OCC Submission on the Economic and Strategic Assessment Framework for New Data Centres

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Ontario Chamber of Commerce

Purpose	The Ontario government is seeking feedback on its proposed Economic and Strategic Assessment Framework for New Data Centres, including the criteria that should be used to evaluate large data centre proposals and their alignment with provincial economic, infrastructure, energy, and strategic objectives. The consultation also seeks input on a proposed electricity rate framework for data centres and how electricity system costs and risks associated with large loads should be managed.
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Introduction

The Ontario Chamber of Commerce (OCC) welcomes the Ontario government's consultation on the proposed Economic and Strategic Assessment Framework for New Data Centres – a topic of growing importance to businesses and communities across the province.

Accelerating demand for AI, cloud computing, and digital services is driving significant global growth in data centre investment, with data centres increasingly recognized as critical infrastructure for many sectors. Ontario is well-positioned to capture a significant share of this investment given its market size, skilled workforce and connectivity infrastructure.

The OCC believes a well-designed assessment framework is the prerequisite for responsible data centre growth, one that recognizes the strategic value data centres bring to Ontario's economy while ensuring that:

- projects are evaluated fairly and consistently;
- communities are equipped to make informed decisions that maximize local economic benefits; and
- ratepayers are protected by ensuring electricity system costs and resource use are properly managed.

Drawing on our research and consultations, the following recommendations reflect this principles-based approach.

Recognizing Economic, Strategic, and Community Value

Data centres should be evaluated based on the full range of economic value they create, not on direct employment metrics alone. While job creation draws the most attention, host communities and the province also stand to gain significantly from productivity and innovation, business investment, and tax revenue. However, these broader gains are not evenly distributed or guaranteed to persist. Capturing them accurately is essential to understanding a project's true economic value.

Direct Economic and Fiscal Impacts. A U.S. study found that after a data centre opens, county employment rises by approximately 3.5 per cent, wages by 5 per cent, the number of local businesses by nearly 5 per cent, and household income by roughly 2 per cent, though these gains were unevenly distributed, with metropolitan areas capturing more benefit than rural communities.[1]

Municipal fiscal benefits can also be substantial. In Loudoun County, Virginia, home to one of the world's largest data centre concentrations, the industry generates over one-third of the county's general revenue, helping the county maintain one of the lowest real property tax rates in the region.[2]

While these figures illustrate real potential fiscal benefit, consultations also raised a broader measurement concern that employment impacts can vary significantly across a project's lifecycle. Figures reported at a single point in time, such as during peak construction, may not reflect a project's sustained, long-term value to a host community.

Secondary and Supply Chain Investment. Data centre growth is a key driver of complementary investment, particularly in broadband expansion and renewable energy infrastructure, that extends economic benefit beyond the facility itself. In Ohio, data centre-driven demand prompted Distributor Wire & Cable to open a new 153,000-square-foot hub, tripling its workforce and increasing capacity sevenfold to serve the region's data centre, manufacturing, and energy markets.[3] It is essential to capture such secondary investments in an assessment framework, since they can represent a meaningful share of economic benefits.

Community Benefit-Sharing. Communities understandably prioritize local benefits from data centre development. Ontario needs a model for how communities should benefit, rather than relying on ad hoc negotiations between proponents and municipalities. There should be clear expectations for commitments such as workforce development, digital-skills training, postsecondary partnerships, local procurement, and infrastructure investment. Recent investments suggest this is an emerging market norm:

- Microsoft has committed $19 billion to Canada-wide AI and cloud infrastructure, including the expansion of its Azure Canada Central region in Vaughan.[4] The company has separately adopted a "Community-First" approach to its data centre buildout, committing to cover the full cost of electricity so data centres don't raise consumer prices, alongside local job creation and funding for AI training and non-profits.[5]
- In Alberta, Meta committed roughly $60 million to local road and water infrastructure alongside an annual community grants program to support non-profits.[6]

