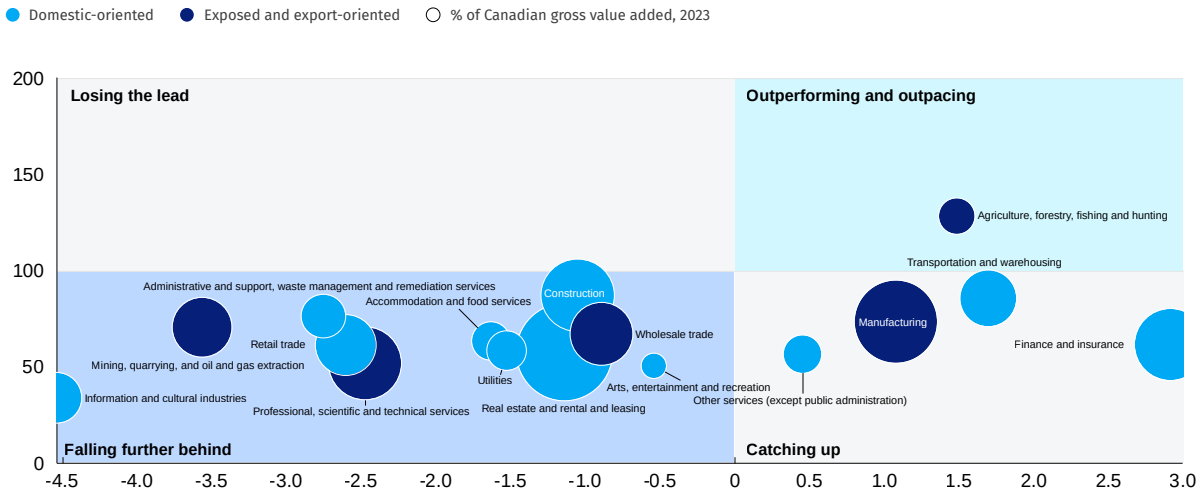
Relative to the U.S., Canada's closest competitor for serving Asian demand, extractive industries should be a strength. Instead, they show one of the widest productivity gaps in the economy.[35] Canada's extractive industries (mining and oil and gas) have the second-largest sector growth gap versus the U.S. (four percentage points less), while actual labour productivity (GDP per hour worked) for the sector runs about 30% below American levels (Exhibit A4).[36]

This matters because these are capital-intensive, export-facing sectors where competitiveness is measured in cost per unit shipped. When Canada produces less output per hour, projects need higher prices to earn acceptable returns, new investment is harder to justify, and the U.S. gains ground in global markets where Canada should be winning on resources, logistics, and scale.

Exhibit A4

Canada trails the U.S. in labour productivity across nearly all sectors, but momentum is building in a select few

Productivity level relative to US, 2023 US = 100[1]



[1] Productivity level calculated using sectoral net output / hour. USA prices chain indexed to 2017. Canada data also chained to 2017 prices. Canada data converted from CAD to USD with PPP adjustment. Canada vs USA totals comparison exclude Canadian nonmarket sectors (i.e., educational services, public administration, health care and social assistance). | [2] Growth expressed as CAGR of real sectoral output / hour
Source: Statistics Canada, Tables 36-10-0434-03, 36-10-0208-01, 10-10-0009-01, U.S. Bureau of Labor Statistics, Annual total factor productivity and related measures for major industries, Historical consumer price index for all urban consumers (CPI-U), OECD, Annual Purchasing Power Parities
Source: Addressing Canada's productivity gap: A journey towards global leadership," McKinsey, Nov 3, 2025

Conflicts with climate commitments

Expanding British Columbia's LNG terminals is projected to add approximately 13 million tonnes of CO_2 to Canada's annual greenhouse gas emissions by 2035.[37] To curb this increase, policymakers and industry leaders have heavily considered powering these new facilities through the province's clean hydroelectric grid, but severe generation and remote transmission capacity constraints make full electrification highly challenging in the near term. This dilemma unfolds against the backdrop of net-zero mandates, which create complexities in expanding LNG production and achieving stated climate objectives.

The Canadian government has introduced some flexibility, such as allowing facilities to simply be "net-zero ready" if grid electricity is unavailable. Without reconciling these two objectives, stringent regulations could add billions in up-front capital and operational costs—fundamentally altering Canada's cost economics, making its LNG exports significantly less attractive and less competitive in the global market.

How Canada can realize its LNG opportunity

Canada's strategy is best optimized by securing contracted offtake by leveraging existing relationships and bilateral agreements (Japan, India, and China). Canada's LNG can be positioned as secure, chokepoint-free, low-carbon supply for buyers diversifying away from single sources and sanctioned gas. Yet capturing market share and overcoming historical bottlenecks requires Canada adopt a proactive, streamlined development strategy:

- **Secure premium offtake agreements.** With global LNG demand projected to outgrow available supply, the window of opportunity to lock in long-term capacity is rapidly closing. Taking an estimate of five years for an LNG project to be completed indicates the time to act is now, which also aligns with critical contracting windows. At peak, only about 25% of supply to be imported by Asia has been contracted beyond 2033,[38] and even accounting for expiring contracts that will be re-contracted but have not been announced, there is a large opportunity for Canada. By acting now, developers can leverage this critical contracting window to secure high-value, 15-to-20-year commercial offtake agreements that will underwrite project financing and guarantee long-term revenue.

- **Improve regulatory clarity.** Competitiveness depends as much on schedule risk as on capital cost. Long, opaque approval paths raise the cost of capital and push buyers toward suppliers that can commit volumes on known timelines. Recent federal and provincial frameworks, including the Major Projects Office and Building Canada Act, aim to compress review into a single process with a two-year decision window and give proponents clarity before large pre-FID spend. The same certainty could be extended to enabling infrastructure so that liquefaction, pipelines, and grid upgrades advance on aligned schedules rather than leaving terminals permitted but stranded.

- **Facilitate stakeholder alliances.** Canada could foster deeper partnerships between project proponents, local communities, and environmental institutions to build alignment and accelerate project delivery. A neutral third party could bring stakeholders together to surface concerns, align interests, and develop more collaborative models for consultation, decision-making, and potentially equity participation, similar to the Haisla Nation's involvement in the Cedar LNG project. Canada could also explore a dedicated "Investor Concierge" service for large-scale projects, providing capital providers with a single point of contact to navigate permitting and reduce friction. Ontario municipalities such as Vaughan and Whitby have implemented similar "Investment Concierge Programs" to shepherd high-impact industrial developments through the permitting process.

- **Reconcile increased domestic emissions.** Higher carbon emissions from large-scale export projects should be considered in tandem with 2050 net-zero targets. This would involve analyzing the long-term implications of prioritizing specific energy pathways over others. For example, decision-makers could map out the necessary trade-offs involved in capital-intensive developments such as LNG, balancing economic growth and global energy security benefits against the constraints of national carbon budgets. Rather than utilizing emissions policies purely as regulatory hurdles, the Canadian government could convene stakeholders to design a collaborative, co-invested pathway for grid electrification and carbon capture, partnering with industry to build a premium, lower-carbon export sector. By transparently acknowledging these trade-offs and defining how traditional energy investments fit alongside renewable infrastructure goals, Canada could provide the predictability and regulatory certainty that global capital requires.

