2026 BUDGET RECOMMENDATIONS FOR THE GOVERNMENT OF ONTARIO

Submitted by: The Atmospheric Fund
January 30, 2026

Strategic investments in the 2026 Budget can make life more affordable for families and businesses by lowering energy bills, reducing transportation costs, and avoiding expensive grid upgrades, while strengthening Ontario's economic competitiveness and long-term resilience.

TAF brings an urban perspective to the Ontario budget based on our hands-on experience collaborating with municipalities, utilities, businesses, and other stakeholders in the Greater Toronto and Hamilton Area. We recommend three practical, evidence-based measures that align with the government's priorities on affordability, housing delivery, and economic growth, and deliver lasting value for ratepayers and taxpayers.

Strengthen Ontario's transportation system and lower mobility costs

Recommendation 1: Commit predictable, multi-year funding to sustain ChargeON and expand eligibility

Investment in electric vehicle (EV) charging infrastructure supports a more affordable, reliable and future-ready transportation system. A robust charging network reduces household transportation costs, improves air quality, and ensures Ontario's roads and highways can support growing EV adoption, while reinforcing the province's leadership in EV manufacturing.

a) **We recommend that the province recapitalize ChargeON with $92 million annually for four years**

Ontario's recent $92 million investment in ChargeON demonstrates strong leadership in modernizing transportation infrastructure and supporting EV adoption. Public charging is a foundational enabler of EV uptake, particularly for drivers without access to home charging and for long-distance travel. However, these funds are expected to be fully allocated before the end of this fiscal year.

Start-and-stop funding programs make it difficult for charging companies, site hosts, and utilities to plan ahead for the deployment of charging infrastructure. Ontario will need 68,000 public chargers by 2030, more than double today's total. With the federal Zero Emission Vehicle Infrastructure Program funding winding down and uncertainty around ChargeON's future, Ontario risks falling behind peer jurisdictions. Insufficient investment would mean missed economic opportunities and reduced competitiveness in a rapidly expanding EV market.

A predictable investment of $92 million annually over four years will provide Ontario businesses, municipalities, and consumers with the certainty needed to plan investments and scale deployment.

b) We recommend that the province expand ChargeON eligibility to include multi-unit residential buildings

Expanding ChargeON to include a dedicated multi-unit residential building (MURB) stream would close eligibility gaps for condominiums and apartments. Between 50% and 80% of EV charging occurs at home, and access to home charging is a key determinant in EV adoption. Yet the 31% of Ontarians living in MURBs face technical and financial barriers to charging access. Targeted support in areas where EV adoption is emerging will ensure equitable access and faster uptake.

To ensure fair access to EV ownership, we recommend that Ontario establish an EV-ready upgrade incentive covering up to 50% of costs for existing multi-family buildings. British Columbia's CleanBC Go Electric and Québec's Roulez Vert EV charging strategy offer proven models for EV-ready planning and infrastructure incentives.

Ontario could also offer zero-interest loans to MURB owners and developers to cover upfront EV-ready upgrade costs, repaid over time. This approach limits taxpayer risk, delivering long-term savings for residents, and avoids significantly higher upgrade costs in the future. in the future. in the future. in the future. in the future.

Reduce operating costs for municipalities and businesses while enabling faster housing development

Recommendation 2: Establish a $250-300 million provincial district energy enabling fund over multiple years

As demand for electricity in Ontario grows significantly, district energy systems offer a cost-effective way to reduce peak electricity demand, lower long-term system costs, and cut emissions. This is particularly true in growing urban centres like the GTHA. District energy systems deliver heating and cooling through shared underground thermal networks that

use local renewable and waste-heat resources, including geothermal, sewer heat recovery, data centre waste heat and deep lake water.

We recommend that the province capitalize a district energy enabling fund at a scale comparable to the Natural Gas Expansion Program (NGEP), approximately $250 – 300 million over multiple years, to support implementation-ready projects. A fund of this scale would unlock district energy systems in high-growth areas, reduce long-term infrastructure and energy system costs, and avoid locking in new fossil fuel infrastructure.

By leveraging economies of scale, district energy reduces infrastructure and operating costs compared to having equipment in each individual building. It improves housing affordability by shifting the capital costs of heating and cooling equipment from builders and homebuyers to district energy operators. These networks also provide valuable demand-response flexibility: thermal energy storage and coordinated controls can shift heating and cooling away from peak hours, easing pressure on the grid. This ability is particularly valuable during peak periods, when electricity demand for heating and cooling is highest. Municipalities and utilities are increasingly interested in district energy as a tool to manage growth and reduce long-term costs.

