ECONOMIC VIEWPOINT

Canada's Infrastructure Investment Opportunity

Will the Outcome Match the Ambition?

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HIGHLIGHTS

- The infrastructure investment landscape in Canada has changed considerably in the past year and a half. Tariffs and other policy uncertainty emanating from south of the border have caused Canadian officials to dramatically accelerate the push to build growth-enhancing infrastructure.
- Attracting private capital plays a big role in this plan. The first-ever Canada Investment Summit, to be hosted by Prime Minister Mark Carney in mid-September 2026, is intended to showcase Canadian investment opportunities to the world.
- Given the ambitious infrastructure build-out planned by the federal government and proactive moves to make it happen, it's no wonder there is so much interest in investment opportunities in Canada. But attracting international capital to Canada will depend on the universe of investable assets. These must be of sufficient size and risk-adjusted return to meet the demands of investors, many of whom are highly sophisticated and have a fiduciary responsibility to their clients and contributors.
- What remains unclear is the return potential of proposed investments and how much risk will need to be absorbed by the Government of Canada's balance sheet to make them profitable. Canada has a mixed record of private infrastructure investment, and the federal government has minimal influence over the existing infrastructure base, which is almost entirely owned by provinces and municipalities. That said, given the escalating trade tensions with the United States, Canada finds itself in a unique position to pivot towards a more diversified growth model. How effectively businesses and policymakers capitalize on that opportunity will determine whether the outcome will match the ambition.

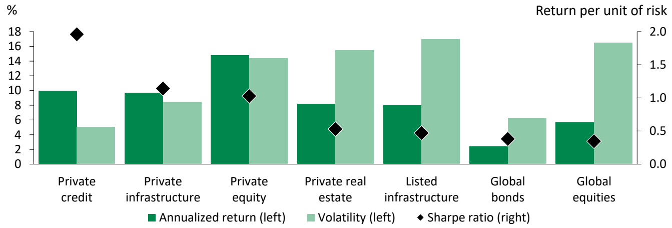
The infrastructure investment landscape in Canada has changed considerably in the past year and a half. Tariffs and other policy uncertainty emanating from south of the border have caused Canadian officials to dramatically accelerate the push to build growth-enhancing infrastructure. Attracting private capital plays a big role in this plan. The first-ever Canada Investment Summit, to be hosted by Prime Minister Mark Carney in mid-September 2026, is intended to showcase Canadian investment opportunities to the world. But bringing international investment to Canada will depend on the universe of investable assets. These must be of sufficient size and risk-adjusted return to meet the demands of investors, many of whom are highly sophisticated and have a fiduciary responsibility to their clients and contributors. Is Canada, and the Government of Canada in particular, ready to meet this moment?

Why Infrastructure Appeals to Investors

Private infrastructure has become a popular asset class for investment over the past 25 years. This is the result of its attractive risk-adjusted returns, low volatility and moderate correlation of returns with other asset classes (graph 1 on page 2). From 2004 to 2023, private infrastructure's average annual Sharpe ratio—which measures return per unit of risk—was higher than public asset classes, such as global equities, bonds and listed infrastructure, as well as other private investments except private credit (KKR, 2024). Private infrastructure is also generally considered a good hedge against inflation, as long-term operating contracts often include automatic inflation-linked pricing escalators (Brookfield, 2025). Indeed, the relative outperformance of even public infrastructure

Graph 1
Private Infrastructure Has Relatively High Risk-Adjusted Return

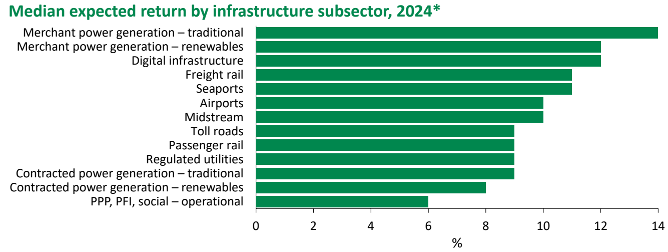
Asset class return and standard deviation, end of year 2023