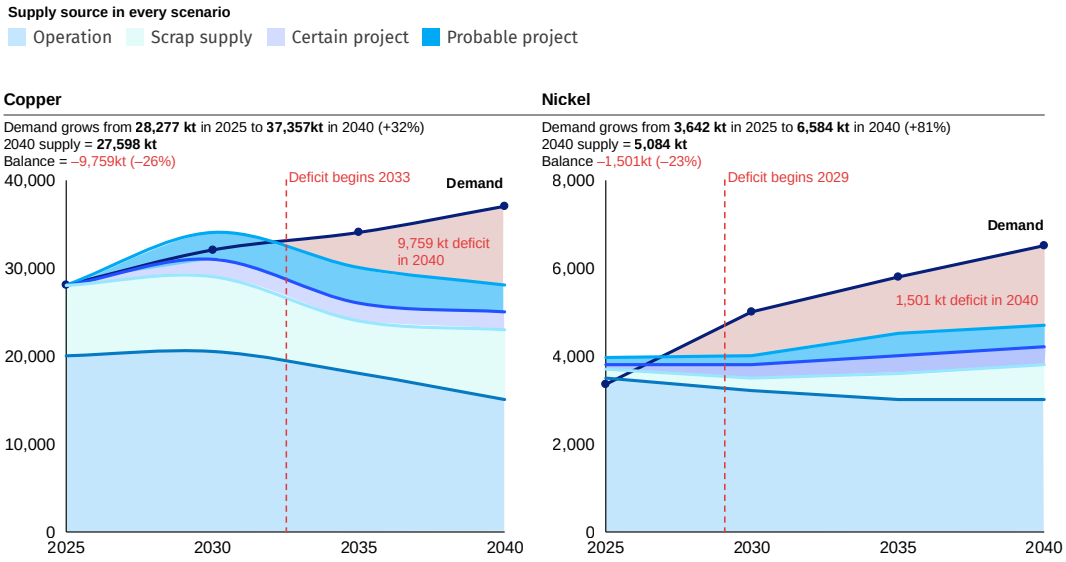
Mining: Unlocking opportunity

There is a $2 trillion opportunity to unlock Canada's significant mineral reserves by modernizing its mining ecosystem and streamlining regulations. The country is already a leader when it comes to uranium and potash, but it is constrained by global supply–demand balances. The most promise lies in copper, nickel, and zinc—areas where the country's committed mined supply cannot meet projected demand from electrification, grid build-out, data centres, and defence. The opportunity is investing in the infrastructure required to create world-class mining hubs to unlock existing reserves but, in all likelihood, discover more mineral resources (Exhibit A5).

Exhibit A5

The global copper and nickel markets could face significant supply–demand gaps by 2040.

Refined copper and nickel supply–demand forecast, thousand metric tons (kt)



Understanding Canada's strengths and challenges

The case for Canada's mining opportunity rests on more than its endowment. It has an established though aging mining ecosystem, competitive deposits, and a resource base that access understates.

- **An ecosystem built over a century.** Canada combines mineral potential with a skilled technical workforce, a dense supplier base, research partnerships, and deep capital

markets. It has 1,097 listed mining issuers, or about 40% of the world's listed miners, and in 2024 saw about $10.4 billion in mining equity raised. Canadian-headquartered companies hold around 38% of global non-ferrous exploration budgets and the sector supports some 438,000 direct jobs and generates about $112 billion in direct GDP.[39]

- **Operational competitiveness.** Nine of Canada's ten greenfield copper developments fall within the cheapest half of the global all-in sustaining cost curve, with Canada's capacity-weighted cost at US$3,101 per tonne of copper, versus US$4,101 globally. The country's power is also lower-cost, at US¢4.6 per kilowatt-hour for mining, compared with US¢8.2 in the U.S., US¢8.4 in Peru, and US¢11.1 in Chile. Royalties, at around US$1,548 per tonne, are the highest of the seven biggest producers.[40]

- **The competitive gap is capital, driven by remoteness.** On the all-in cost curve including growth capital, which adds the cost of building, only seven of Canada's ten greenfield copper developments sit within the cheapest half, though nine of ten sit within the 75th percentile. Canadian capital intensity averages US$36,712 per annual tonne, some 42% above the global average (Exhibit A6). The Canadian Climate Institute estimates that critical mineral projects more than 50 kilometres from existing transmission carry more than three times the total capital cost of those within it and that $15.6 billion of around $30 billion required to build Canada's new critical mineral mines is linked to remoteness.[42]

Exhibit A6

Canada's levelized cost for greenfield copper projects are lower cost than most jurisdictions, but not the United States.

Levelized cost of producing a metric ton of copper from a greenfield mining project, $ per thousand metric tons of copper produced[1]

Investment driver		Canada[1]	USA	Chile	Australia	Peru
Labour	Labour costs	1,984	1,210	2,466	3,516	1,087
Other operating expenditures	Energy	1,102	671	1,644	1,846	1,477
	Consumables	−1,103	−701	−1,276	−1,435	−1,215
	Sustaining capital expenditures and other costs	4,129	2,477	3,365	3,767	2,689
	Freight	268	365	382	223	143
	Royalties	1,209	354	815	697	795
	By-product credits	-6,695	-2,977	-5,860	-5,973	-1,663
All-in Sustaining costs		3,101	2,801	4,089	5,512	5,743
Growth capital		2,239	1,707	1,342	1,248	1,032
Total cost		5,339	4,508	5,431	6,761	6,775

Note: Figures may not sum, because of rounding.
[1]The average of a country's greenfield copper projects including gross operating cost and sustaining capital, net of by-product credits, and growth capital spread over life-of-mine payable output, undiscounted with no return of capital.
Source: McKinsey MineSpans

- **The defined resource base understates the endowment.** The 85-project pipeline counts only deposits with a publicly disclosed resource or reserve and an identifiable development concept, so the districts with the least access are its most under-represented. For example, the Ring of Fire's potential rests on airborne and electromagnetic survey rather than dense drilling, and the only compliant economic figure for it remains the 2012 Eagle's Nest net present value of $543 million, against Ontario's directional in-situ estimate of $60 billion for the district. In northwest British Columbia, 43 company groups hold roughly 70 packages against the seven projects that carry a defined development concept.[42]

- **The constraint is where exploration can be deployed.** Exploration and deposit-appraisal spending was $4.1 billion in 2024 and $4.4 billion in 2025, with 2026

intentions of $5.3 billion, and Canada spends US$3.40 per US$1,000 of in-situ endowment against US$2.64 in Australia and US$1.87 in the U.S.; northwest British Columbia alone took 58% of the province's record $751 million of exploration spending in 2025, concentrated where road and grid access already exists.

- **Midstream capacity already exists where Canada has a mining base.** Cameco's Blind River is the world's largest commercial uranium refinery, and Port Hope is one of four conversion facilities in the Western world. Vale refines nickel at Long Harbour, and Sherritt refines nickel and cobalt at Fort Saskatchewan. Newer capability is smaller in scale, including the Saskatchewan Research Council's rare earth facility and Electra's Temiskaming Cobalt refinery.

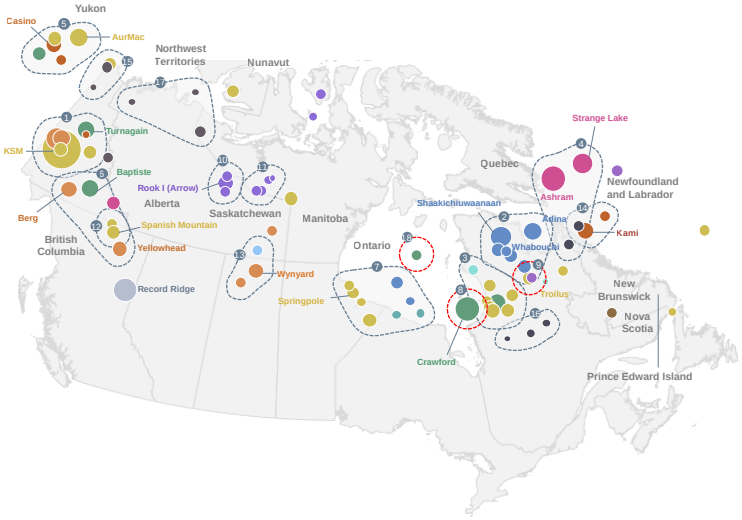
The execution gap: Growth is concentrated in districts, which are closed

Where costs exceed what any one project can carry, a single road, transmission spur, or port upgrade can serve several projects at once (Exhibit A7).

