



Connecting rural and Indigenous communities to natural gas

Federal government leadership

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Executive summary

Access to reliable and affordable energy is a basic requirement for the growth and success of rural, remote, and Indigenous communities. Across Canada, there are many identified natural gas connection projects that could lower household energy costs, improve reliability, and support local economic development. However, under current provincial regulatory frameworks, these projects must generally be financed through the customers served by the expansion, which can make them uneconomic in smaller or more remote communities.

Targeted federal support could help close that gap and enable projects that would otherwise not proceed. This would be consistent with the federal government's existing role in supporting other forms of enabling infrastructure in rural Canada, including roads, broadband, and community facilities. This document provides background on the issue, explains the policy and regulatory context, and sets out options for federal action to help close the gap.

Introduction

Canada is a vast and sprawling nation where approximately 8 million people (20% of the population) live in a rural or remote region of the country¹. These communities form a critical part of Canada's economy and culture, but also face a number of systemic challenges. Rural and remote communities tend to house an older demographic (40% over the age of 55 vs 31% in urban areas), face slower population growth (just 0.4% between 2016 and 2021) and are further from essential services (hospitals, schools, etc.). Another defining characteristic of many rural and remote regions in Canada is the lack of access to affordable energy. Many rural and Indigenous communities rely on higher-cost energy sources such as electricity, heating oil, propane, or diesel.

As shown in Graph 1, there are over 300 First Nations without access to natural gas in the provinces where data was available. The number is certainly higher still with all provinces and territories included. Further, across all provinces, there is a significant premium paid by consumers for electricity relative to natural gas due to the cost to service remote regions and the higher infrastructure costs of the electricity system in general. These premiums amount to hundreds to thousands of dollars per year per household.

¹ Statistics Canada, 2021 Census

Graph 1: On reserve energy access and unit cost comparison of electricity and natural gas²

Province	Utility	# First Nations with natural gas connection	# First Nations without natural gas connection in the province	Cost per gigajoule of energy served (CAD \$)	
				Electricity	Natural gas
Alberta	ATCO	36	9	\$84.99	\$13.06
British Columbia	FortisBC	58	118		
	Pacific Northern Gas	7	19	\$40.19	\$19.22
Ontario	Enbridge	24	109	\$44.11	\$17.76
Manitoba	Manitoba Hydro	4	58	\$38.24	\$15.98
Saskatchewan	SaskEnergy	52	20	\$67.73	\$16.79

*Data was not available for Quebec, the Atlantic provinces or the territories.
 **Inclusion of a community in these figures may not mean full access for all buildings; in some cases, it references a single community building, facility, or residence.
 ***Data for electricity and natural gas costs are from 2022.
 Source: Canada Energy Regulator. Canada's Energy Future Data Appendices

Across Canada, the affordability implications are significant and growing. In 2021, Statistics Canada found that 822,000 households in Canada were energy poor, representing 5.6% of all households.³ On reserve, that figure rose to 12.9%, more than double the national rate.⁴ At the same time, natural gas accounted for 51.5% of all household energy consumed in Canada in 2021, compared with 45.8% for electricity and 2.7% for heating oil.⁵

As these facts demonstrate, natural gas access is essential for energy affordability in Canada. In many communities, the issue is not only the high cost of energy, but the type of heating available. In 2021, one-quarter of Canadian households reported electric baseboard heaters as their primary heating system, and those systems remain common in several regions of the country. Where households are relying on electric baseboard or other resistive heating, the cost burden can be especially high.⁶ Reliable access to gas should be deemed enabling infrastructure, like broadband and other foundational systems that support participation in the modern economy. With better alignment across federal funding and policy tools, Canada can reduce household energy costs, improve reliability, support Indigenous economic participation,

² Energy for a Secure Future, “Natural Gas Service in First Nations Reserves”

³ Government of Canada, “The Atlas of Canada - Remote Communities Energy Database.”

⁴ Statistics Canada, *Estimation of energy poverty rates using the 2021 Census of Population.*

⁵ Statistics Canada, “Households and the Environment Survey: Energy use, 2021.”