KKR GBR and Desjardins Economic Studies

Graph 2
Private Infrastructure Investment Is Known for Outstanding Returns

Median expected return by infrastructure subsector, 2024*



PPP: Public Private Partnership; PFI: Private Finance Initiative
* As of Q1 2024, reflecting an expected 1-year total shareholder return for operational assets.
J.P. Morgan Asset Management Infrastructure Research and Desjardins Economic Studies

equity during periods of high inflation, independent of the broader growth environment, helps to improve the risk-adjusted return of a standard 60/40 stock/bond portfolio (BlackRock, 2023).

Where infrastructure investment becomes more challenging is in high-interest-rate environments. Elevated borrowing rates raise the cost of capital, reducing the profitability and, hence, the value of an investment, even when the underlying asset continues to generate comparatively high returns. That said, many infrastructure businesses have built-in mechanisms, such as explicit indexation, contractual escalators or regulatory resets, that help protect real cash flows over time (Franklin Templeton, 2026). The Canadian Mainline pipeline, for example, has rates that are a function of GDP. This not only provides a greater ability to pass inflation through to end users than other asset classes but also offers some protection against increases in real borrowing costs. Consequently, private infrastructure returns are likely better shielded from the current, and potentially future, high-interest-rate environment than other types of private assets.

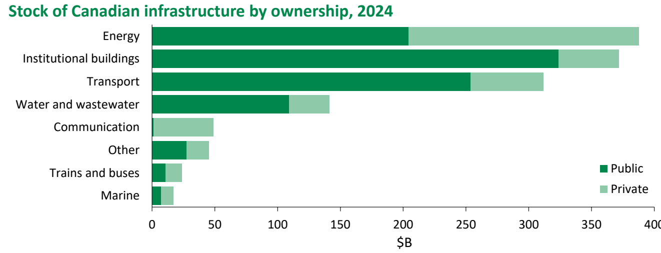
Of course, not all infrastructure assets are created equal. They are highly idiosyncratic, meaning they can differ significantly, even within a single subsector. Geographic allocation can make a big difference as well, both in terms of the nature of the regulatory regime and economy in which it is located but also the value of the currency when profits are reported. But even when we look through some of the nitty-gritty of individual projects by comparing the global average return by infrastructure subsector, the median expected return varies significantly (graph 2). According to J.P. Morgan Asset Management Infrastructure Research (2024), expected returns can range from close to 6% for operational social infrastructure to nearly 15% for traditional merchant power generation. Caution is therefore warranted before assuming a one-size-fits-all benefit to infrastructure investment.

The Public Sector Dominates Canada’s Infrastructure

Canada has a mixed history with private infrastructure ownership. According to Housing, Infrastructure and Communities Canada (2025), more than 70% of infrastructure in Canada is publicly owned, including many of the country’s roads, highways, ports and airports (graph 3).

Graph 3
Most Infrastructure in Canada Is Publicly Owned

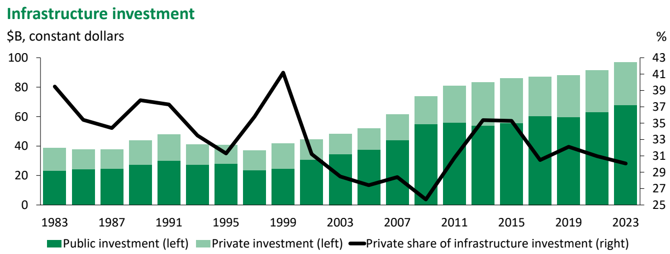
Stock of Canadian infrastructure by ownership, 2024



