

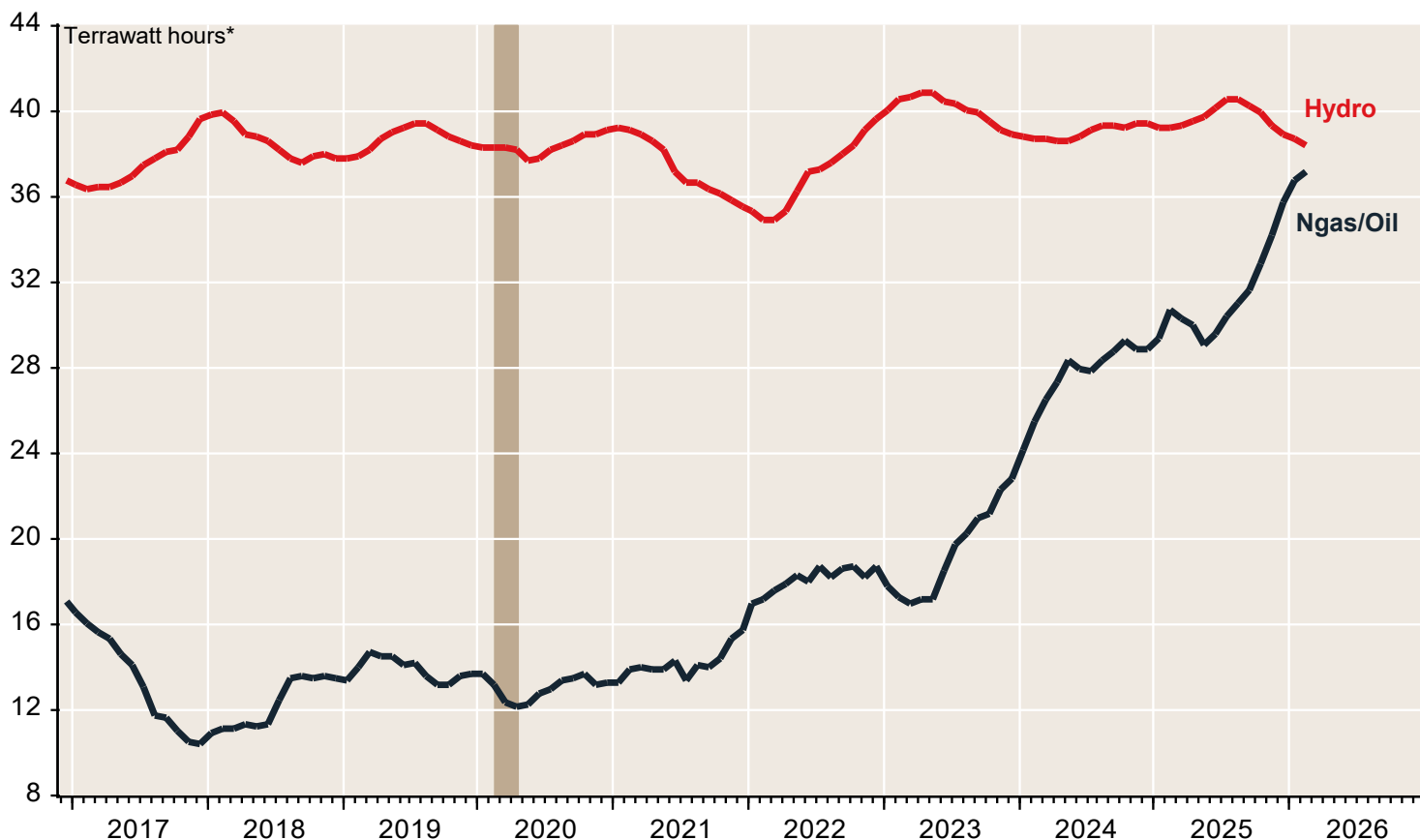
Canada Watch

By Stéfane Marion & Baltej Sidhu

Ottawa launched a new national electricity strategy (**NES**) this week aimed at doubling Canada's grid capacity by 2050. The ambition is necessary. Abundant, reliable and competitively priced power will increasingly determine where industrial capacity is built, where data centres locate, how households absorb electrification, and whether Canada can convert its resource base into a broader competitiveness advantage. But the transition also requires pragmatism. Keeping electricity affordable while expanding and decarbonizing the grid will require Canada to lean on one of its clearest comparative advantages, namely its vast natural gas resource base, the second largest in the world on a gas-in-place basis. The Prime Minister's acknowledgement that the NES will require a wide range of energy sources, including natural gas, is therefore not a regional concession to Alberta. It is a system-wide reliability point, and Ontario provides the clearest evidence. Gas-fired generation, including oil-fired generation, has moved from marginal to structural, rising 64% from 19.1 TWh in 2023 to 31.4 TWh in 2025 and currently running near 37 TWh in 2026, enough to supply roughly 22% of the provincial grid. As today's Hot Chart shows, natural gas is on track to overtake hydro as Ontario's second-largest source of electricity after nuclear, which generated 78.3 TWh in **2024**. That shift matters because Ontario is entering a narrow nuclear transition window, with multiple units offline for refurbishment just as demand growth is expected to accelerate. In that environment, any delay in refurbishments, upside surprise in load, or shortfall in new supply must be absorbed by flexible thermal generation. This is the physical reality that policy must accommodate. Prematurely constraining natural gas under the Clean Electricity Regulations would risk creating operational distortions, raising costs and undermining industrial growth before enough firm clean capacity is available to replace it. The NES has now opened the door to a more pragmatic CER, and Ontario's experience shows why that flexibility is not optional.

Canada: Doubling the grid requires a gas backbone

Ontario's electricity generation: Hydro vs combustible fuels



* Monthly data, 12-month moving sum
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