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Canada's Infrastructure Moment: A New Era of Canadian Industrial Development

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Key Takeaways

- Canada may be entering a new industrial investment cycle, supported by major infrastructure, energy, data center, transmission, port and carbon-capture projects announced in July.
- Renewed private non-residential capital formation could help reverse a decade-long investment shortfall and support productivity, wage growth, fiscal capacity and broader economic resilience.
- Some of the most attractive equity opportunities may lie among second-order beneficiaries of infrastructure spending, including upstream producers, midstream operators, industrial services firms, equipment providers, distributors and selected financials.

Calgary Stampede Announcements Could Mark A Turning Point

The Calgary Stampede — the annual exhibition and rodeo held in early July — has long served as a barometer of the state of the economies of Calgary and Alberta. Although Alberta's economy is diversifying, the sentiment at corporate parties and political pancake breakfasts that surround the 10-day event is still driven by the ebbs and flows of the energy industry. After a decade of angst and disappointment regarding energy development, albeit dotted with ephemeral moments of commodity-price strength, this year's Stampede had the feel of a turning point in energy and industrial development in Canada.

Stampede 2026 has provided the backdrop for a series of consequential infrastructure and energy announcements that, if carried through, could materially impact the direction of the Canadian economy. This includes Meta's gigawatt-scale data center, a proposed West Coast pipeline, progress on LNG Canada Phase 2 and Ksi Lisims LNG, the North Coast Transmission Line, West Coast port expansions, the Pathways Carbon Capture agreement and funding for the George Massey Tunnel Replacement Project, among others. Collectively, these announcements suggest that Canada is renewing its efforts to translate its resource endowment into private capital formation, export diversification and productivity growth.

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It is difficult to overstate the importance of this renewed capital formation for the Canadian economy. Real non-residential private-sector capital formation peaked in late 2014 and has never fully recovered from the 2014-2015 collapse in energy prices. A post-COVID boom in residential spending and increased public-sector capital spending have helped to partially offset part of the decline, but they have been unable to completely fill the gap left behind by weaker energy investment. Rapid population growth also means that headline capital spending can overstate the underlying trend: on a per-capita basis, Canada's capital stock remains under pressure.

Private non-residential investment is a key driver of labor productivity, wage growth and fiscal capacity. A more durable industrial capital-spending cycle would therefore have implications well beyond public equities.

Pipes, Pipes and More Pipes…

Pipeline development has become shorthand for Canada's broader difficulty in building large industrial projects. Environmental concerns, land-use conflicts, Indigenous rights issues, regional politics and regulatory complexity have all contributed to project deferrals, delays and cancellations. The grand bargain struck between Prime Minister Carney and the premiers of British Columbia and Alberta has laid the groundwork for a less contentious policy environment for long-haul crude and natural gas pipelines in Canada.

At the center of the current discussion is a proposed one-million-barrel-per-day West Coast Pipeline designed to improve tidewater access and increase Canadian crude exports to Asian markets. The proposal would complement existing and planned export capacity provided by Enbridge's Mainline System and South Bow's Prairie Connector project, potentially extending the growth runway for Canadian oil producers through the early 2030s. These projects would support investment not only in pipelines, but also for upstream production, condensate, natural gas, storage, gathering and processing and construction services.

LNG represents a parallel opportunity. LNG Canada Phase 2 and Ksi Lisims LNG would materially expand Canada's West Coast LNG capacity and support natural gas production, midstream infrastructure, power transmission, marine services and industrial construction.

Political and regulatory resistance to pipeline development began to ease following the completion of the Trans Mountain Expansion (TMX) crude oil pipeline and the Coastal GasLink (CGL) natural gas pipeline, brought into service in 2025 and 2024, respectively. The TMX and CGL pipelines illustrate the broader economic impact these projects can generate. TMX increased Canada's crude export capacity by 900,000 barrels per day and improved access to Asian markets for Canadian heavy oil exporters. This reduced Canada's dependence on refineries in the U.S. Midwest, tightened heavy oil price differentials and enabled upstream oil and condensate capital spending. The CGL pipeline similarly supported natural gas drilling in northeastern British Columbia. Together with the LNG Canada Phase 1, TMX and CGL provide real-world evidence of the impact large infrastructure projects can have on the broader economy.

…but More Than Just Pipes

Focusing too narrowly on pipelines overlooks the broader scope of the industrial push. Actions taken by the federal and provincial governments over the past 18 months have created a more supportive environment for investment in data centers, critical minerals, mining, electrical transmission, port infrastructure, shipbuilding, Arctic infrastructure, nuclear waste repository and defense.

This explicit project support complements a host of other policies in the 2025 federal budget designed to encourage capital spending. The budget included the creation of the Major Projects Office; a "one project, one review" approval process; federal financing via the Canadian Infrastructure Bank and Indigenous Loan Guarantee Corporation; and the Productivity Super-Deduction, which uses accelerated depreciation and immediate expensing to reduce effective tax rates. Collectively, these actions have helped create a policy environment that incentivizes private capital spending across the economy.