⁶ Statistics Canada, *The heat is on: How Canadians heat their home during the winter.*

and create conditions for long-term economic growth and development initiatives such as community housing, greenhouses, and wastewater treatment facilities.

Map 1: Areas served by natural gas in Canada



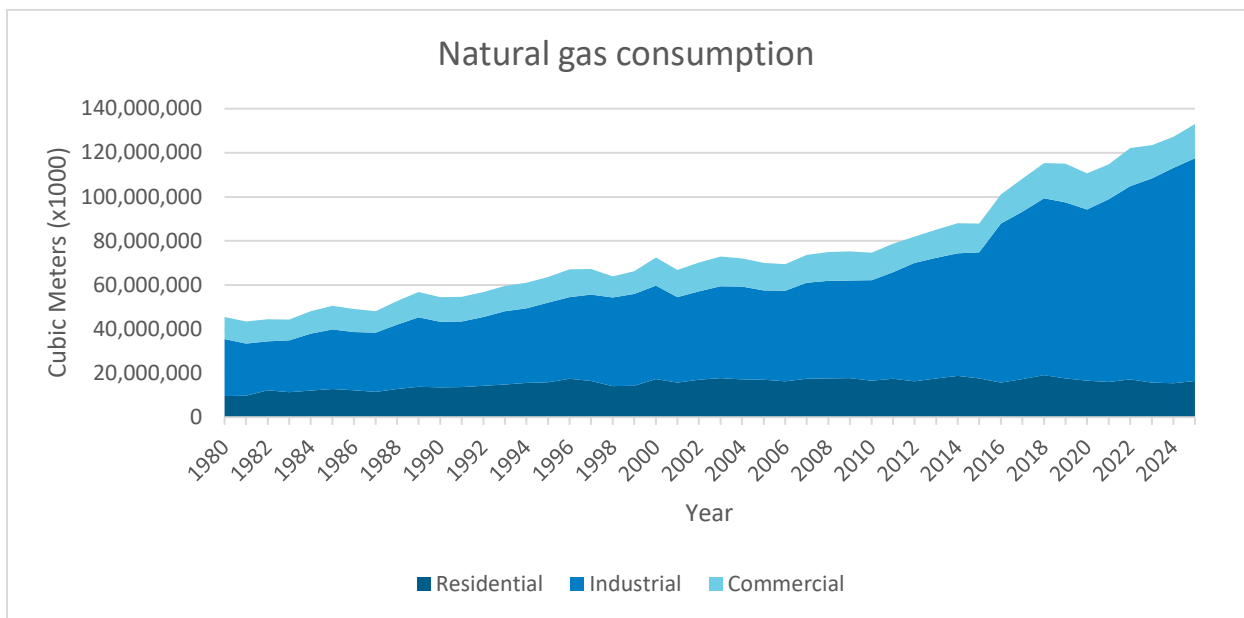
As shown in Map 1, Canada has extensive natural gas infrastructure that serves over 20 million Canadians. The natural gas network spans approximately 600,000 kilometres and through it 40% of all energy consumption in Canada is delivered. By way of comparison, electricity is responsible for meeting 20% of Canada’s energy needs. By connecting communities to the gas system, there is an immediate benefit from lowering household costs and supporting local economic development. There is also a broader system benefit. The Canada Energy Regulator projects that Canadian electricity demand will rise by roughly 30% to nearly 120% by 2050, depending on the scenario. In that context, natural gas infrastructure can support electricity system reliability and help meet growing peak demand as the country adds more load.⁷

Natural gas – Canada’s strategic advantage

For over a hundred years, natural gas has grown to become deeply embedded in the Canadian economy. Canada is the world’s fifth-largest producer of natural gas, and in 2025, we reached a