[1] https://www.gatech.edu/news/2026/07/09/data-centers-are-booming-who-benefits
[2] https://prcsinfo.loudoun.gov/view/599219896/12/
[3] https://www.businesswire.com/news/home/20250820583955/en/Distributor-Wire-Cable-Opens-New-153000-Square-Foot-Columbus-Hub-to-Power-Next-Gen-Infrastructure
[4] https://www.mexc.com/news/246902
[5] https://www.aol.com/articles/microsoft-aims-minimize-data-centers-160131108.html
[6] https://about.fb.com/news/2026/07/breaking-ground-on-metas-first-data-center-in-canada/

Recommendations

To ensure the framework captures the full range of value data centres generate, while giving proponents a clear and efficient path through the process, it should:

1. **Evaluate economic and fiscal value** using measurable, comparable indicators, including projected local employment, wage, and business-formation impacts, municipal revenue contributions, and local procurement (e.g., through standardized economic impact assessments submitted at the proposal stage). Assessments should distinguish between construction and operational phases, given that peak employment impacts are concentrated during construction, and identify how benefits are distributed at the local, regional, provincial, and national levels.
2. **Examine strategic value to Ontario**, including contributions to productivity, innovation, and long-term economic resilience, with proponents required to specify measurable contribution pathways such as through targeted partnerships or supply chain commitments.
3. **Require proponents to demonstrate community value** through binding, published commitments (e.g., community benefit agreements) covering how projects align with locally identified priorities and how host communities will share in development benefits. These commitments should add to, not substitute for, a proponent's responsibility to fund required infrastructure and servicing, and remain distinct from impact mitigation obligations.

Evaluating Local Readiness and Mitigating Buildout Impacts

Responsible data centre development requires a holistic assessment of the infrastructure capacity of host communities. While impacts on electricity consumption dominate public discourse, communities often experience the impacts of data centre growth first through pressure on roads, water and wastewater systems, municipal services, and day-to-day disruptions from construction. This makes a narrow focus on grid capacity insufficient to capture the true impact of data centre buildouts. These pressures also extend beyond the data centre sector itself, as housing, manufacturing, agriculture, and critical minerals development compete for the same employment lands, water, and infrastructure capacity, particularly in fast-growing or already-constrained communities.

Energy Planning Implications

Energy Demand. Data centres are projected to account for approximately 13 per cent of Ontario's new electricity demand by 2035, with impact varying by location, timing, and load profile.[7] The province estimates data centres currently require roughly 6,500 MW, about 30 per cent of Ontario's peak demand.[8] Since demand could exceed 10,000 MW against Ontario's 25,000 MW peak, the transmission and generation investment required raises real questions about who bears the cost. IESO’s (Independent Electricity System Operator) recent load forecast for Northwestern Ontario identifies 1,230 MW required to serve up to 42 mining projects and two or more lithium processing facilities, demand that will itself require significant new generation in the region.

[7] https://www.blg.com/en/insights/2026/07/data-centre-regulation-in-ontario
[8] https://globalnews.ca/news/11210351/ontario-energy-tweaks-legislation/

Assessing Electricity System Impact. The central policy challenge is not whether data centres should connect to the grid, but how to ensure their connection does not shift costs onto existing customers, increase system risk, or displace other strategic economic opportunities. In the United States, for example, Google, Microsoft, Meta, Amazon, and Oracle signed a national Ratepayer Protection Pledge, committing to fund their own power and infrastructure needs rather than pass the costs onto ratepayers .[9] Ontario's framework should assess the net electricity-system impact of each project rather than assume all data centres impose the same costs. While large new loads can require transmission, generation, distribution, and capacity investments, some projects may also improve asset utilization, contribute significant system revenue, provide operating flexibility, or fund infrastructure upgrades that benefit the broader network.