- **Canada's mining pipeline is geographically concentrated.** Identified development and expansion projects group into 18 districts by geographic proximity and shared infrastructure need. Of 85 projects across 13 provinces and territories, those 18 districts account for 88% of pipeline value, and seven are districts where shared enabling infrastructure would serve more than one project.[43]

Exhibit A7

Major Mining Development Projects Ranked by Commodity and Economic Value



Primary Commodity

	N	US$BN
Gold	22	526
Nickel	6	205
Copper	8	192
Lithium	8	196
Rare Earths	3	143
Uranium	11	93
Iron Ore	3	39
Magnesium	1	76
Tungsten	2	22
Zinc	5	23
Graphite	5	22
Potash	2	20
Phosphate	1	13
Niobium	2	7
Diamond	2	9
Palladium	2	7
Vanadium	1	5
Cobalt	2	1

Gross value (US$ bn)

10 50 200

District, ranked by value

1. Golden Triangle
2. James Bay Lithium
3. Abitibi
4. N. Québec–Labrador
5. Central Yukon
6. Central B.C. Interior
7. Northwest Ontario
8. Timmins
9. Chibougamau
10. Western Athabasca
11. Eastern Athabasca
12. Cariboo Gold Belt
13. Sask. potash
14. Labrador Trough
15. Selwyn–Macmillan
16. S. Québec graphite
17. N.W.T. base metals
18. Ring of Fire

View

Ring districts (column L)
Label largest assets
Reset

- **Three districts carry the near-term case.** Northwest British Columbia ranks first, where seven advanced projects (KSM, Galore Creek, Turnagain, Schaft Creek, Eskay Creek, Lawyers-Ranch, and Kutcho) sit around Highway 37 and the Northwest Transmission Line—which is fully allocated—and belong to four of the 43 company groups holding ground in the district. Northern Ontario has two halves that need different things: Eight projects in the northwest sit near the Trans-Canada Highway and the regional grid and need access roads and transmission spurs rather than a new corridor, while the Ring of Fire, about 500 kilometres northeast of Thunder Bay, has neither all-season road nor grid power.

- **Saskatchewan is the domestic model of a district already built out,** producing around 30% of the world's potash and ranking second in uranium. Saskatchewan has held a place in the Fraser Institute's global policy top ten in 16 of the past 20 surveys, the most consistent record of any Canadian jurisdiction, while British Columbia ranks 31 of 68 on policy and 12 of 41 on mineral potential.[44] Northern Ontario is another example. Silver was originally discovered in Timmins and the Abitibi belt, and prospecting eventually led to more than 100 silver and gold mines across these areas. In addition, these mines have been a driving force underpinning Northern Ontario's GDP, where 15% is directly related to mining and forms the backbone of multiple communities and service clusters.

- **Enabling infrastructure exceeds what one project can fund.** Remote and northern mines carry operating costs 30–60% higher and require 90% higher total capital (up to 100–170% on capital in the far north), tied to self-built power, roads, and camps. Where a developer must fund a corridor alone, net present value rarely supports the investment. Public participation changes that because a corridor serves a portfolio rather than one firm.

- **Permitting time and uncertainty.** Canada averages 20.4 years from discovery to mine production, compared with 13.3 years in Australia, and lead times have nearly tripled in three decades. Canada still has more top-ten policy jurisdictions than any country (in a total of 68 in 2025, Alberta ranks 3rd, Ontario 5th, Newfoundland and Labrador 7th, and Saskatchewan 8th), but it held seven of the top ten in 2008–9 from a near-identical pool. Quebec, first in the world for three years to 2009–10, now sits 23rd. The federal Major Projects Inventory records 43 mining projects in regulatory review, representing $42.7 billion of potential capital.[45]

- **Infrastructure is necessary but not sufficient.** Of the 85 projects reviewed, 84 cite permitting, study maturity, financing, or partner selection as their governing constraint. Eagle's Nest in the Ring of Fire is the only project that names regional infrastructure directly, and Wyloo has stated that its final investment decision rests on all-season road timelines.[46] A corridor is one condition among several, which is the case for designating a district rather than funding a line.

How Canada can realize its mining opportunity

Canada's mining industry is exemplified by the country's endowment and leading position in specific sectors—but also by its century-old ecosystem and immense untapped potential. The five primary measures that can be taken to unlock the opportunity are not novel; the country has precedent for each. Yet none have been completed at district scale.

First, districts can be designated and shared corridors committed to ahead of confirmed demand. Sizing matters as much as commitment. The Northwest Transmission Line is the domestic precedent and the caution: 344 kilometres at 287 kV energized in July 2014 at a final cost of $716 million against a budget of $404 million, into an area holding 935 mineral occurrences and up to ten potential mines representing some $18 billion of capital. Grid power replaced diesel and lowered the cost of exploring, but the line was sized to an anchor project, and published district loads now exceed its rating nearly threefold.[47]

Second, assessment and permitting could be run as a single district process. The Major Projects Office, launched in August 2025 under the Building Canada Act, coordinates federal reviews for designated projects against a two-year decision target, and five mining projects representing more than $12.1 billion of estimated capital have been referred.[48] Referral is not statutory listing, and early referrals are often already-advanced projects, so the framework has yet to demonstrate that projects move faster. Applying it to a district, covering a corridor and the projects it serves together, would test it.[49]

Third, there could be deeper partnership around Indigenous participation and equity at a district scale. Indigenous peoples account for around 11% of the mining labour force, among the highest share of any industry, and Indigenous equity ownership is established (most visibly in energy, where the Haisla Nation holds 50.1% of the S$4 billion Cedar LNG project). In mining, Impact Benefit Agreements are standard, and in the Ring of Fire, community partnership agreements of up to $39.5 million route equity through Ontario's Indigenous Opportunities Financing Program. Settling participation once for a district, rather than project by project, shortens the path for every project inside it.[50]

Fourth, pursue productivity gains at existing operations. North American mining productivity has been flat since 2018. Copper mill-head grades fell 17% between 2012 and 2024. Costs are forecast to rise 23% through 2035, and 78% of projects ran over on cost or time between 2003 and 2023. The cost base concentrates in five categories—sustaining capital, maintenance and spares, energy, consumables, and labour—and AI, automation, and electrification can address each.[51]

Finally, explore adding downstream processing where district output supports it. Canada retains more of the value chain where processing sits next to the mine, and it already operates commercial-scale midstream capacity in uranium and nickel. However, the country should only add downstream processing where there is enough regional feed and power and where there is access to logistics and downstream demand.

Electric vehicles: A future-shaping industry

The transition to EVs is leveling out to more realistic, sustainable growth rates. Globally, one in four new cars sold in 2025 were EVs, and demand is projected to drive a sixfold increase in annual sales, surging from 6.5 million units in 2021 to roughly 40 million by 2030, positioning EVs to account for the majority of all global auto sales by 2035.[52]

At the forefront of this demand is a fundamental shift in both national and consumer priorities. In the long term, many governments no longer see electrification as just an environmental initiative but as a national security imperative driven by geopolitical instability, with nations leveraging EVs to decouple their economies from volatile global petroleum markets. On the consumer side, this macro shift is mirrored by a demand for day-to-day affordability and cost certainty, as well as growing environmental awareness, especially in advanced economies.

At the same time, the era of borderless, highly optimized automotive supply chains is giving way to a fractured, more regionalized model. Amid an everchanging trade landscape, automakers are building localized supply chains, especially in North America. While this defensive strategy mitigates tariff exposure, it fundamentally drives up global production costs for a sector that has already found it hard to absorb losses related to intense price competition and high up-front platform and battery investments.

As a result, FDI in automotive is positioned to evolve. Rather than focusing on vulnerable, full-scale assembly plants, investors can target the strategic R&D and advanced manufacturing needed to accelerate platform development. Canada's deep R&D ecosystem and high-skilled workforce make it uniquely positioned to capitalize on this shift. By actively commercializing its own intellectual property through sophisticated manufacturing, Canada can directly link the very start of its value chain—its vast critical mineral sector—to the production of specialized, high-tech parts. This creates a fully integrated, highly profitable domestic ecosystem that captures value at every step, from raw earth to advanced finished product, and holds the potential to secure high-value FDI and redefine Canada's role in the global mobility supply chain.

Canada's automotive manufacturing advantage

Canada has for more than a century been an attractive location for automotive manufacturing, initially as a natural extension of the world's automotive capital in Detroit. Over time, Canada's automotive industry has built extensive transport infrastructure with U.S. supply chains and, subsequently, end-markets in the Northeastern and Midwestern U.S. For example, the Detroit Windsor Tunnel, alone, sees about four million assembled vehicles pass through it annually, with 98% of them passenger vehicles.[53]

Canada has built extensive infrastructure to support the industry, with more recent annual investments by OEMs of $735 million in R&D.[54] Paired with one of the world's most skilled labour forces, Canada is a global leader in automotive technologies such as lightweight

materials, advanced safety systems, software and cybersecurity, connected and autonomous vehicles, AI, alternative powertrains (electric vehicles and fuel cells), vehicle safety, and testing.[55] It also boasts world-class suppliers such as Linamar, Magna, and Martinrea.