⁷ Canada Energy Regulator, *Canada’s Energy Future 2026: Scenario Results*

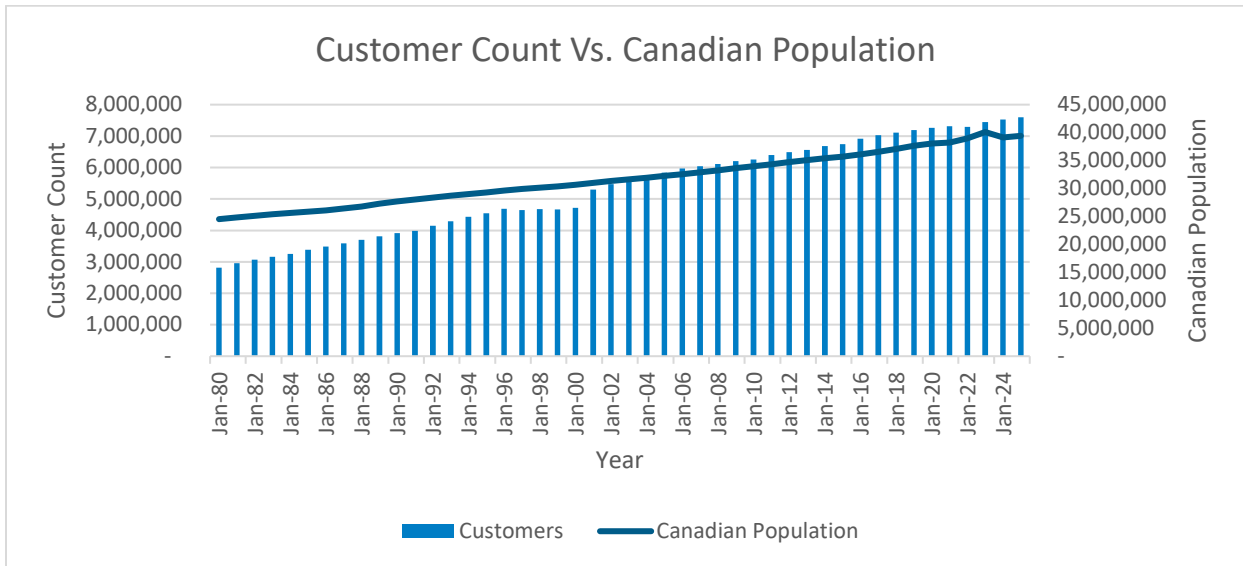
new record production of 20 billion cubic feet per day.⁸ Our western Canadian resources are some of the most prolific in the world, with the Canada Energy Regulator estimating a natural gas resource at 1,225 trillion cubic feet - equivalent to more than 200 years of supply at current production levels. Throughout the Canadian economy, natural gas is used not only for space and water heating, but also for electricity generation and as an essential input for major industries and products, including fertilizer, petrochemicals, plastics, clothing, tires, detergents, and insulation. Affordable and reliable energy is a competitive advantage for Canada, particularly for trade-exposed industries, resource development, manufacturing, food processing, and other sectors that depend on a stable, long-term energy supply.



Customer growth across residential, commercial and industrial sectors has been strong over time, rising from about 2.8 million customer locations (e.g., a house, school, hospital, industrial facility) in 1980 to about 7.6 million in 2025, outpacing population growth over the same period. Consumption data show the same pattern. Industrial use increased from about 25.8 billion cubic metres in 1980 to about 101.0 billion cubic metres in 2025, while residential and commercial demand also remained substantial across the same period. Over the last decade, a million new residential and commercial customers joined the natural gas system. During this time, the industry has succeeded in keeping overall residential and commercial gas use steady, largely because of strong energy efficiency programs. Demand in these sectors did not disappear. In the residential and commercial sectors, it has, in many cases, been masked by efficiency gains rather than eliminated. That speaks to two strengths at the same time: natural gas remains a reliable energy choice, and it is being used more efficiently than before.

⁸ December 2025 production, Canada Energy Regulator

Meanwhile, a significant growth in industrial gas demand has been driven by increased gas use in oil sands operations, power generation facilities and new manufacturing hubs.



