

ONTARIO ENERGY ASSOCIATION

# Consultation on Proposed Special Economic Zones Criteria

ERO 025-1077

November 2025

To shape our energy future for a stronger Ontario.



Ontario Energy Association

# ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

**Together, we are working to build a stronger energy future for Ontario.**

The Ontario Energy Association (OEA) appreciates the opportunity to contribute to the government's vision and plan to drive economic growth, diversify trade, and strengthen supply chains in Ontario in response to the recent U.S. trade actions targeting Canada.

The *Protect Ontario by Unleashing our Economy Act, 2025*<sup>1</sup> enacted the *Special Economic Zones Act, 2025*<sup>2</sup> that provides the government with the authority to designate special economic zones (SEZ) that are of strategic importance to Ontario's economy and security. By designating zones, projects, and proponents through regulation, the government can create exemptions or modifications to permits, approval processes, or other requirements, which would promote accelerated building processes, efficient operations, and, ultimately, timely economic outcomes.

The Ministry of Economic Development, Job Creation and Trade (MEDJCT) proposed its *SEZ draft regulation* which established the criteria for designating zones, projects, and proponents. This submission summarizes the OEA's feedback, based on discussions and comments from our members.

## 1. General Feedback about SEZ Development and Operation

The OEA appreciates the government's efforts to developing SEZs to empower industries of strategic importance to Ontario's economy and security. The OEA has identified a list of considerations for MEDJCT's review during its SEZ development process.

- **Infrastructure Planning and Buildout:** Electricity and gas utilities require long lead times to plan, procure, and install the transmission and distribution infrastructure necessary to supply SEZ projects with reliable energy for their operations. For instance, potential SEZ sites may be in areas with limited transmission or distribution capacity (e.g., Northern or Eastern Ontario), requiring significant grid reinforcement and infrastructure development.

To ensure coherence between the buildout timelines for gas and electricity transmission and distribution infrastructure and the SEZ implementation targets, the OEA recommends that the government account for infrastructure planning, construction, and installation constraints when setting SEZ development schedules.

- **Permitting and Approvals:** While SEZ projects may benefit from exemptions or streamlined permitting and approval processes, these advantages do not necessarily extend to supporting infrastructure projects located outside the designated SEZ sites, even though such projects are critical to the zones' successful operation. Infrastructure buildout projects entail long lead times needed to secure approvals, such as Leave-to-Construct (LTC) approvals from the Ontario Energy Board (OEB) and Municipal Class Environmental Assessment (EA) clearance from the Ministry of the Environment, Conservation and Parks (MECP). Additional provincial and federal regulatory approvals may also be required if sites are environmentally sensitive, such as areas near wetlands or protected lands. Furthermore, infrastructure buildout timelines may be extended if an SEZ site overlaps municipal boundaries or Indigenous territories.

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<sup>1</sup> Bill 5, Protect Ontario by Unleashing our Economy Act, 2025. Available at: [Link](#)

<sup>2</sup> Special Economic Zones Act, 2025, S.O. 2025, c. 4, Sched. 9. Available at: [Link](#)

To accelerate the completion of infrastructure buildout projects, the OEA recommends extending the exemptions and streamlined permitting and approval processes to supporting electricity and gas infrastructure—such as pipelines, transmission and distribution lines, and substations—developed to supply SEZ projects with the energy required for their operations.

- **Cost Recovery Mechanisms:** The regulation does not clearly identify the cost recovery mechanism for energy infrastructure built to accommodate SEZ needs. There is uncertainty as to whether SEZ-related transmission and/or distribution investments would be recoverable through the OEB-regulated rate base, through cost-sharing arrangements with SEZ developers (for example, via capital contributions or monthly surcharges), or through future amendments to OEB cost recovery mechanisms that account for SEZ characteristics. Under the current OEB framework, utilities must demonstrate that any capital investment is prudent and “used and useful” to qualify for recovery through rates. Because SEZs are policy-driven rather than customer-driven projects, there is an increased risk that load growth may not materialize as projected, creating financial exposure for transmission and distribution companies if they are unable to recover the associated costs. The regulation also does not require binding load commitments or financial assurances from SEZ developers to mitigate the risk of stranded or underutilized transmission and distribution assets if projected demand does not materialize.