Cost Allocation and Rate Design. Any separate data centre rate class should be grounded in principles of cost causation and cost responsibility. Charges should reflect the incremental costs and risks associated with serving new large-scale loads, net of any system revenues, operating flexibility, and infrastructure contributions they provide. The objective should be to protect existing customers from subsidizing new demand without penalizing strategic digital-infrastructure investment or using the rate class to recover unrelated system costs.

Ontario should also avoid prescribing a single electricity-supply model for data centres. Credible solutions may vary depending on location and project characteristics, with options including grid supply, dedicated or on-site generation, behind-the-meter resources, corporate power purchase agreements, storage, demand response, shared infrastructure, or combinations of these models.

Any chosen framework should clarify the treatment of behind-the-meter generation serving data centres and other large loads. Generation intended primarily for on-site use should not rely on intermittent exports to the grid in a manner that increases system costs and operational complexity. Overall, the relevant test should be whether the proposed arrangement is reliable, technically feasible, environmentally compliant, commercially credible, and appropriately allocates costs and risks.

Finally, given that Ontario's policy framework governing Corporate Power Purchase Agreements (C-PPAs) is still new, the new data centre policy should consider possible adjustments required to Ontario regulation 429/04, to ensure those arrangements function well, add net clean electricity to the Ontario grid, and prevent any adverse impacts on participants in the Industrial Conservation Initiative (ICI) or other ratepayers.

Complementary power sources. Ontario should leverage its nuclear advantage to support reliable, cost-effective power supply. Existing nuclear facilities offer highly reliable baseload generation and established transmission infrastructure, while emerging technologies such as SMRs and microreactors may support data centre development in areas with limited grid capacity. Renewable energy sources, including wind and solar supported through corporate power purchase agreements (PPAs), can complement nuclear generation by helping meet sustainability objectives, diversifying energy supply, and supporting large-scale data centre developments. Ontario's broader energy mix can be an asset in attracting investment while maintaining reliability and affordability.

[9] https://www.whitehouse.gov/releases/2026/03/ratepayer-protection-pledge/

Non-Energy Implications

Water and Wastewater. Water and wastewater capacity are key local concerns. Data centre water demand is driven by peak use, not annual totals. Usage can spike to 3–30 times average, compared to 1.5-2.5 for typical municipal users.[10] Local water availability and resource constraints need to be factored into project planning to accommodate growth sustainably. For example, data centres could be located beside lakes or rivers with sufficient capacity to supply the required water without negatively impacting local fisheries or the broader environment.[11] Operators can also reduce demand on local water systems by adopting water-efficient cooling technologies such as closed-loop cooling systems that recirculate water and minimize evaporation loss.[12]

Noise and Operational Impacts. Community concerns about data centres extend beyond construction into day-to-day operation. Noise from cooling fans, air handling systems, and backup generators can run continuously, day and night, and existing noise ordinances often predate this scale of cooling infrastructure. Such ongoing friction, left unaddressed, can undermine public trust in data centre development.

Risk Management and Resilience. Data centres are complex facilities with interconnected operational risks spanning power systems, cooling infrastructure, cybersecurity, environmental liabilities, and business continuity. A single failure can trigger cascading impacts within the facility and, in some cases, affect surrounding infrastructure and communities. Proponents should demonstrate how associated infrastructure risks will be identified, mitigated, and managed throughout the facility lifecycle.

Recommendations

To ensure the framework captures both the capacity needs and community impacts of data centre buildout, it should:

1. **Integrate resource planning to assess energy and infrastructure readiness,** considering electricity, water, greenhouse gas implications, wastewater, telecommunications, land-use planning, environmental asset protection, noise and operational impacts, and municipal servicing. This should also:

    a. Require proponents to demonstrate project readiness and infrastructure feasibility through available capacity, required upgrades, timelines, and mitigation measures and appropriate risk-management plans.
    b. Apply assessment requirements proportionate to project scale and infrastructure impacts, including staged approvals, clear decision-making authority, service standards, and coordinated review processes across relevant ministries, electricity-sector agencies, municipalities, and regulators.