The fund should cover significant upfront costs that can be recovered over time as buildings connect to the network. Because development timelines often shift, de-risking early capital is a strategic long-term investment for the province. Support could take the form of major capital grants, low-interest loans, or loan guarantees.

The fund will help reduce Ontario's reliance on imported U.S. natural gas, which supplies 70% of provincial demand and an increasing share of electricity generation. Gas-fired generation rose 28% in 2024, pushing non-emitting supply down to 84% from 96% in 2017. This dependence exposes Ontarians to price volatility and higher long-term costs. Expanding district energy would also strengthen consumer choice and competition by offering credible alternatives to natural gas and standalone electric systems.

Priority should be given to decarbonizing existing district energy systems, many of which still rely on natural gas. These upgrades can deliver some of Ontario's fastest and most cost-effective emissions reductions. Enwave's energy transition plan illustrates this potential, including plans to install electric resistance boilers that would displace demand for U.S. natural gas, while adding 50 MW of valuable demand response capacity to the downtown grid.

Toronto offers globally recognized examples. Enwave's Deep Lake Water Cooling system, originally supported by TAF, serves more than 80 buildings and avoids 13,500 tons of emissions annually. New neighbourhood-scale systems, such as the thermal network serving The Well, demonstrate how district energy can support large mixed-use developments while reducing grid strain by shifting energy use to off-peak hours.

Lower energy bills and avoid expensive grid upgrades

Recommendation 3: Set clear direction to maximize efficiencies available through electricity Demand Side Management as population growth and electrification accelerate

The IESO's latest forecasts show long-term electricity demand growth of 65% by 2050, down from the 75% previously projected. This improved outlook is driven in part by new and effective conservation and demand management programs under the Electricity Demand Side Management (eDSM) Framework, yet a substantial portion of its budget remains unallocated. IESO's latest Energy Efficiency Report shows that eDSM is delivering energy at a Levelized Unit Energy Cost of only $0.02 per kWh, and capacity at $0.2 per KW. This makes eDSM by far the lowest cost source of energy and capacity for Ontario's electricity system.

We recommend that the province automatically enroll all new eligible homes in Peak Perks and expand appliance eligibility

Peak Perks is among the most cost-effective demand-side tools available. With over 200,000 households enrolled, the program delivers peak demand reductions at a fraction of the cost of new generation and is expected to have delivered over 200 MW of peak demand reduction in 2025, lowering system costs, improving reliability, and putting money back in the hands of participating households.

Automatic enrollment of newly constructed homes would rapidly expand participation as Ontario's housing stock grows. The program should also expand eligible loads beyond thermostats to include water heaters, EV charging, and battery storage, enabling deeper and more flexible peak demand reductions. The program should have a simple opt-out option for homeowners that can be done after closing on the home.

a) We recommend that the province expand eligibility of Peak Perks and related eDSM programs to new and existing multi-unit residential buildings

We recommend extending Peak Perks and related eDSM programs to new and existing MURBs with eligible cooling systems. Nearly one-third of Ontarians who live in multi-family buildings currently lack access to most residential demand-side programs, despite representing significant untapped efficiency potential. Excluding MURBs unnecessarily limits system-wide benefits and disproportionately affects lower-income households.

b) We recommend that the province direct the IESO to develop a 2028-30 eDSM Plan that invests at least $2.6 billion in an expanded suite of programs consistent with the province's 12-year eDSM Framework

While the current eDSM Framework commits up to $10.9 billion over 12 years, program budgets have only been specified for the initial three-year term of the program from 2025

to 2027. This recommended expansion would provide market certainty and generate system-wide benefits.

We thank the government for this opportunity to engage on the 2026 Ontario Budget and are available to discuss any of these recommendations at your convenience.

Sincerely,

Bryan Purcell

VP of Policy & Programs
The Atmospheric Fund

About the Atmospheric Fund

The Atmospheric Fund (TAF) is a regional climate agency that invests in low-carbon solutions for the Greater Toronto and Hamilton Area (GTHA) and helps scale them up for broad implementation. Please note that the views expressed in this submission do not necessarily represent those of the City of Toronto or other GTHA stakeholders. We are experienced leaders and collaborate with stakeholders in the private, public and non-profit sectors who have ideas and opportunities for reducing carbon emissions. Supported by endowment funds, we advance the most promising concepts by investing, providing grants, influencing policies and running programs. We're particularly interested in ideas that offer benefits in addition to carbon reduction such as improving people's health, creating local jobs, boosting urban resiliency, and contributing to a fair society.