Canada also ranks in the top ten globally for resource reserves,[56] with critical minerals such as cobalt, lithium, and nickel that support the production of various automotive components, including batteries. This production is supported by cheaper, low-emission energy: 92% of Ontario's grid (where the nation's largest automotive cluster is located) is low-carbon, powered by hydroelectric wind and solar facilities as well as the continued development of SMRs and large-scale nuclear generation.[57]

Finally, Canada has a deep automotive heritage with legacy assembly facilities and industrial know-how. Most major North American automotive OEMs (Stellantis, Ford, General Motors, and Toyota) have maintained a significant historical presence in Ontario, with investments of nearly $15 billion since 2020.[58] This makes it a natural contender to help these big players and many others in their transition to serve the growing global EV market.

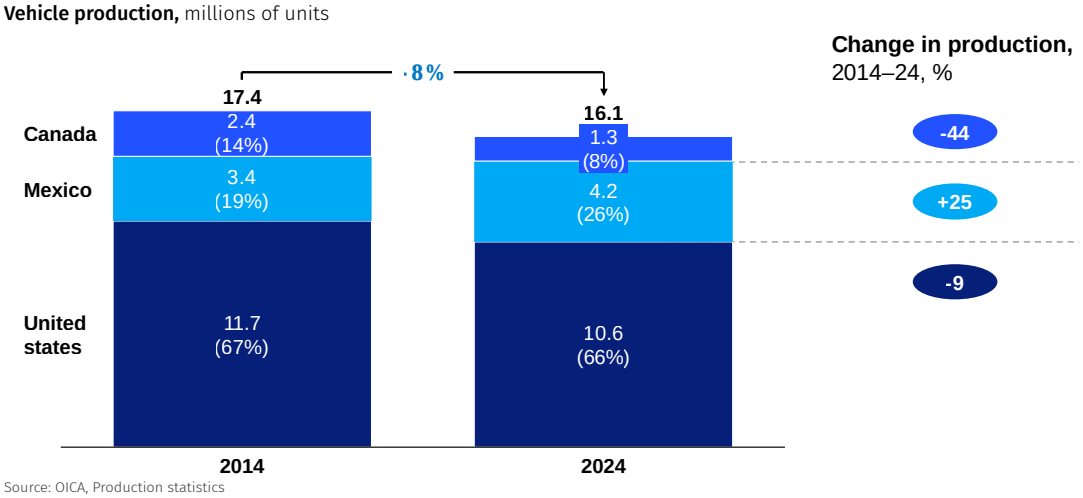
Understanding Canada's challenges

Why has there been a structural outflow of foreign capital from Canadian EV production?

First, the North American automotive industry's global market share has softened, from about 28% in 2000 to 12% in 2024.[59] There are multiple factors driving this, led by Chinese competitors producing light vehicles cheaper and faster, a slowing and uncertain general transition to EVs, and tariff volatility. The COVID-19 pandemic also dealt a blow to the Canadian automotive industry, with stagnant demand across the U.S. and Canada and a global semi-conductor shortage resulting in a production decline (Exhibit A8).[60]

Exhibit A8

In the last decade, Canadian vehicle production has reduced substantially.



Source: OICA, Production statistics

Production never recovered to prepandemic levels. Domestic demand was propped up by large government subsidies such as iZEV, in what was already a relatively small domestic market. Sales of zero-emission vehicles (ZEVs) made up around 14% of light-duty vehicle sales in 2024 but fell to 8.6% in 2025 following the end of the federal and some provincial EV rebate programs.[61] Regardless of incentives, Canadian-produced automotives have never been able to significantly capture the local market. In 2024, only 9.4% of cars produced in Canada were for domestic consumption.[62]

Second, Canada's automotive sector has faced an additional headwind in the form of America-first policies. While Canada's proximity to one of the largest domestic markets in the world bolstered much of its growth, it left the industry over reliant on the U.S.: Of the 91% of all cars produced in Canada that were exported, 92% went to the U.S.[63] In an ideal world, Canada would benefit from an unrestricted consumer market, well-established and secure transportation routes to the U.S., and a lower cost of production through its cheaper low-carbon energy and higher skilled-labour costs. However, ongoing trade uncertainty means that both Canada and Mexico face similar logistics and transportation costs under CUSMA. With cheaper labour costs in Mexico, Canada has reduced its structural advantage to attract investment. And, more recently, automotive investment into Canada has lagged behind both the U.S. and Mexico, with several projects either closing or left idle (such as GM's CAMI Assembly and Stellantis' Brampton Assembly).

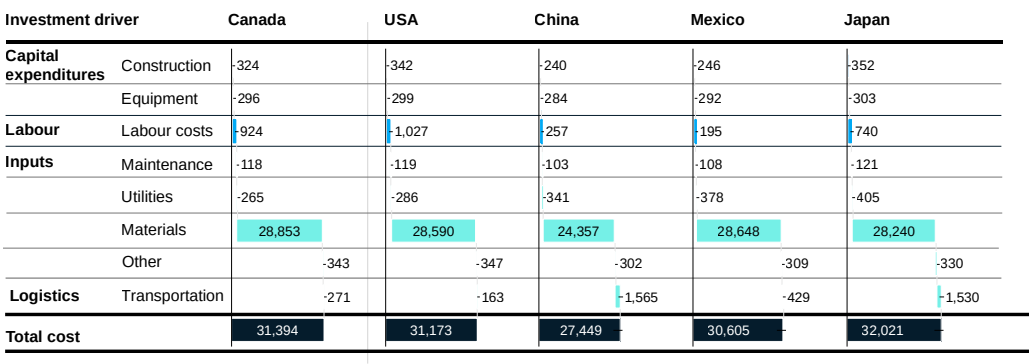
Inside Canada's relative levelized cost position

To illustrate Canada's competitive challenges in electric-vehicle (EV) assembly, consider the cost of assembly, paint and body shop, and delivery for a quintessential American EV: the Chevrolet Blazer, which has an MSRP of around $42,000. Assuming the U.S. is the primary target market for Canadian-based production due to geographic proximity and market scale, this analysis evaluates the baseline cost positions of major global EV manufacturing players to assemble and deliver to their nearest regional market in the U.S. (for example, Canada to the Midwest), before taxes and subsidies (Exhibit A9).

Exhibit A9

Canada's levelized cost for electric vehicles is very similar to the United States, as lower labour costs and higher logistics costs offset effects.

Levelized cost of manufacturing of electric vehicles,[1] $ per vehicle before taxes and direct subsidies



[1]Includes manufacturing of electric vehicles across stamping, the body shop, the paint shop, and assembly stages of production.
Source: S&P Global Market Intelligence; McKinsey and McKinsey Global Institute analysis

Materials are the leading cost determinant in production for all countries. Across all producers considered, Canada has the highest material cost and China the lowest, while also benefitting from the lowest capital expenditure costs and maintenance. However, China is effectively barred from accessing the U.S. market due to tariffs of around 125%, meaning an American trying to buy a Chinese EV sees a price more than double that derived by our levelized cost model.

This leaves all the other countries at relatively similar cost positions. While it's clear the first target for investment will be the U.S., it serves manufacturers to find an extension to domestic production to build their supply chain resilience and hedge against a single point of failure. Japan is the next attractive production location, but it's not directly competing for FDI against Canada. With Canada and Mexico experiencing the same post-tariff and subsidy constraints, Mexico may be where FDI would look next, and this difference could become even more stark if proposed tariff increases on Canadian vehicles are to take effect.

Competing directly with Mexico on vehicle assembly could possibly be a strategic misstep for Canada. Between the two countries, labour costs are the primary differentiator in final assembly, and the all-in costs (including unionization and regulations) could be much higher than our model is able to capture. One approach is for the government to find other ways to incentivize investment which, in the pre-tariff world, is already an untenable long-term strategy. Instead, a more beneficial approach could be for Canada to redeploy its advanced labour force toward high-value, highly complex, and defensible automotive components, where precision and technical expertise, rather than cheap labour, drive competitive advantage.

Beyond the assembly line: Rethinking Canada's auto strategy

One strategy for Canada is to pivot away from vulnerable final-vehicle assembly and redeploy its historical strengths into the manufacturing of high-end, highly defensible automotive components. While automotive assembly declined by 44% for Canada in the 2010–24 period, auto parts held steady, increasing by 9%, with exports of parts seeing a higher growth of 39% in the same period.[64] And Canada is not starting from scratch; it possesses a world-class industrial foundation perfectly suited for complex manufacturing.