[10] https://arxiv.org/pdf/2606.21760
[11] https://blog.equinix.com/blog/2024/09/19/how-data-centers-use-water-and-how-were-working-to-use-water-responsibly/
[12] https://blog.vantage-dc.com/2026/04/22/cooling-without-the-drain-how-closed-loop-systems-cut-day-to-day-water-use/

2. **Assess infrastructure capacity and opportunity costs**, ensuring data centre load does not foreclose or delay other priority buildouts like housing, industrial development, and critical minerals projects, from securing the capacity they need.
3. **Use a cost-causation framework for large data centre loads,** requiring proponents to recover the full incremental costs attributable to their connections, including local distribution upgrades, transmission expansion, generation procurement needs, capacity-related reliability investments, and stranded asset risks associated with premature customer departure or load reduction. The framework should protect ratepayers from subsidizing infrastructure investments undertaken primarily to serve new data centre demand. As such, we support the government's proposal to make data centre facilities ineligible for ICI.

Enhancing Digital Sovereignty and Strategic Capacity

Digital sovereignty must be a primary consideration in data centre infrastructure decisions.

Ontario's ability to support growing demands for domestic AI development, digital government, and critical services depends on reliable access to compute, cloud, and data-processing infrastructure. We must have the digital capacity required by its own institutions and the publics they serve. As AI becomes increasingly embedded across the economy, access to reliable compute infrastructure will also be key to economic competitiveness.

Assessment frameworks should therefore consider not only where data centres are located and how impacts are managed, but also whether projects contribute to Ontario's long-term digital and AI capacity.

Scope of sovereignty. Digital sovereignty has several considerations. These include infrastructure location, data governance, ownership and control, and legal protections. Building a data centre in Ontario does not, on its own, guarantee sovereignty over the data it processes, nor does requiring Canadian ownership resolve these concerns. Canada's continued reliance on foreign technology, cloud platforms, and infrastructure means ownership alone does not ensure control over data or digital capacity. As a recent Munk School report on Canadian AI sovereignty noted, in a globally interconnected digital ecosystem, the key issue is not dependence itself but how those dependencies are managed.[13]

Bell Canada and SAP Canada's partnership to build a Canadian-operated sovereign cloud illustrates how Canadian and global providers are already collaborating to meet data residency and sovereignty requirements together, rather than treating domestic capacity and international partnership as mutually exclusive.[14] While ensuring Ontario's institutions retain access to the digital infrastructure they depend on will be critical, it may be difficult to apply sovereignty – as currently framed - consistently within an infrastructure assessment framework.

[13] https://aicompetitiveness.ca/assets/Sovereign-by-Design-Full-Report-2026.pdf; https://www.canada.ca/en/government/system/digital-government/digital-government-innovations/cloud-services/digital-sovereignty/digital-sovereignty-framework-improve-digital-readiness.html
[14] https://www.ctvnews.ca/business/article/bell-signs-with-sap-canada-to-establish-sovereign-cloud-service/

The framework must focus on what a project delivers for Ontario's digital capacity, including its role in building Canadian jobs and expertise, compute capacity that Canadian institutions can access, and investment that builds lasting domestic capability.

Security and critical infrastructure resilience. Cybersecurity should be treated as its own consideration, not folded into sovereignty. The federal government already has a benchmark Ontario could use. Cloud providers serving government are assessed against Canadian Centre for Cyber Security standards up to the Protected B level for sensitive data.[15] Proponents supporting government, healthcare, or other critical services must show they can meet a comparable standard.

Recommendations

To ensure the framework strengthens Ontario's digital capacity and resilience without treating domestic and international investment as mutually exclusive, it should:

1. **Assess contributions to domestic digital capacity and Ontario's AI, innovation, and research ecosystems** available to Canadian users and institutions, recognizing that both domestic and international proponents can contribute through partnership structures such as business, postsecondary, research, and public-sector collaborations. For example, this could include disclosure of Canadian-hosted capacity commitments at the proposal stage.
2. **Require proponents to demonstrate alignment with recognized security standards** for facilities supporting government, healthcare, or critical service delivery. Where preferential access to constrained infrastructure is sought, proponents should also show contributions to data residency, service continuity, and Ontario's broader digital and economic interests.