Housing, Infrastructure and Communities Canada and Desjardins Economic Studies

An alphabet soup of federal government investment funds, such as the Canada Infrastructure Bank (CIB) and Canada Growth Fund (CGF), were launched in the past decade with the intent of catalyzing private sector infrastructure investment in Canada. Instead, the private sector has played a smaller role in infrastructure investment since 2015 (graph 4 on page 3). Concerns have been raised that agencies like the CIB and CGF are crowding out private investment by lending at a lower cost of capital as opposed to crowding it in, contrary to their stated mandates (Standing Committee on Transport, Infrastructure and Communities, 2022). Questions have also been raised about the benefits of the newly proposed Canada Strong Fund, which aims to invest $25B over three

Graph 4
Private Infrastructure Investment Has Played a Smaller Role Since 2015



Housing, Infrastructure and Communities Canada and Desjardins Economic Studies

years in Canadian projects and companies alongside other investors (including retail investors). The risk of government interference, such as in the case of toll roads in the past, is also a consideration. Private investors may be reluctant to commit capital where political considerations could influence investment decisions or expected returns.

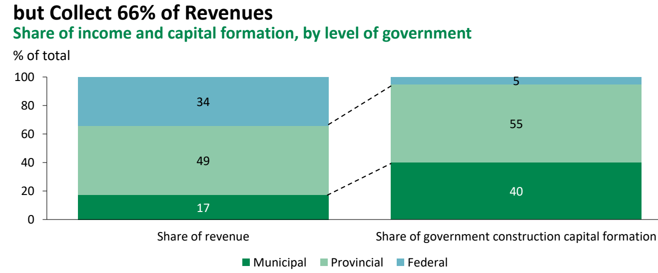
Canada's significant share of public infrastructure ownership is very different from other, similar economies like the United Kingdom and Australia (CD Howe, 2025). These countries have heavily monetized or privatized public assets over past decades, including core infrastructure assets such as transit, water, utilities and airports. In a meaningful development, in the Spring Economic Update (SEU) 2026, the Government of Canada expressed an openness to selling publicly owned assets, such as major airports, to then reinvest in other priority projects. We estimated that the total value of airports owned by the federal government could be upwards of $50B—double the proposed size of the Canada Strong Fund. This follows the modest progress, announced in the Fall Economic Statement 2024, toward unlocking pension investment in Canada, including a lower threshold for investing in municipal utilities and airports.

Despite these positive moves toward catalyzing private infrastructure investment in Canada, these are just baby steps. That's because more than 95% of public infrastructure in Canada is owned by the provinces and municipalities, meaning the federal government owns less than 5% of infrastructure assets in Canada (recall that more than 70% of infrastructure in Canada is publicly owned). And not all of that infrastructure is going to be attractive to private sector investors. But, for the share of provincial and municipal infrastructure that is potentially profitable, meaningful steps toward unlocking it for private investment still need to be made.

Not All Infrastructure Needs Are Investable

Canada's infrastructure challenge is not simply one of mobilizing private capital. Provinces and municipalities undertake 95% of government infrastructure construction despite receiving two thirds of government revenues, including intergovernmental transfers. Municipalities alone account for roughly 40% of capital formation while receiving only about 17% of revenues (graph 5). Moreover, much of the infrastructure under their responsibility is mature and increasingly requires renewal rather than expansion.

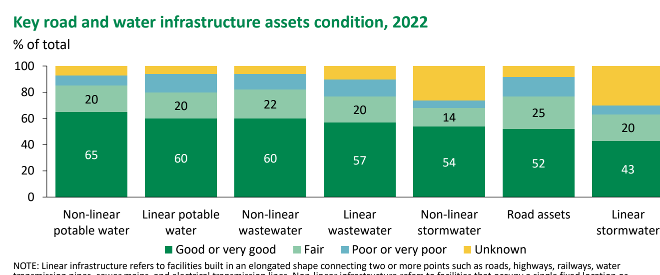
Graph 5
Provinces and Municipalities Build 95% of Government Infrastructure but Collect 66% of Revenues