Historically, Canada has tried to compete on subsidies and picking "winners." Between 2020 and 2024, both the federal and provincial governments made investments of up to $52.5 billion in the Canadian EV supply chain (60% federal, 40% provincial).[65] Yet direct capital investments are hard to guarantee returns on, and tying billions of dollars to the unpredictable global strategies of a few specific multinational automakers creates financial risk and volatility. Furthermore, relying heavily on financial incentives risks competing on subsidies, essentially a "race to the bottom" against the massive fiscal capacity of competing countries.

Canada can immediately establish an unparalleled ecosystem for next-generation technologies by marrying its highly skilled workforce with its low-carbon energy grid, its rich endowment of critical battery minerals, and the localized R&D capabilities of Tier 1 suppliers. The goal is to focus exclusively on products where precision, advanced engineering, and software integration define the competitive advantage, rather than cheap labour. There are already numerous leaders across products, including integrated e-axles and electric powertrains (such as Linamar via its eLIN division), battery pack assembly (Volkswagen's PowerCo plant in St. Thomas, Ontario), advanced battery materials (NanoXplore), complex battery enclosures and trays (Magna and Martinrea), and cathode active materials (GM, POSCO, and Ford).

This strategy of targeting high-value, IP-defensible niches extends far beyond EVs into the broader advanced manufacturing sector, particularly within the heavily funded, rapidly expanding humanoid robotics and automation markets. By concentrating on highly contested technological pockets such as precision actuators or advanced robotic end-effectors, businesses may be able to secure a lucrative competitive advantage.

Why high value auto parts could be compelling for Canada

By embedding itself in the middle of the supply chain through high-value components, Canada unlocks distinct structural benefits that directly address its current headwinds:

- **Capturing the complexity premium over lower labour cost jurisdictions.** While Mexico is likely to continue to dominate high-volume vehicle assembly, U.S. automakers have strong incentives to nearshore highly complex production to Canada. Advanced components rely on proprietary software, AI, and strict intellectual property protections, areas where Canada offers a highly secure and regulated environment. Producing high-value parts in Canada also satisfies CUSMA's strict high-wage labour requirements, effectively turning Canada's higher labour costs into a compliance asset for U.S. OEMs. And Canada has lower labour costs than the U.S. and other geographies such as the European Union that could be competitors for this kind of higher-skilled work.

- **Lack of commoditization in highly specialized components.** Focusing on specialized, high-value offerings is a critical strategy for sidestepping the headwinds of commoditization and establishing a lasting competitive advantage. By building deep, specific competencies in non-commoditized areas, Canada not only captures greater immediate market value but also creates vital opportunities to develop and own proprietary intellectual property. Ultimately, this strategic shift insulates the industry from race-to-the-bottom pricing while solidifying its market position through unique, defensible capabilities that are difficult for competitors to replicate.

- **Accessing the "aftermarket" economy.** Instead of just building a car for a low-margin, one-time sale, focusing on the EV aftermarket means Canada gets to tap into a recurring revenue stream over a vehicle's entire life. EVs need ongoing software updates, battery diagnostics, and, eventually, recycling—all of which are high-margin tech businesses. By focusing on parts, Canada could lock down these post-sale services and shifts from being a basic assembly line to a long-term technology hub.

- **Faster segment to market.** It is significantly faster to mobilize homegrown tech champions or attract targeted FDI when the barrier to entry isn't a multibillion-dollar assembly plant. Pivoting away from traditional vehicle assembly may provide Canada with a crucial strategic advantage in agility. Rather than mega-factories requiring years of permitting, massive capital commitments, and extensive infrastructure, commercializing IP and manufacturing specialized, high-end EV components can be scaled rapidly in smaller, advanced facilities.

- **Unlocking global export diversification.** Perhaps most crucially, this pivot reduces Canada's reliance on the U.S. Fully assembled, multi-tonne vehicles are prohibitively expensive to ship across oceans. High-value, advanced components are significantly smaller, lighter, and highly mobile. This strategic shift empowers Canada to feed directly into the localized production models of automakers globally, potentially opening highly lucrative export channels into Europe and Asia.

Pharmaceuticals: Canada's growth opportunity

An aging global population and rising chronic disease has seen the market share of biologics—products made from living organisms—increase from 30% of global pharmaceutical sales in 2018 to more than 40% in 2024, with projections it will be about 45% by 2030.[66] At the same time, pharmaceutical giants are redesigning their supply networks amid COVID-19-era export restrictions, tariff risks, and rising geopolitical volatility. The industry mandate has shifted from finding the absolute lowest-cost producer to prioritizing supply security and resilience.

This presents an opportunity for Canada to strengthen both the resilience of its domestic pharmaceutical supply and its position in global pharmaceutical manufacturing. One of the largest segments supporting the pharmaceutical supply chain is outsourced production (CDMOs), which capture a tenth of the $1.7 trillion global pharmaceuticals industry[67] and 55% of new production in biologics.[68] CDMOs provide outsourced drug development and manufacturing services to pharmaceutical and biotech companies, supporting the process from formulation and clinical trial production through large-scale commercial manufacturing. Canada can secure major manufacturing facilities because CDMOs focus on technical competency and speed, both of which Canada excels at, rather than domestic originators.

Increased investment in pharmaceutical manufacturing also presents the potential to address Canada's historical challenges around developing the science but not exporting its fair share of the value. Because domestic capital participation drops from 42% in early-stage rounds to 24% in late-stage rounds and 75% of exit investors are foreign,[69] the country's companies exit prematurely, exporting their IP and value. Anchoring domestic manufacturing would allow Canada to build competency across the entire value chain and, in the long-term, give domestic companies a launchpad to scale locally and anchor their IP and long-term economic value on home soil. While manufacturing capacity alone will not address the late-stage funding gap, it can remove one barrier to domestic scale-up by reducing the need for Canadian companies to establish manufacturing relationships abroad.

Canada's structural advantages

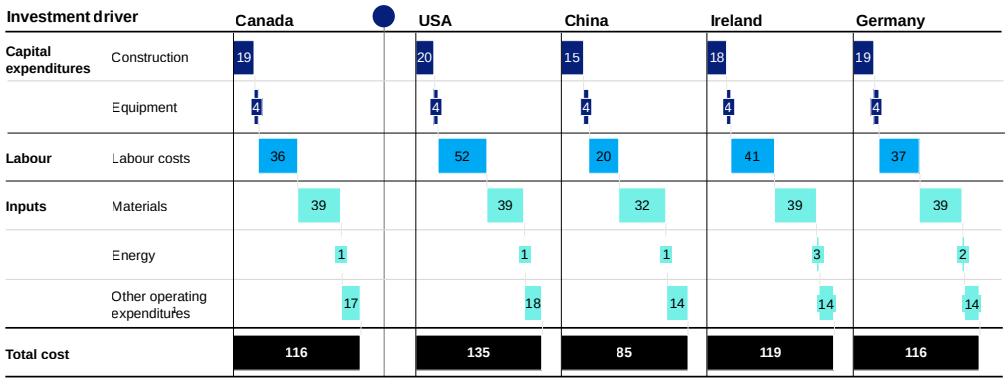
Canada offers four distinct advantages as a pharmaceutical manufacturing hub:

- **Competitive levelized production costs.** When factoring in operational, labour, and utility expenses, Canada presents a strong foundation for scaling complex, cost-effective biomanufacturing. Internal baseline modeling indicates that a commercial-scale monoclonal antibody (mAb) drug-substance plant in Canada produces at US$115,000 per kilogram, which compares favourably with peer nations (Exhibit A10). While Canada's pre-tax operational costs are the lowest in this peer group, this advantage can narrow on a post-tax basis; ultimate site selection often depends on the integration of federal and provincial government incentive packages.

Exhibit A10

Canada's levelized cost for pharma is less than the United States, in line with Europe, but above China, with labour being the driving factor.

Levelized cost of producing a monoclonal antibody drug substance, $ thousand/kg before taxes and direct subsidies



Note: Figures may not sum, because of rounding; Country benchmarks are based on Toronto (for Canada), North Carolina (US), Dublin (Ireland), and country averages for China and Germany.
[1]Including quality (consumables), production, logistics, overhead, IT, licensing, and other.
Source: S&P Global Market Intelligence; McKinsey analysis; McKinsey Global Institute analysis

- **Deep talent pools.** Biologics and advanced therapeutics require highly specialized skills in sterile manufacturing that cannot be developed quickly. Canada's talent pipeline is continuously fed by a world-class network of research universities and clinical hospitals and benefits from a deep pool of experienced manufacturing labour trained in its established pharmaceutical manufacturing base, including generic manufacturers as well as global pharma leaders. Capabilities developed in areas such as quality systems, regulatory affairs, and operating complex facilities at scale provide a foundation that can support expansion into more advanced manufacturing. For example, the established presence of industry heavyweights such as Thermo Fisher, Johnson & Johnson, GSK and Roche in the greater Toronto area, alongside Pfizer, and Sanofi in the critical Montréal-to-Toronto corridor, means European entrants have immediate access to veteran executives, quality control experts, and shop-floor bioprocessing technicians.