The OEA recommends that the government and the OEB, in coordination with electricity and gas utilities, develop a clear and consistent approach to cost recovery and risk sharing for SEZ-related energy infrastructure.

- **Capital Expenditures Financing:** An accelerated timeframe by the government for SEZ development places significant pressure on electricity and gas utilities’ ability to finance the necessary infrastructure buildout projects. Utilities have limited borrowing capacity, and large-scale transmission, distribution, and pipeline projects require substantial capital expenditures that are typically recovered over extended periods. Committing to early or rapid SEZ-related infrastructure investments may therefore strain utilities’ financial resources and potentially affect their ability to fund other projects essential for maintaining system reliability and meeting regulatory obligations. Delays in OEB approval of capital plans, combined with the risk that SEZ load growth may not materialize as projected, further amplify utilities’ financial uncertainty and the potential for stranded or underutilized assets.

To support the government’s accelerated timelines and targets, the OEA recommends providing government guarantees or contributions to enable utilities to finance energy infrastructure projects that accommodate SEZ needs. This approach would allow utilities to meet aggressive SEZ development schedules without compromising their obligation to maintain overall system reliability where investment is required.

- **One-window Process:** The OEA appreciates the government’s efforts to simplify, expedite, and enhance the efficiency of the permitting process through the establishment of a one-window system that enables SEZ proponents to access all required permit applications via a single, coordinated platform. However, the legislation, as currently drafted, could inadvertently create confusion where multiple ministries or permitting offices are involved in the one-window process.

The OEA recommends that the government establish a clear operating model for the one-window system—specifying which ministry will host the process, delineating the roles and responsibilities of participating ministries, setting service level agreements (SLAs) to ensure timely processing of materials and approvals, and creating a communication framework that promotes coordination and minimizes project delays.

- **Engagement of Indigenous Communities:** As part of the SEZ designation process, the OEA recommends that the government clarify how this designation will affect various processes related to fulfilling the Crown’s Duty to Consult. While streamlining project approval processes within government is important, such efforts will only be effective if the legislation is informed by meaningful engagement with Indigenous communities. The OEA is encouraged by the government’s commitment to reaffirm the constitutional Duty to Consult within this legislation.

## 2. Feedback Specific to the SEZ Draft Regulation

In addition to the general feedback received from OEA members, feedback specific to certain sections in the SEZ Regulation draft proposal were also received.

- **Section 1 – Special Economic Zones:** The interpretation of “no larger than necessary” in subsection (3) should explicitly account for the full scope of the project, including supporting infrastructure and future planned activities necessary to realize long-term economic potential.
- **Section 2 – Trusted Proponents:** Subsection (2) requires that, to qualify as a trusted proponent, a person must already be “a proponent of a designated project or of a project that the Minister is designating under section 4 of the Act.” This threshold may inadvertently exclude enabling infrastructure—such as natural gas pipelines, electricity transmission, and other linear works—that must be constructed in advance of an anchor project’s designation.

The OEA recommends amending Section 2 of the proposed regulation to permit trusted proponent designation for enabling infrastructure that is essential to current or future activities within a special economic zone, including projects that serve multiple proponents. This amendment should provide a clear pathway for regulated utilities to qualify. Electricity and gas distributors and transmitters authorized to operate in Ontario, whose rates are regulated by the OEB, should be explicitly eligible for designation as trusted proponents, subject to subsection (3).

- **Section 3 – Designated Projects:** We respectfully caution that the proposed criterion under subsection (2)(ii) of the regulation, which places an emphasis on the use of goods made in Ontario or services provided by Ontario residents or businesses, could introduce unintended risks if not designed with appropriate flexibility. This is not a reflection of any lack of

commitment to local sourcing but rather a recognition of real and ongoing supply chain limitations.

- **Overall:** The draft regulation sets out eligibility criteria for special economic zones (section 1), trusted proponents (section 2), and designated projects (section 3), but it does not address key procedural safeguards needed to ensure transparent, timely, and predictable decision-making.

In conclusion, the OEA appreciates the government's efforts to strengthen Ontario's economy and security through the establishment of SEZs, particularly during these uncertain times. We value MEDJCT's continued engagement on this matter and thank you for considering our input.

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