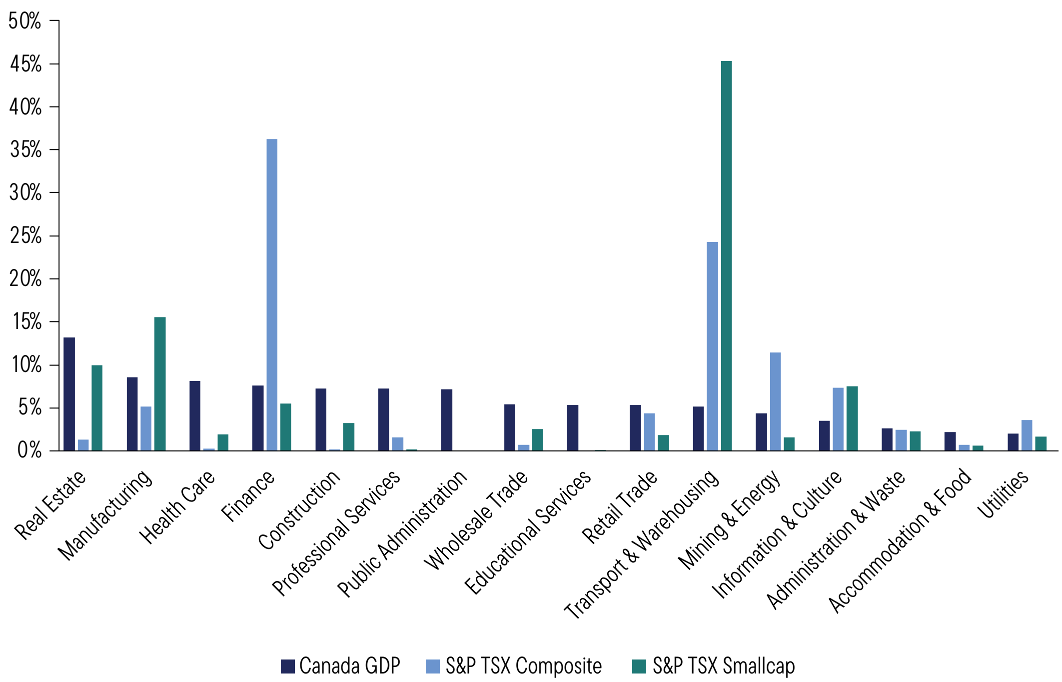
Meta's plans for a gigawatt-scale data center in Sturgeon County, Alberta, highlights the broader opportunity for Canada. Alberta has targeted the industry with a bespoke regulatory environment designed to leverage the province's excess power generation capacity alongside a long-term "bring your own generation" policy for data center operators. Power remains a common bottleneck for the industrial economy. The federal government has prioritized several transmission projects to connect Canada's low-cost, low-carbon hydroelectric generation with intermittent renewable and baseload natural gas generation to provide cost effective and reliable power to underpin industrial spending.

Canadian Equity Implications

The S&P/TSX Composite is a poor proxy for the Canadian economy — a disconnect that worked in Canadian equity investors' favor over the last decade as Canadian equity benchmarks posted reasonable gains despite a mixed domestic economic backdrop. Canadian large- and small-cap indexes are heavily weighted toward financials, mining, energy, transportation (particularly railways) and telecoms, whereas the economy is more oriented toward services and manufacturing.

Exhibit 1: Disconnect Between Equity Markets and Economy

Weightings: Canada GDP vs S&P TSX Composite vs S&P TSX Smallcap



Source: Statistics Canada. Table 36-10-0434-03 Gross domestic product (GDP) at basic prices, by industry, annual average (x 1,000,000), Bloomberg. Data as of 06/30/2026.

That said, there are undoubtedly positive implications for Canadian equity portfolios that are properly weighted to the pockets of the market best positioned to benefit from the incremental spending.

Second-order effects are likely to be more impactful than the first, with the proposed West Coast Pipeline being the clearest example. Asset owners and operators could benefit directly from capital deployment, but the broader beneficiaries could include upstream producers, natural gas and condensate suppliers, midstream infrastructure companies, engineering firms, industrial contractors, equipment providers, distributors and selected financials.

- **Upstream Oil Development:** Large oil sands producers and prospective new entrants have expressed interest in modular in-situ projects.
- **Upstream Natural Gas and Condensate Development:** The growth in in-situ oil sands production requires natural gas for operations and condensate to dilute bitumen. This would support incremental drilling, completions and processing activity across Western Canada.
- **Ancillary Infrastructure:** Additional production would require storage; gathering and processing capacity; NGL and condensate handling; and additional pipeline and export infrastructure.
- **Construction and Industrial Services:** Pipeline, LNG, transmission, port and carbon-capture projects would increase demand for engineering, construction, equipment rental, environmental services, logistics, distribution and other industrial services.

Third- and fourth-order effects would likely extend to employment, real estate demand, banking activity, consumer spending and regional labour market dynamics. Although these impacts are harder to forecast, they matter for a broadly diversified Canadian equity portfolio.

Optimism Tempered by a Bit of Realism

A more robust industrial economy in Canada should provide ample opportunity for active portfolios.

Investors should not confuse announcements with executed projects. Canada has a long history of infrastructure proposals that were delayed, scaled back or cancelled. Cost overruns, permitting delays, Indigenous consultation, commodity-price volatility, carbon-policy uncertainty and financing structures have all impaired equity returns in past cycles.

We aim to mitigate these risks by remaining consistent with our style and process. Many of the GARP (growth-at-a-reasonable-price) and long-term equity positions favored by our style have struggled in a market myopically focused on a select set of themes. We remain committed to stress-testing our investment theses on capital allocation and competitive positioning, but we believe that a more robust industrial economy in Canada should create ample opportunity for active managers of Canadian portfolios.

About the author

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- 15 years of investment industry experience
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