- **Global market access.** Canada can compress the operational pipeline from clinical scale-up to global commercial launch, offering regulatory and trade access to the world's two largest pharmaceutical markets. Canada's provincial single-payor healthcare systems could be leveraged by manufacturers to negotiate, secure approvals, and reach patients through unified, predictable networks, bypassing the friction of negotiating with dozens of fragmented private insurers typical in the U.S. market. And through the Comprehensive Economic and Trade Agreement (CETA), Health Canada enjoys EU Good Manufacturing Practice (GMP) recognition across 27 European markets. When combined with preexisting trade pathways under CUSMA (Canada-U.S.-Mexico Agreement), a manufacturing facility anchored in Canada could provide a pathway into allowing European firms to produce locally and export both into North America and back to the European Union without complex trans-Atlantic supply chain barriers.

- **High regulatory standards.** Canada's exceptionally high regulatory standards, enforced by Health Canada, give it a distinct competitive advantage as a reliable and globally trusted hub for pharmaceutical manufacturing.

Historical investment challenges

Major pharma players are built around companies that own the IP, run the pipeline, set global launch strategy, and capture the bulk of commercial value. However, Canada's landscape skews toward generics that replicate innovative medicines. While the sector provides important domestic manufacturing capacity and a base of skilled talent, regulatory expertise, and quality systems, a generic-heavy industrial structure does not by itself generate blockbusters, headquarter functions, or the clinical and regulatory machinery that keeps discovery at home through scale-up. These capabilities provide a foundation to build from. They are not a substitute for the formulation innovation, process development for novel modalities, or supplier and talent ecosystems that originators pull into a region. Most existing capacity remains in conventional synthetic and protein manufacturing, with limited at-scale biologics experience.

Second, there is a lack of clustering. The biopharma industry thrives on dense, localized hubs spanning R&D, production, and logistics. Canada has fewer of the suppliers it needs, and without the intense geographic density seen in hubs like Boston or Basel, commercial-scale talent is diluted and the compounding innovation generated by physical proximity is lost.

Third, the U.S. aggressively drains investment by leveraging its strong 75% market share and heavy domestic build incentives.[70] For Canada, this disadvantage is compounded by cross-border friction: For instance, the lack of a U.S. GMP mutual-recognition agreement forces costly duplicate FDA inspections on U.S.-bound products.

Finally, overall processing times for Canada’s domestic market are long. While rigorous regulatory standards guarantee drug safety and manufacturing quality, longer regulatory processing times and subsequent reimbursement delays pose significant disadvantages for marketing in the domestic market. Administrative bottlenecks often discourage global pharmaceutical companies from prioritizing Canada in favor of more profitable, faster-to-market regions like the U.S. and Europe. As a result, these delays not only restrict Canadian patients’ access to lifesaving, innovative treatments but also stifle local industry growth and deter multinational manufacturers from making long-term capital investments in Canadian operations.

How Canada could increase its competitiveness

While Canada’s pharmaceutical production costs are within a few percentage points of its peers, regulatory standing, a public clinical trial system, and a large and skilled research base could help differentiate the country as a destination for new investment and expansion by firms already operating in Canada. A strategy built on these assets points toward complex modalities and contract development and manufacturing as approaches Canada could explore, where technical talent, regulatory track record and qualification speed decide the investment. In addition, this could narrow the commercialization gap already targeted by the Canadian Biomanufacturing and Life Sciences Strategy, since capacity in Canada reduces the need for domestic developers to find manufacturing partners abroad. There are two broad steps:

- **Executing a unified pitch.** Canada could consider replacing its parallel federal and provincial life sciences strategies with one unified pitch to attract FDI. For example, Canadian IP could be given priority, such as a right of first refusal on government-funded research, and there could be a coordinated Health Canada review path aligned with faster processing and consolidated provincial payor approvals. Where public

incentives are offered, they could be tied to meaningful and durable commitments to invest in Canadian manufacturing, R&D, employment, or commercialization capacity. Public hospital trial networks and a single national regulator could lower the cost of clinical development, and privileged access could be offered to public research institutions. Such an approach offers benefits beyond increased FDI. It could help retain more of the value Canada creates by building an ecosystem that commercializes more of its own IP domestically while also prioritizing anchor sites for advanced modalities based on more complex, highly skilled technology. Over time, validated processes, trained operators, and capital-raised productivity could create a network effect that attracts subsequent investment and pharmaceutical industry activity independent of support.

- **Competing for contract manufacturing.** Drug originators typically place facilities near their own R&D hubs to streamline tech transfer. However, CDMOs choose differently, looking at production cost, regulatory track record, technical labour depth, and qualification speed. Canada is attractive on those criteria. Acting now could help the country gain a leadership position as a qualified Canadian CDMO base for antibody-drug conjugates (ADCs), training the operators, processes, and supplier networks. This may give manufacturers a reason to keep and grow development and clinical work in the country rather than restart elsewhere.

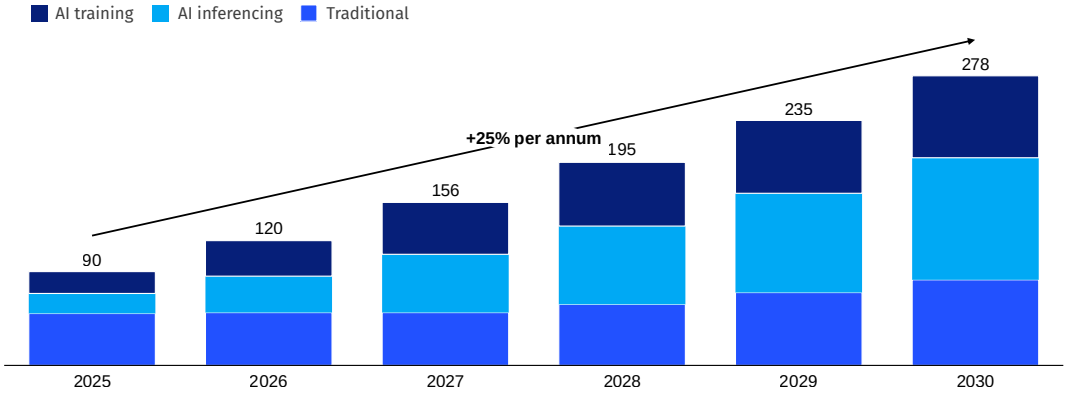
Data centres: Joining the global rush

A global rush to build data centres is underway, and Canada can be a major participant. Data centre demand—measured by the energy required—is expected to roughly triple by 2030, growing from around 82 gigawatts to 278 gigawatts, with AI accounting for about 70% of that growth (Exhibit A11).[71] It's estimated that the cumulative investment in facilities alone could exceed US$2 trillion to US$2.5 trillion through 2030, multiplying to US$8 trillion to US$10 trillion once compute and IT hardware is included. Around US$3.5 trillion to US$4 trillion is in the U.S.,[72] where the build-out already outpaces investment in the power grid that has to serve it, which is expected to result in a supply deficit of more than 15 gigawatts even if all announced capacity is delivered on time.[73]

Exhibit A11

Between 2025 and 2030, data centre demand could nearly triple.