Statistics Canada and Desjardins Economic Studies

Canada's core public infrastructure has an estimated replacement value of $2.3T. And while most is currently considered in very good, good or fair condition (graph 6), roughly 16%, or $357B, is in poor or very poor condition. And in some cases, notably stormwater infrastructure, the condition of a significant share of current assets is unknown. This represents a substantial capital requirement, but much of it is unlikely to attract private capital. Replacing a water main or resurfacing a road may be economically necessary, but neither generates a toll, tariff or contracted cash flow. Although governments can procure such projects privately through availability payments or long-term maintenance concessions, the underlying revenues still ultimately come from the public purse. Asset recycling, pension co-investment and CIB-style leverage are options that can seldom be entertained without an asset capable of generating predictable revenues.

Graph 6
Most Municipal Infrastructure in Canada Is in Fair or Better Condition



NOTE: Linear infrastructure refers to facilities built in an elongated shape connecting two or more points such as roads, highways, railways, water transmission pipes, sewer mains, and electrical transmission lines. Non-linear infrastructure refers to facilities that occupy a single fixed location or operate as isolated, distributed nodes such as water treatment plants, sewage pump stations, storage tanks, municipal buildings, and local parks.

Housing, Infrastructure and Communities Canada, Statistics Canada and Desjardins Economic Studies

But the need to renew infrastructure still matters for the economics of new projects. Renewal will compete for the same construction labour, engineering capacity, equipment and materials, potentially raising costs and extending timelines. And infrastructure that does not lend itself to private financing still needs to be paid for, often through public borrowing. In an environment of elevated government bond yields and greater scrutiny of public finances, additional financing requirements can also raise the hurdle for private investment. Higher risk-free returns increase the compensation investors will demand in exchange for taking construction, regulatory and demand risk.

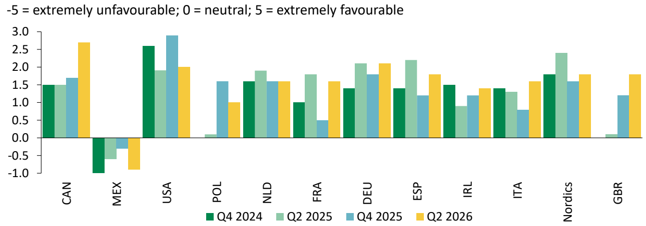
The investable universe may therefore be narrower than Canada's overall infrastructure needs suggest, while higher construction and financing costs could leave fewer projects able to meet investors' required returns. The federal government's nation-building agenda is concentrated disproportionately in large new projects in areas such as energy, trade infrastructure and critical minerals, where regulated, contracted or market-based revenues can support an investable proposition. For the federal government, the challenge is therefore not simply to mobilize more private capital. It's to generate a sufficiently deep pipeline of projects offering the scale and risk-adjusted returns that can compete for global capital.

This then raises another question: how deep does that pipeline actually need to be? Canada's infrastructure needs may be substantial, but do they necessarily justify the scale or mix of new projects currently being promoted as opportunities for private involvement?

Canada's Private Infrastructure Opportunity

Despite its spotty record of private infrastructure investment, Canada has become a darling of international investors. According to a membership poll by the Global Infrastructure Investor Association (GIIA, 2026), whose members represent a total of almost $3T in infrastructure assets under management, Canada has emerged as the most attractive market for infrastructure investment (graph 7). Per the GIIA's Chief Executive, Jon Phillips, "Canada is making all the right noises when it comes to its intentions to attract private capital into building, maintaining, and improving the nation's infrastructure—with ambitious goals for how and where it will raise this capital. Our latest survey of members has clearly shown that recent announcements are creating global interest. If the government can continue to send clear policy signals like reforming airport governance and nuclear innovation, they can convert this investor interest into real deals and capital flow." As a result, the recent optimism in the outlook for infrastructure investment opportunities in Canada appears to be largely aspirational, albeit for good reason.