Natural gas and affordability

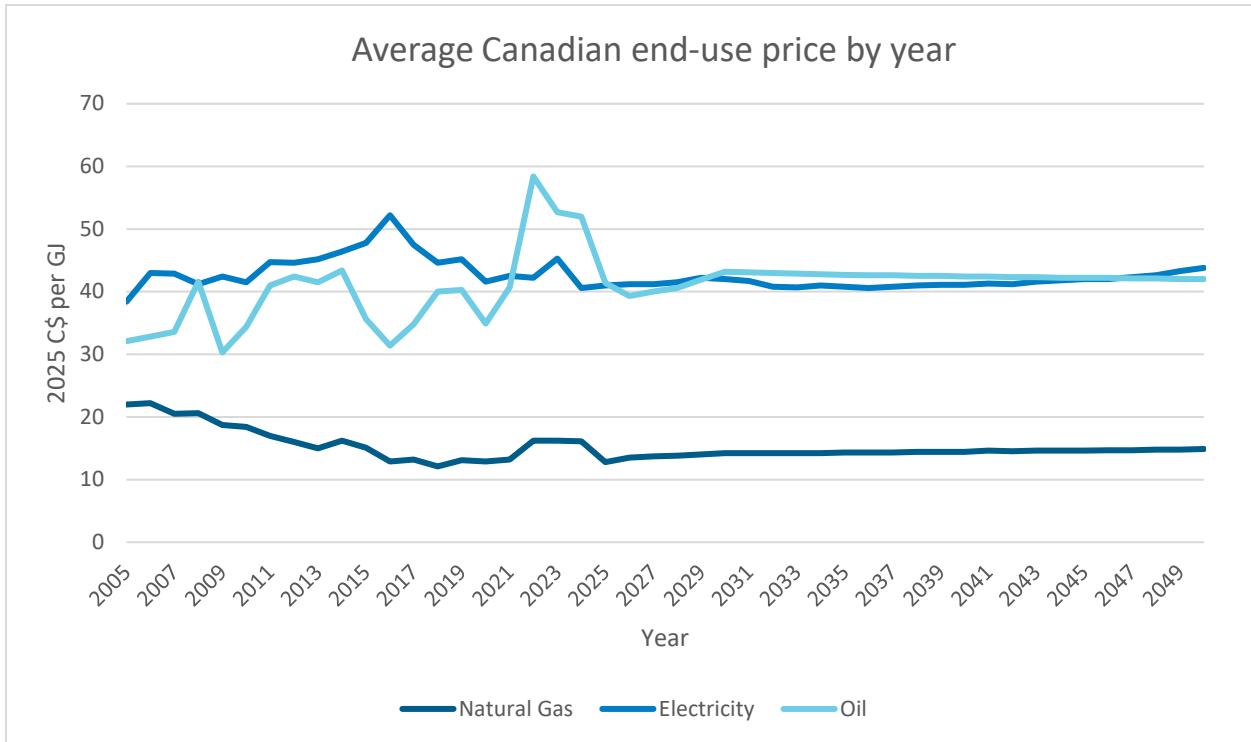
Looking ahead, natural gas prices are forecast to remain low. This is an important point when thinking about connecting new customers to the gas system. A connection made today would link a community to infrastructure with a long service life and to an energy source that is expected to remain available and competitively priced over that period. The Canada Energy Regulator’s long-term outlook shows Canadian end-use natural gas prices at \$12.8/GJ in 2025, rising modestly to \$14.7/GJ in 2046, compared with electricity prices of \$41.0/GJ and \$42.0/GJ, respectively. Over that period, natural gas has remained materially lower-cost than other major end-use energy sources in Canada, roughly two-thirds lower than both electricity and oil. The CER’s outlook also continues to show strong natural gas use through 2050 across buildings, industry, and electricity generation. The broader outlook for the sector also remains strong. The Canada Energy Regulator projects Canadian natural gas production rising from about 19 Bcf/d in 2025 to between 21 and 32 Bcf/d by 2050, depending on the scenario.⁹