Ensuring Transparency and Accountability

Public understanding of data centres is central to how the sector develops in Ontario. Communities and municipalities cannot make informed decisions about proposed projects without access to clear, project-specific information. As development accelerates across the province, gaps in that information will increasingly shape local and provincial trust in the process.

Balancing transparency and sensitivity. In Michigan, public concern over utility rates, water use, and noise contributed to the cancellation or scaling back of three major data centre projects within a single year. While statewide polling found that only one-third of residents were initially open to a data centre within 25 miles of their homes, support grew when specific protections were in place, including assurances that electricity costs wouldn't rise, water wouldn't be negatively affected, and no special tax incentives would be offered.[16]

[15]https://www.cyber.gc.ca/en/tools-services/cloud-security-assessment-program
[16] https://www.michamber.com/wp-content/uploads/2026/06/PSC_Data-Center-Report_Final_June-2026_compressed.pdf

Transparency means ensuring communities can understand how proposals were evaluated, what commitments were made, and whether those commitments are ultimately delivered. This includes clear disclosure of any project-specific tax incentives, subsidies, or other forms of public support being considered, as well as the rationale for those decisions.

Long-term Reporting. Many projected outcomes considered in the evaluation of data centre proposals, including job creation, local procurement, water use, and broader economic impacts, are forward-looking. Ongoing public reporting can help assess whether anticipated outcomes materialize over time and provide a consistent evidence base for future decision-making. This can include annual reporting on water use, employment figures reported separately by construction, operational, and contract positions, and local supply chain participation.

Recommendations

To ensure the framework builds public trust alongside project approval, it should:

1. **Require standardized project disclosures**, including environmental and community impacts, at the proposal stage and on an ongoing basis, distinguishing forecast, committed, and realized outcomes so performance can be tracked over time, such as a public disclosure template covering water use, noise levels, and emissions data.
    - **Establish a standardized municipal assessment framework for data centre proposals** to support consistent review across Ontario which includes a common set of assessment criteria, information requirements, and guiding questions that municipalities can use when evaluating project impacts, infrastructure requirements, economic benefits, and community considerations.
2. **Publish transparent decision rationales** that explain the criteria applied, benefits and impacts considered, approval conditions, and how local and provincial interests were balanced, e.g. a public summary document issued alongside each approval decision.
3. **Require ongoing reporting on project commitments** to allow communities and decision-makers to track performance over time. This can include annual reporting on employment by construction, operational, and contract positions, and local supply chain participation. Practical mechanisms such as community open houses, direct access to project personnel, dedicated project websites, and timely updates on construction disruptions, complement formal reporting requirements and help ensure disclosed information reaches residents.
4. **Limit the use of non-disclosure agreements (NDAs)** between proponents and officials during the approval process, given that secrecy has been identified as a core barrier to public trust even when it accelerates approval e.g., requiring disclosure of any NDAs within a set timeframe of signing.
5. **Leverage the role of trusted, non-partisan organizations** like provincial and local chambers of commerce and boards of trade in delivering accessible public information and helping communities understand assessment processes.

Conclusion

Getting this framework right matters. Ontario can benefit from substantial data centre investment in the coming years if we correctly recognize the full value of these developments, ensure local readiness and mitigate negative impacts, enhance Ontario's strategic capacity and digital sovereignty, and demonstrate both transparency and accountability to our communities.

The Ontario Chamber's recommendations can help government capture the economic and strategic value these projects bring, while ensuring host communities have the infrastructure, information, and safeguards they need.

We welcome the opportunity to continue working with the Ontario government as this framework is developed, and would be pleased to provide further data, research, or perspectives from our 60,000 members across the province.