Graph 7
Infrastructure Investors Have a New-Found Interest in Canada
Investor outlook for the attractiveness of, and opportunities for, infrastructure investment in different countries over the next quarter
-5 = extremely unfavourable; 0 = neutral; 5 = extremely favourable



Global Infrastructure Investor Association and Desjardins Economic Studies

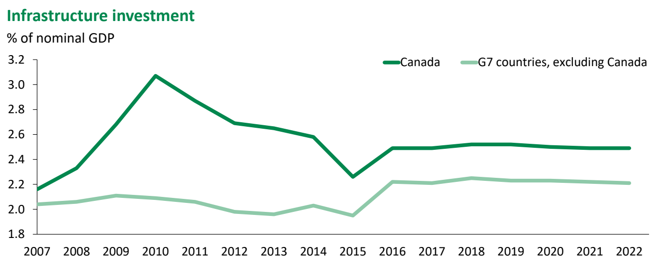
The *Building Canada Act*, passed in June 2025, was intended to give the federal Cabinet the power to accelerate the approval process for "nation-building projects." The Government of Canada has since referred 20 projects to the Major Projects Office (MPO) for further review. Most, but not all, of these projects have private-sector proponents. And many of those projects were well underway before being referred to the MPO. That suggests expectations of future returns justified the investment risk, and the accelerated approval process promised by the MPO further improved the anticipated risk-adjusted return by adding certainty.

In contrast, some of the more recent projects referred to the MPO, like the West Coast Oil Pipeline, have been advanced by governments. The lack of an immediate private-sector proponent may be because of uncertainty regarding approvals, regulations, consultations, etc. Indeed, we saw this to some extent with the Trans Mountain Expansion (TMX) pipeline, which was purchased by the Government of Canada and has begun to turn a profit by transporting bitumen from Alberta to British Columbia's Pacific coast. The TMX example demonstrates how projects with potentially attractive underlying economics can struggle to attract or retain private capital when permitting, legal and consultation risks become difficult to underwrite. As a result, the key constraint may not have been a lack of commercial viability, but rather the uncertainty associated with bringing the project to completion.

However, insufficient private investor appetite for these projects may also be due to a perceived lack of potential profitability. Indeed, the expected return on a project is not among the criteria that the federal Cabinet uses to select a project of national interest. Instead, the *Building Canada Act* states that those projects must "foster the development of economic and trade corridors; connect different parts of the country and get goods to market; strengthen Canada's ability to trade; create good-paying, unionized jobs; and enhance the development of Canada's natural resources as well as its energy production and infrastructure." It therefore can't be assumed that a "nation-building project" is also a potentially profitable one, although viability would hopefully be among the criteria. However, the lack of transparency in the project selection process has left more questions than answers.

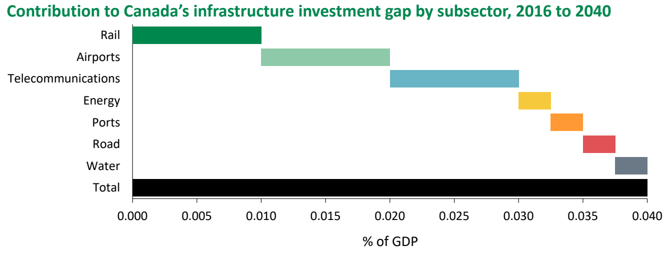
This raises concerns regarding the return prospects of infrastructure investment opportunities in Canada. The country has a record of infrastructure spending which has consistently outperformed its G7 peers as a share of GDP (graph 8). While dominated by public sector spending, this has helped to minimize Canada's infrastructure gap—the difference between expected infrastructure needed and planned investments. McKinsey (2017) estimated Canada's infrastructure gap through 2035 to be -0.3% of GDP, meaning planned investment exceeded expected needs. That compares to +0.5% of GDP in each of the US, UK and Germany. Meanwhile, the Global Infrastructure Hub (GIH, 2019) put Canada's infrastructure gap at a marginally positive +0.04% of GDP through 2040, or roughly $1B a year over 20 years. The main subsectors where planned infrastructure investments were considered to have been falling short at that time were in rail, airports and telecommunications, although these gaps were also modest (graph 9). The GIH similarly estimated that Canada had a smaller infrastructure gap than the US, UK and Australia.