New demand sources are also emerging. In 2024, the Canada Energy Regulator reported that Canada had an estimated 239 data centres in operation and identified artificial intelligence as a significant factor in rising energy demand from that sector.¹⁰

⁹ Canada Energy Regulator, “Natural gas and electricity emerge as pivotal forces shaping Canada’s energy future in new energy outlook” March 2026

¹⁰ Canada Energy Regulator, “Market Snapshot: Energy demand from data centers is steadily increasing, and AI development is a significant factor,” October 2024

For communities located near existing systems, the continued low price of gas and the growth in demand supports the case that connecting to gas remains practical not only today, but over the life of any new connection asset.¹¹



The policy issues

Many rural and Indigenous communities would benefit from access to natural gas but are held back due to (i) current provincial/territorial economic regulatory rules and (ii) prohibitive federal funding frameworks that do not allow natural gas to qualify. Included below is a summary of these two barriers.

(i) Provincial economic regulatory barrier:

Natural gas utilities across the country are subject to provincial regulations that assess projects using a common economic test that compares the cost of expansion against expected future revenues over a defined horizon. A proposed project can only proceed if it can prove the entire cost of new infrastructure will be recovered from the new customers over a set period (usually 40 years). In practical terms, this means that where the number of customers is small, the distance from the existing system is long, or expected load is limited, otherwise sensible projects may fail the test even if most of the cost can be recovered. Research focused on Indigenous energy poverty in Canada has noted that some projects may recover 80% to 90% of costs and still not proceed because the remaining gap cannot be absorbed under the regulatory

¹¹ CGA Analysis of CER Canada’s Energy Future 2026 End Use Prices under the current measures scenario

model.¹² These rules are designed to protect existing ratepayers, but they also illustrate why many smaller rural and Indigenous projects stall even where the long-term public benefit is clear.

There is also a second barrier beyond the pipeline itself. Even where service can be extended to a community, households and buildings may still face upfront costs for furnaces, boilers, water heaters, and internal piping. Gas utilities often offer their own incentives to help overcome this barrier – Eastward Energy’s current residential incentive structure, for example, includes rebates of up to \$3,000 for qualifying equipment conversions as appliance costs can materially affect uptake.¹³ But the ability of utilities alone to defray this cost is not unlimited. If those costs are not addressed, customer participation may be lower than expected, which can weaken project economics further.

(ii) **Federal policy barrier:**

Federal program design does not currently address this gap. For example, Natural Resources Canada’s Clean Energy for Rural and Remote Communities program defines a rural community as one that is connected to the North American electricity grid but not to the piped natural gas network and defines a remote community as one connected to neither. However, the program is focused on an electric ecosystem of renewable power, energy efficiency, and reducing diesel reliance, rather than enabling natural gas service extension where it would improve affordability, cold weather resilience, and support community growth. This creates a practical gap between the communities the federal policy is trying to help and the infrastructure tools currently available.

The challenge is that the existing regulatory and federal policy framework does not adequately address the last-mile cost barriers that prevent many Indigenous and rural communities from accessing reliable and lower-cost energy.

Alignment with federal priorities: Affordability, economic development, and energy security

The case for federal action is not limited to energy policy. It fits squarely within the Government of Canada’s broader agenda on affordability, infrastructure, and economic growth. In its 2025 mandate letter, the government identified the following priorities: building one Canadian economy through nation-building projects and bringing down costs for Canadians. These are exactly the objectives that natural gas expansion helps to achieve.

This issue also aligns with the federal government’s long-standing view that rural infrastructure is economic infrastructure. The Government of Canada’s 2024 rural economic development

¹² Energy for a Secure Future, *The Other Energy Security: Addressing Energy Poverty in Indigenous Communities*, 2025.