Demand by workload type (continued momentum scenario), gigawatts



Source: McKinsey Data Center Demand Model

Canada remains a net importer of advanced compute capacity. Domestic demand is predicted to nearly triple to around five gigawatts by 2030, driven by hyperscalers and colocation providers as well as enterprises shifting to hybrid cloud under Canadian data-privacy rules. Yet announced supply reaches only around 3.3 gigawatts,[74] and the federal government notes that Canada "lags all G7 nations" in high-performance computing resources.[75] On a per-capita basis, Canada has the least public supercomputing capacity in the G7.[76] Closing these gaps is necessary not only to meet demand but also for strategic reasons: For critical sectors such as defence, banking, and telecommunications, sovereign AI and data control are increasingly important. Ottawa has already committed $2 billion through the Sovereign AI Compute Strategy (including around $700 million for data centres).[77]

There's also a potentially significant economic benefit. Leading U.S. hubs such as northern Virginia are becoming power-constrained, and U.S. spillover demand could reach around 15 gigawatts by 2030—or roughly triple Canada's own demand.[78] And data centres are of domestic economic benefit, albeit concentrated. There are fiscal revenue implications (for example, data centres already provide around 31% of local tax revenue in the largest U.S. market of Loudoun County, Virginia[79]) as well as upside from a construction wave, sovereign compute, and upstream economic benefits from new power generation. But the benefit must be managed in a way that provides Canada an advantage, given that a finished facility supports relatively few permanent jobs (for instance, Meta's Indiana site generated about 4,000 construction jobs but only around 300 permanent roles[80]), carries heavy power and water demands, and can leave IP and margins offshore.

Canada's attractiveness: Low-cost power, land, and climate

With AI demand now outstripping supply, developers compete first on speed, or how fast a site can be powered and brought online, with cost secondary but rising in importance. Canada's position splits along that line. The country is strong on the fundamentals that set long-run cost and sustainability (such as low-cost, low-carbon power as well as stability and available land) and weaker on the execution factors that determine speed (for example, extra capacity on existing energy grids, connection, and permitting). While Canada's endowment is real, converting it into energized capacity quickly and predictably is harder.

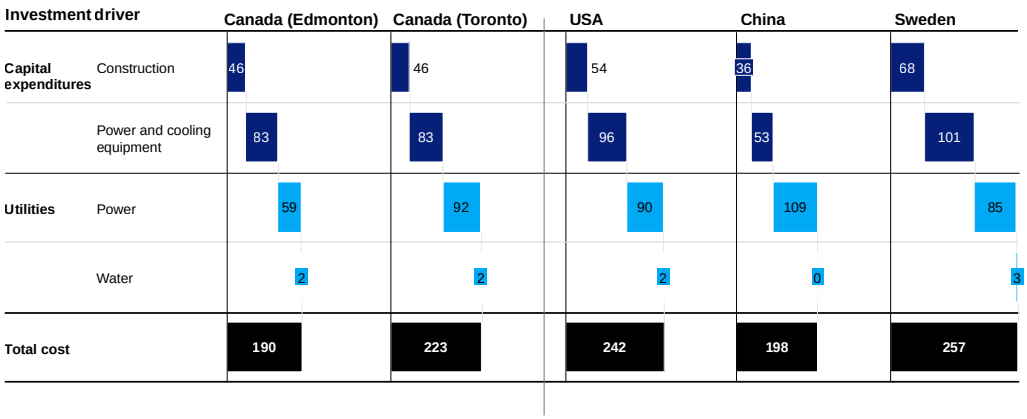
Canada's electricity grid is around 80% non-emitting and 60% hydro-generated, with the second-lowest industrial power cost in the G7 and OECD.[81] On cost specifically, this shows up in price: Canada's levelized facility-power cost is about $68/MWh, below the U.S. average of around $90/MWh,[82] and its industrial electricity is among the cheapest in the G7. As energy becomes the primary cost driver, this is a genuine advantage.

However, this is based on the average cost of what exists today, and it is available to new load only to the extent there is spare capacity to serve it. Today there is very little grid headroom, and meeting new load at scale will require new generation of all types, meaning the mix that produces today's cost advantage is not the mix that will serve incremental demand. Canada's levelized cost is around $190–223/MWh of facility energy (before taxes and direct subsidies), below the U.S. ($242) and Sweden ($256) but above China ($198).[83] The advantage, displayed in Exhibit A12, results from Canada's low-cost power and cool climate. The country is also competitive on construction (around $84/MWh versus $96/MWh in the U.S.).

Exhibit A12

Energy costs have emerged as a primary determinant of data centre colocation cost competitiveness.

Levelized cost of collocating data centres (AI, excluding chips), $ per megawatt-hour before taxes and direct subsidies



Source: S&P Global Market Intelligence; Turner & Townsend; McKinsey Global Institute analysis

Yet this relative cost advantage depends on spare capacity Canada does not have today.[84] And because there is little firm headroom, new demand must be met with new generation, which pays the marginal cost of building it, not the average cost of the existing fleet. In practice, what can be added to meet forecast data-centre demand would have to be gas-fired, given hydro and new nuclear take a decade or more to permit and commission. This creates an additional trade-off between the speed Canada needs to compete and its announced climate objectives.

Canada's challenges: Constraints on access to power and speed to build

Canada Energy Regulator (CER) also outlines the challenge of the demand and expected supply. The CER's Current Measures scenario—the base case that informs system planning—assumes the country will add 1.5 gigawatts of data centre load by 2030 and 3.5 gigawatts by 2050.[85] Projected demand is materially higher: around 3.3 incremental gigawatts (5.0 gigawatts total) of Canadian demand by 2030, with a further 15.0 GW of U.S. spillover contestable by 2030. Canadian domestic demand alone exceeds the CER's 2050 base case assumption within five years, and total potential demand is more than ten times what the base case contemplates for 2030.

In the race for megawatts, there are myriad factors determining investment, with the largest parameter being whether a site has power and when it can be online.

Canada's challenges include the following:

- **Long waits for connectivity.** While long queues are a constraint across Canada and North America generally—the median wait from interconnection request to operation for most of the U.S. is about five years[86] —Texas has set 18–24 month energization targets for qualifying projects.

- **Connectivity is strong in core hubs but thinner elsewhere.** Toronto is a top-three North American interconnection hub[87] with Montreal and Vancouver also strong. These metropolitan areas can serve latency-sensitive demand while remote regions such as Northern Alberta suit latency-tolerant work. As a global gateway, however, Canada's international connectivity is oriented primarily toward the U.S., with fewer direct to Europe and Asia.

- **Long-haul fibre runs mainly east–west, which limits the power-rich west as an inference location.** Combined with distance, this makes these regions suitable for latency-tolerant training rather than real-time inference. Adding new south-bound routes is feasible but constrained by cost, land assembly across many owners, and permitting.

- **A deep general workforce but a shortage of data centre specialists.** Canada has a large construction labour pool of 1.6 million workers but faces a structural shortage as 270,000 tradespeople retire this decade, compared with demand for 380,000 new workers by 2034.[88] In addition, data centre builds are electrical- and mechanical-intensive, and these specialized trades are scarce on both sides of the border (an electrician shortage is now cited as a leading constraint on U.S. data-centre expansion).[89] Canada is expanding skilled-trades immigration, but this potential advantage over the U.S. only holds if training and immigration keep pace.

- **The developer ecosystem is U.S.-centric.** The largest data-centre developers and real estate investment trusts are U.S.-based (CyrusOne, Digital Realty, Equinix, QTS, and Vantage). Canada lacks a comparable domestic developer and capital base, so Canadian projects compete for attention against a much deeper U.S. pipeline.

- **Permitting and zoning are slow.** Few municipalities have data centre zoning, so projects need rezoning, hearings, and multistage review taking up to 18 months,[90] with no broad by-right or fast-track pathway comparable to leading U.S. states. And while Canada does have early building blocks,[91] these were built for general industry and do not certify power. As a result, projects can complete land and zoning approvals and still wait years for a power connection.

- **Local acceptance increasingly decides outcomes.** Community opposition to data centre construction is rising[92] and has also proved a challenge in the U.S.[93] It remains a real constraint in Canada: Some localities court investment while others resist, leaving a pipeline that is small and concentrated. For example, while Alberta holds only 3% of Canada's active data-centre capacity, it already has 92% of planned capacity.[94]

- **Large new loads can strain ratepayers and social license.** Adding large loads without new generation and transmission can raise electricity costs. In some U.S. jurisdictions, wholesale power prices have increased sharply where data centre demand is concentrated,[95] and average residential bills have also risen.[96]

Canada's potential path: Use data centres to build out the AI economy

- **Competing on time-to-power.** Canada is competitive on levelized cost today, but that position narrows once new generation is built to serve new load. The durable proposition is speed and certainty of connection, supported by a cool climate that lowers cooling load, available land, grid stability, and sovereign demand that must stay onshore. Canada can also serve several demand pools at once.

