

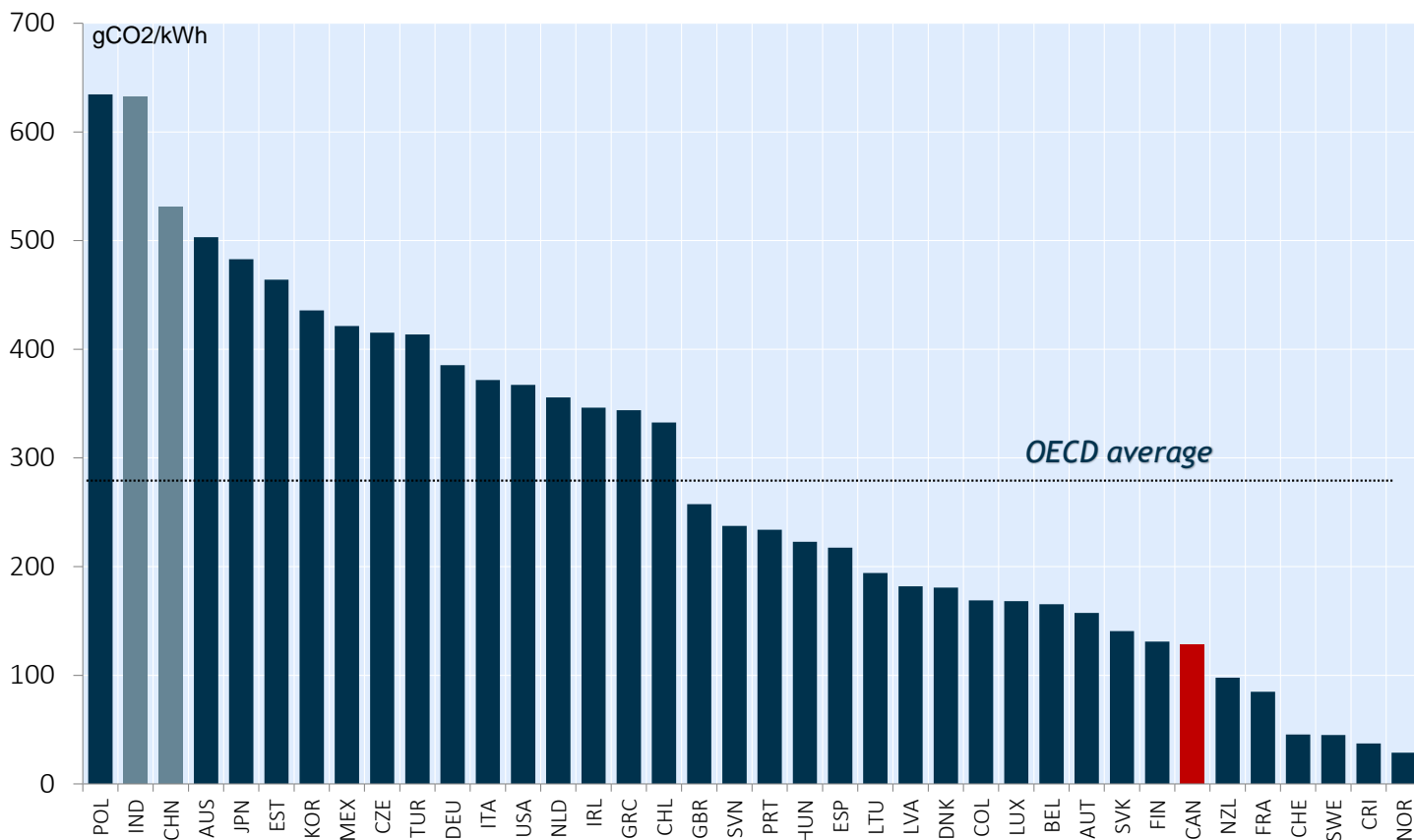
Canada Watch

By Stéfane Marion

The federal government continues to make life difficult for the Bank of Canada. Ottawa's immigration policy is keeping housing inflation high as rental vacancy rates have fallen to historic lows on the back of a surging population (currently growing at 80,000/month). This is happening at the same time the country is reporting weak business investment and a decline in its private non-residential capital stock. This is bad news for productivity growth, which is already among the worst in the OECD, as documented in a recent C.D. Howe [paper](#). This is unfortunate because Canada should be well positioned to attract foreign capital as the U.S. aggressively pursues policies to reindustrialize North America. After all, we have one of the largest growing pools of talented people and the cheapest electricity prices in the industrialized world (70% below the G7 average and 35% below the U.S.). Curiously, Ottawa wants to erase this advantage. Last week, the government unveiled a draft proposal to decarbonize Canada's electricity grid by 2035. We understand Ottawa's desire to lead by example, but it's also about pragmatism. As today's Hot Chart shows, Canada's electricity grid is already 50% less carbon-intensive than the OECD average. It also emits one-third as much as our USMCA trading partners and about one-fifth as much as India and China. Electricity is ubiquitous in a modern economy and a key determinant of economic development. In its current form, Canada's draft Clean Electricity Proposal (CER) will hamper the country's potential GDP and is likely to make inflation more persistent. We agree with the just-released analysis of our ESG research team, which concludes that the draft CER needs to be improved. (see [here](#)).

World: Canada's power grid is already one of the cleanest

2022 carbon intensity of electricity (gCO₂/kWh): OECD economies + China + India



NBF Economics & Strategy (data via [Our World in Data](#))

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