¹³ Eastward Energy, residential rebates and incentives for switching to natural gas equipment.

strategy states that almost 20% of Canadians live in rural, remote, Indigenous, coastal, or northern communities, and that those communities contribute about 30% of Canada's economic output.¹⁴ The same strategy identifies affordable housing, local economic vitality, and the need to attract and retain talent as core rural priorities. In practice, communities are less able to meet those goals when energy costs remain high or when local businesses and community infrastructure cannot expand because reliable and affordable energy is unavailable.

There is also a direct connection to federal housing and community growth objectives. As of June 30, 2025, National Housing Strategy commitments included support for 32,726 Indigenous and Northern housing units, including 2,108 Indigenous units in rural or remote areas.¹⁵ That investment matters, but housing growth and community growth cannot be treated separately from the underlying energy system. In many smaller and remote communities, the value of housing capital, community-controlled housing funding, and related infrastructure investments will be limited if the community remains dependent on higher-cost and less flexible energy sources. This is also a reliability issue. Where homes and community facilities rely on delivered propane, heating oil, or diesel, poor winter road conditions can delay fuel deliveries when heat is needed most.

This argument is also being advanced in Saskatchewan in treaty terms. Some First Nations leaders have linked housing and infrastructure to a broader right to shelter and self-determination, while recent Federal Court rulings have affirmed that Canada owes a duty to provide adequate housing on reserve. In that context, energy for housing should not be treated as a separate file from housing itself.¹⁶

The federal government has already accepted the principle that enabling infrastructure sometimes requires direct intervention where market conditions alone will not deliver it. The clearest example is broadband. The Universal Broadband Fund is a \$3.2 billion program designed to support high-speed Internet projects in rural and remote communities. The policy logic is straightforward: where access to essential infrastructure is necessary for participation in the modern economy, and where the business case is weak because communities are small or remote, public policy has a role in closing the gap. The same logic applies to natural gas connections that can lower costs, support local business activity, strengthen community resilience, and help people work where they live rather than having to leave for larger centres.

¹⁴ Government of Canada, *Rural Opportunity, National Prosperity: An Economic Development Strategy for Rural Canada*. 2024

¹⁵ Housing, Infrastructure and Communities Canada, *Progress on the National Housing Strategy – June 2025*.

¹⁶ Assembly of First Nations, *Assembly of First Nations Expresses Support for First Nations in Response to Landmark Federal Court Ruling on First Nations Housing & Water Rights*, December 2025.

Federal and provincial leadership: Connecting communities to the natural gas system

Governments across Canada have, in many instances, supported natural gas expansion projects. Federal programs in the 1980s, 1990s, and 2000s supported distribution system expansion, oil-to-gas conversions, lateral pipeline construction, and rural network extensions in Ontario, Manitoba, Quebec, British Columbia, and elsewhere. In the late 1990s, for example, the Canada-Manitoba Economic Development Partnership supported natural gas expansion from the TransCanada Pipeline to the rural municipalities of Hanover and La Broquerie, including approximately 600 kilometres of new infrastructure. Public support has therefore been used before to close the gap on projects that would not otherwise proceed, where the result is lower energy costs, improved access, and broader regional economic benefit.

Recently, Ontario's Natural Gas Expansion Program (NGEP) has shown how this can work in practice through partnerships among governments, utilities, and regulators. Across phases 1 and 2, the program is expected to connect approximately 17,000 buildings in 59 communities over ten years. Phase 1 supported six expansion projects and is forecast to connect 9,000 customers in 16 communities, with estimated savings of \$250 to \$1,500 per year for households switching to natural gas. Ontario's NGEP is designed to encourage "expansion projects that would not be built without additional financial support".¹⁷ At Mohawks of the Bay of Quinte, the community expansion project was supported by \$8,080,907 from Ontario's Natural Gas Expansion Program, alongside a long-term system expansion surcharge paid by customers served by the project.¹⁸ This shows that public support, when properly structured, can close the final gap on projects that would otherwise not proceed. The same barrier exists in many rural and Indigenous communities located near existing systems, where a modest public contribution could allow a viable project to move ahead.

