

The executive argument

Can Canada turn promised capital into built projects?

Not quickly: a named fund taking a new equity stake in a C\$1bn-plus Canadian project by 31 October 2027 is 16% likely with a government term, 27% without: 43% together, each our estimate, scored when it resolves.

The answer

Operating assets remain the lower-risk route, but almost none is for sale: prepare for the coming, mostly federal sales (the airports, the rest of Trans Mountain) rather than chase what is not offered. Treat a government term written for a specific to-be-built project as a signal, not a guarantee: counted only on terms in place at the decision, large projects with one went ahead 6 of 15 times against 12 of 58 without, not clear of chance. What binds now is missing terms and few projects to carry them: of 50 undecided large projects, 9 fit an infrastructure mandate, 3 of them with a firm term, and none is designated. Price construction cost into any term you accept.

'Lower-risk' rests on the funds' own choices, not on a measured comparison of returns or losses.

Why

Operating assets are the lower-risk route, but almost none is for sale. Since 9 September 2020 the named funds have closed 14 counted Canadian infrastructure deals, 12 of them wholly or partly operating. Yet none of the 4 operating candidates we screened is in a formal sale; the likeliest supply is federal, and Trans Mountain's Crown owner says it is preparing that company for sale. The one counted contest drew 9 bids and went to Canadian buyers, its losers unnamed; foreign managers do place here, as about C\$2.7bn of pipeline expansions signed with no government term shows.

A term written for a project is a signal, not a guarantee. The funds' own to-be-built record is 1 of 2 deals with a term, and that term protected the First Nations co-owners' borrowing, not the fund. Programme money is not short: the Infrastructure Bank has advanced C\$8.3bn of a C\$45bn cap.

What binds is missing terms and few projects to carry them. Of 50 undecided large projects, 39 are mines, oil production or processing plants outside an infrastructure mandate; 9 fit it, 3 with a firm term. The Building Canada Act lists no project, and none of the 6 terms an airport bidder needs is published.

Mandates and building capacity do not bind; returns are open. The three fund laws we could read set no Canadian cap. Costs rose 22% to 36% after the decision on 4 projects, but no delay notice names labour, equipment or grid connection: capacity is a price, not a wall. Canadian firms earn 5.1 to 6.3 points less on equity than US firms in mining and manufacturing, two of the three industries that can be matched; refining runs the other way, 17.5% against 11.9%. These are industry returns, not infrastructure returns.

What would change it

Five futures to 31 October 2027, each our estimate, scored when it resolves:

- a build on private contracts only: 27%;
- a standstill: 27%;
- a build with a government term: 16%;
- airport terms published, no build: 16%;
- a fast-track listing only: 14%.

Signposts to watch:

- 1 October to 24 October 2026: the Alberta pipeline's fast-track target, then the Quebec vote, the Alberta referendum and the B.C. vote; act only if a winner reopens a named asset.
- Ontario's 2027 allowed return: if it leaves 9.11%, restate every return anchor.
- The autumn budget and the first Maple Fund deal: either can change the call.
- By 31 December 2026: the two LNG decisions.
- 18 October 2027: the Alberta election; re-underwrite Alberta builds if the agreement is revisited.

What to do

No-regrets moves hold in every future:

1. Prepare for the coming, mostly federal sales; bid at your own return hurdle, never below your funding rate.
2. Build the Pearson bid case with an operator partner, and bid only on published length and charges. Funds under the federal 30% vote limit (CPP Investments, PSP Investments, federally regulated plans) must plan a consortium.
3. One overrun rule per asset type. On the Northeast Power Line (the C\$1.28bn line of a C\$1.85bn project), a 22% overrun kept out of rates cuts the 9.11% allowed return to 4.5%, or 6.6% if half is disallowed; a guarantee adds at most about 1 point.

Bets, each on one reading of the evidence:

- A term is a signal: lend to the First Nations for their half of the Northeast Power Line, up to C\$256m, once a guarantee backs their borrowing, and finance their North Coast line share once co-ownership is signed.
- Contracts close deals: finance the First Nations' option in LNG Canada Phase 2, up to C\$1bn, with no term.
- Consent marks what proceeds: offer to refinance the First Nations' stake in the Waasigan line.

What we cannot tell you

Equity terms here are not public. Walk away on this frame: a regulated stake cannot beat its allowed return less any premium paid; contracted assets about 6.1% to 9.1%, our estimate, built from OMERS' 3.70% real

funding rate plus 2.28% inflation, up to the regulated return. Nor could we price Canadian infrastructure against US, European or listed peers with publishable evidence: we can show only the industry gap above and regulated returns of 9.02% to 9.11%; matched allowed returns abroad and listed utility and pipeline yields would settle it. Counted whenever the term arrived, the project pattern looks stronger, 9 of 18 against 8 of 46, but at least three of those terms came after the go-ahead.

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