- **Standardizing connection and permitting.** Grid connection and permitting can be streamlined so developers have a standard framework to sign up to rather than negotiating each time. Canada already has provincial site-readiness programs, such as Ontario's Investment Ready: Certified Site Program and Alberta's Designated Industrial Zone, but they were built for general industry and stop short of what a data centre needs. But they could be enhanced and tailored to data centres, bundling into the designation secured large-load power and grid connection, water, and precleared permits. This would allow Canada to market a pipeline of shovel-ready sites to developers—and in a way that doesn't sacrifice environmental, water, farmland, or community standards.

- **Partner to build new supply of all types.** As data centres grow, Canada could work with hyperscalers, other corporate partners, and developers to add new generation of all types (including gas where needed) and grid capacity alongside new demand. This would ensure that new load arrives with new supply rather than drawing down what already exists, and households would be insulated from higher energy costs.

- **Capturing value and sovereignty, not only hosting capacity.** One risk is that Canada supplies power, land, and water for data centres while the IP, models, and margins stay offshore. Avoiding this outcome requires deliberately building the ecosystem around compute, not just the buildings. Data sovereignty is also a growing consideration because domestic data centres would let Canada keep sensitive government, regulated, and commercial data under its jurisdiction.

Canada has historically discovered more than it has commercialized, capturing a fraction of the value its research creates. Data centres represent an opportunity to change that. By pairing investment in compute with deliberate commercialization steps—such as by anchoring AI labs, model developers and start-ups; directing the build-out to domestic supply chains; and retaining IP and talent—Canada can be a participant in shaping the global AI and supercomputing economy. This may also improve labour productivity in other industries through AI-enabled solutions.

Our levelized cost methodology

Our levelized cost methodology converts a project's full life cycle economics into a single unit of cost. It can be interpreted as the unit price that would make a project's net present value equal to zero over its entire life cycle, making that project viable, and is in line with the macroeconomic concept of long-run marginal costs.[95]

We model capital expenditures and operating expenditures as time-phased cash flows, discount them using the local weighted average cost of capital, and divide by discounted lifetime output to calculate the levelized cost. The line items captured in the analysis include construction costs, equipment costs, labour costs—determined by wages as well as hourly productivity and hours worked—and operating costs such as materials, energy, and maintenance. The modeling includes additional case-specific inputs such as time to market and scale effects where relevant.

To understand how each driver influences levelized cost, we compare each region to the base case by replacing one factor at a time. For example, in our electric vehicle manufacturing case, we asked how the cost of building a vehicle in Canada would change if a Canadian plant paid Mexican wages. An interaction effect captures the fact that some drivers influence each other and do not add perfectly on their own (for example, a longer construction period matters more in a region with a higher weighted average cost of capital).

The case of an integrated electric vehicle plant illustrates how the levelized cost method works in practice. We analyze a representative plant spanning stamping, body, paint, and general assembly that produces 500,000 battery electric vehicles a year and use it as a benchmark for the levelized cost of one vehicle in dollars. We compare the cost of building the same vehicle in comparable plants in Canada, the United States, Mexico, China, and Japan, the world’s largest auto makers.

In industries where market prices are comparable across economies, levelized cost is a proxy for returns on investment. Because we cost every location on a delivered basis into the same destination market, differences in levelized cost translate directly into differences in margin—which is why a gap of a few hundred dollars a vehicle can be decisive in an industry with thin per-unit margins. Trade measures can outweigh production economics altogether, so we report tariffs separately from levelized cost.

Note: All figures in the investment case are expressed in 2024 dollars, converted from local currencies using 2024 market exchange rates. Our business cases are informed by McKinsey's work on the five industries, which provides our understanding of how much capital, labour, energy, materials, and other inputs are typically needed to produce a product—here, a battery electric vehicle—and how long the process typically takes. We price these inputs at the typical costs in a geography, also drawing on the proprietary databases maintained by MGI's Economics Research team, and typical weighted average cost of capital, drawing on McKinsey's Value Intelligence platform, a curated global database of corporate financials. Levelized costs are presented before taxes and direct subsidies; tariffs are reported separately.

Methodology and assumptions

Given Canada's historical underinvestment and its generational opportunity, we outlined what Canada's potential could be in quantitative terms. This analysis estimates the share of global investment Canada could attract with improved investment competitiveness and how that investment converts that into GDP and employment gains over five years. It covers the report's five core industries, their downstream industries, and induced effects across the rest of the economy.

We conduct the analysis by estimating Canada's investment potential compared with its existing position versus other mature peer economies. We normalize Canada's position, using a "location quotient," which compares the share of global investment in an industry that lands in Canada with Canada's share of global investment overall. A value of 1 denotes that Canada's economic share is in line with other economies; below 1, Canada is underweight; above 1, it attracts more than its share in an industry compared with other economies.

The benchmark assumes Canada reaches the top 40% of OECD economies with broadly similar endowments in each industry. In machinery and equipment, this lifts Canada from a location quotient of about 0.1 to about 0.7, roughly where Switzerland stands today; in data centres, proxied by IT and information services, from about 0.8 to about 1.3, roughly the United Kingdom; in pharmaceuticals, from about 0.3 to about 0.6, comparable to Italy; and in basic metals, from about 0.3 to about 0.6, comparable to Sweden. Where Canada already exceeds the benchmark (for example, oil and gas extraction), its position is held rather at that level. This becomes our investment ambition.

The investment Canada can mobilize is broken down in three components. The first is the capital spending already in Canada's baseline forecast for these industries. The second is the incremental spending needed to close the location quotient gap, calculated year by year from 2026 as the difference between the benchmark ambition level and the baseline. The third is the investment suppliers make to serve that additional demand, derived from Canada's own industry linkages. Both foreign-direct and domestic investment are included. The final sum of the three components is $962Bn, mobilized over a five-year window.

We then convert that investment into GDP in three steps. Investment accumulates into a capital stock, which depreciates at 7% a year, so only capital still in service contributes to output. That surviving stock is multiplied by an industry-specific ratio of capital to output, estimated from investment and value added over 2010–25. Supplier and wider-economy effects are then added using the Leontief inverse of Canada's input–output table, which gives the output every other sector must produce to support a dollar of demand in each priority industry. To reflect higher productivity of new capital we use a 15-year estimation window to derive the investment to GDP ratio instead of the full historical timeframe. The result is that new investment is 1.3 times as productive in transforming into GDP as the average existing dollar.

The resulting investment is expected to generate about two million jobs. Job creation is estimated industry by industry over the same period, applying an output-to-employment ratio. This multiplier is consistent with genuinely new productive investment, since new facilities carry more capital per worker and need fewer people for the same output compared with older, depreciated facilities. New capacity is also modeled at a higher rate of automation adoption than the existing footprint, reflecting the technology it arrives with.

To fill the labor gap generated by this investment, Canada will need to fill roles through a combination of falling unemployment, higher labor-force participation within its historical range, and a reduction in underemployment. Additionally, an increase in net immigration would also benefit the balance.

Industry investment and value added are drawn from the S&P Global Market Intelligence data set, with peer positions measured over 2019–25. Supplier and wider-economy linkages use the OECD input–output table for Canada (2022) and OECD Trade in Employment data for the same year. Labor market figures come from the Statistics Canada Labour Force Survey through July 2026, with historical ranges for unemployment and participation taken from the annual series since 1976 underemployment from the 2025 part-time employment by reason series.

A note about FDI and economic progress

FDI is often interpreted as a metric of global investment competitiveness, a signal where investors believe the best risk-adjusted returns are to be found. While true, headline FDI can conceal more than it reveals. For starters, FDI includes cross-border M&A activity—the redistribution of ownership claims—which, on its own, does not lead to capacity expansion or productivity growth. Foreign capital that buys an existing Canadian mine is materially different than foreign capital that builds a new mine. The scale of that difference, in Canada's case, is larger than headline figures may suggest. Over the past decade, M&A activity made up about 30% of inward FDI into Canada and about 40% of outward FDI.[97]

FDI is a means to a higher and more lucrative end. The real prize is greenfield capital expenditure—that's new infrastructure, plant, equipment, software, IP, and R&D—financial flows that are converted into capacity expansion, theoretical and applied knowledge, supply chain deepening, and productivity enhancements. Countries that equip their workforce with more and better machinery, equipment, and software are more productive and dynamic, all things considered.

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Published by

RBC Thought Leadership and McKinsey & Company

September 2026

McKinsey & Company

RBC Thought Leadership