Earlier Canadian examples include federal regional economic development funding in Quebec to help build the Vallée-Jonction to Thetford Mines natural gas pipeline. In 2012, \$18 million was provided to extend Gaz Métro's pipeline by 80 kilometres. In Northern Ontario, federal support also helped advance the Red Lake pipeline expansion. Also in 2012, \$2.7 million was provided for Phase 2 of the project, and households reportedly reduced energy costs by 50% to 70% after switching to natural gas. As the table below shows, these were not isolated cases. Governments have supported natural gas expansion and fuel switching through a range of programs over several decades where project economics would not otherwise support construction.

¹⁷ Government of Ontario, "Natural Gas Expansion Program," updated October 10, 2025.

¹⁸ Enbridge Gas, *Mohawks of the Bay of Quinte First Nation*, <https://www.enbridgegas.com/ontario/new-customers/community-expansion/mohawks-bay-quinte>

Program name	Department	Timeframe	Funding	Project
Distribution System Expansion Program (DSEP)	EMR	1980-1984	\$100 MM	Grant provided to utility companies for natural gas network expansion in Ontario.
Canada Oil Substitution Program	EMR	1980-1985	\$715 MM	Grants for homeowners for converting heating systems from oil to natural gas.
Market Development Incentive Payments	NRCan	1981-2016	\$191.3 MM	MDIP-funded organizations (gas utilities, research, trade associations). Programs funded were DSEP, Industrial Conversion, Compressed Natural Gas Fueling Station, and Vehicle Conversion.
Vancouver Island and Sunshine Coast network expansion	EMR	1983	\$100 MM and \$50 MM interest-free loan	Brought gas to over 20 communities to serve roughly 100,000 people.
Natural Gas Laterals Program	EMR	1984	\$225 MM	333 km pipeline between Grand-Mere and La Baie to Saguenay.
Canada-Manitoba Infrastructure Program	NRCan	1994-1997	\$5.7 MM	Brought natural gas service to 6 towns south of Brandon, Manitoba.
Canada Agriculture Infrastructure Program	NRCan	2000	\$2.35 MM	Connected Interlake Region north of Winnipeg to natural gas system.
Parry Sound network expansion	NRCan	2000	\$3 MM	Connected pipeline network to rural Ontario.
Vallée-Jonction to Thetford Mines QC Pipeline	NRCan	2012	\$18 MM	Funding to extend Gaz Métro natural gas pipelines by 80 km.
Red Lake ON Pipeline	NRCan	2012	\$2.7 MM	Expansion of Union Gas natural gas pipeline to Red Lake.
Bellechasse, QC	QC Economic Development Fund	2017	\$17 MM	Expansion for Énergir system to Bellechasse.

In 2025, the Canada Infrastructure Bank committed a \$100 million loan to the Inuvialuit Energy Security Project in the Northwest Territories through its existing Indigenous Community Infrastructure Initiative. The project qualified under an existing federal financing mechanism. The investment supports the development of the M-18 well and related infrastructure to provide a more reliable and affordable local energy supply for six remote Inuit communities in the Inuvialuit Settlement Region, with the Canada Infrastructure Bank stating that it is expected to provide energy security for more than 50 years based on current consumption and reduce emissions by about 36,000 tonnes annually.¹⁹ While this is not the same type of project as a local distribution extension, it shows that federal tools can already support natural gas-related infrastructure where the project advances affordability, energy security, and Indigenous economic benefit. In some cases, the issue may not be the absence of a federal mechanism, but whether existing mechanisms are scoped broadly enough to allow these types of distribution projects to qualify.

The opportunity

There is a near-term opportunity to expand natural gas service to rural and Indigenous communities through projects that the Canadian Gas Association and its members have already identified and, in many cases, advanced through early planning. CGA's initial assessment identifies approximately \$1.1 billion in total project costs across the country, which is not a full accounting of national demand, but a clear indication that the pipeline of viable projects is already substantial. These are not speculative opportunities. The communities are known, the routes are understood, and the utilities are prepared to proceed. What is holding these projects back is not a lack of technical ability or community interest, but the absence of a policy and funding framework that can respond to projects that do not meet existing regulatory economic tests.