Graph 8
Canada Invests Proportionately More in Infrastructure than Its G7 Peers



Housing, Infrastructure and Communities Canada and Desjardins Economic Studies

Graph 9
Canada's Infrastructure Gap Is Small and Mostly in Rail, Airports and Telecommunications



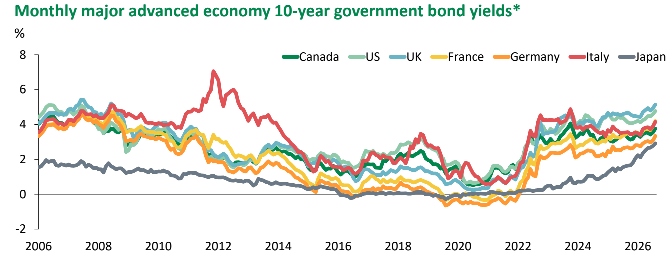
Global Infrastructure Hub and Desjardins Economic Studies

These analyses suggest that the shortfall in Canada's planned infrastructure investment was small or non-existent prior to 2020. But a lot has changed since then, and especially since the beginning of 2025. The question now is: what infrastructure investment is required to support long-term economic growth in Canada that wasn't in the pipeline already to offset the drag from weaker trade with the US?

The answer, fundamentally, is that nobody knows. The federal government has pledged to spend tens of billions of dollars on newly planned infrastructure investment. And according to Budget 2025, the Government of Canada expects its policy initiatives to enable more than $1T in total investments. But with a near non-existent infrastructure gap prior to 2025 and an opaque process for project selection, the scale of the infrastructure investment opportunity in Canada is difficult to discern. Take, for instance, investment estimates outlined in the National Electricity Strategy (2026). It assumes electricity demand will at least double by 2050, and as a result the expansion and modernization of Canada's electricity systems is forecast to cost over $1T. But this projection is made with generous assumptions and benchmarked against studies published when Canada had a more aggressive plan to reduce carbon emissions. Similar questions abound regarding the viability of the proposed Alto high-speed rail project (Standing Senate Committee on Transport and Communications, 2025), for example. Consequently, some of the federal government's ambition may not be warranted.

It's the federal government's contribution to private infrastructure investment that could make the difference between these projects going ahead or not. However, this may ultimately be subject to hard fiscal realities. Since the SEU 2026, there has been a torrent of spending announcements, but little in the way of accounting for all these new expenditures. With borrowing costs on the rise globally, particularly longer-term interest rates, markets are becoming increasingly critical of governments that are living beyond their means (graph 10). And despite its strong fiscal starting point, Canada isn't immune to these global forces.

Graph 10
Longer-Term Government Bond Yields Have Hit Multidecade Highs



* The most recent data is from September 4, 2026.
Organisation for Economic Cooperation and Development and Desjardins Economic Studies

Is Canada's Infrastructure Investment Math Adding Up?

Given the ambitious infrastructure build-out planned by the federal government and proactive moves to make it happen, it's no wonder there is so much interest in investment opportunities in Canada. But what remains unclear is the return potential of those investments and how much risk will need to be absorbed by the Government of Canada's balance sheet to make them profitable. Canada has a mixed record of private infrastructure investment, and the federal government has very little influence on the current infrastructure base, which is almost entirely owned by provinces and municipalities. That said, given the escalating trade tensions with the US, Canada finds itself in a unique position to pivot to a more diversified growth model. How effectively businesses and policymakers capitalize on that opportunity will determine whether the outcome will match the ambition.