For example, in Nova Scotia, the expansion of natural gas service to Truro and Millbrook First Nation would connect to the Maritimes and Northeast Pipeline, which is approximately 20 kilometres from Truro. The project would extend reliable and affordable energy to Millbrook while also allowing a large industrial customer in the region to convert from coal and oil to lower-emitting and more affordable gas.

In Saskatchewan, the First Nations Power Authority and SaskEnergy signed a Memorandum of Understanding in 2024 to explore options for bringing natural gas service to non-gasified First Nations communities. That same year, the Assembly of First Nations adopted Resolution 59/2024 in support of Saskatchewan First Nations that wish to receive natural gas service and

¹⁹ Canada Infrastructure Bank, "Inuvialuit Energy Security Project."

called for better access to funding for measures such as home heating.²⁰ What is missing is a federal policy and funding framework that can respond to that demand in a practical way.

Muscowpetung First Nation and Piapot First Nation are both approximately 10 kilometres from the SaskEnergy tie-in point and about 65 kilometres from Regina. The two Nations are located alongside the Pasqua First Nation, which has had natural gas service for some time. SaskEnergy has heard directly from the Chiefs of Muscowpetung and Piapot that their communities want access to natural gas because members are facing high electricity and propane costs and are being forced to make difficult choices with limited household resources.

The development opportunity is broader than household heating alone. More affordable and reliable energy can support local business growth, community infrastructure, and year-round economic activity in places where energy costs or limited power availability constrain expansion. For the Kitselas First Nation in British Columbia, existing gas infrastructure could provide sufficient feedstock gas to support 1.5 MW of heat and power generation to advance on-reserve community greenhouse and wastewater treatment projects and provide a source of backup power to manage frequent power outages. The cost of natural gas power generation is significantly lower than the cost of grid expansion to provide three-phase power.

This is also an employment opportunity. Where affordable and reliable energy is available, smaller and remote communities are better positioned to support local jobs and reduce pressure on residents to leave in search of work elsewhere. In Saskatchewan, the Zagime Anishinabek First Nation connection involved a 23-kilometre gas line serving homes and a 10,000-square-foot greenhouse, supporting year-round operations and local economic activity.²¹

These projects are just a few examples of those that are ready to proceed and unlock rural and Indigenous opportunities—if the federal government can provide the support to get them over the line.

Federal policy proposal

The Government of Canada should include, as an explicit objective of its Rural Development Action Plan, the connection of Indigenous and rural communities to reliable and affordable natural gas infrastructure where communities wish to pursue it. That objective would fit with the government's stated priorities of bringing down costs for Canadians, advancing nation-building infrastructure, and making federal programs more responsive to rural realities.

²⁰ Assembly of First Nations, Resolution 59/2024, *Political Support for First Nations in Saskatchewan*, adopted at the AFN Annual General Assembly, July 2024

²¹ SaskEnergy, *Supporting sustainable development and energy security on First Nations*
<https://www.saskenergy.com/about-us/stories/supporting-sustainable-development-and-energy-security-first-nations>

Canada should both make funding available and retool relevant federal programs so that extending natural gas networks to Indigenous and rural communities is recognized as eligible for funding. This should include clarifying and, where necessary, adjusting program terms, criteria, and eligible cost categories so existing federal tools can support these projects in a practical way. Support should be available not only for the community connection itself, but also for the related costs that determine whether service can be used, including appliance upgrades, internal piping, meter-related work, community education, safety awareness, and local project readiness. This would address the practical gap identified by utilities and communities, while preserving the role of provincial regulators and existing utility cost-recovery rules.

Federal housing, community infrastructure, and energy planning should also be better aligned. Existing federal housing commitments in Indigenous and Northern communities are significant, and their value will be greater where community growth is supported by reliable and affordable energy infrastructure. A rural development strategy that recognizes this link would better reflect how communities grow.

This would recognize a clear affordability issue, support local economic development, and help ensure that smaller and remote communities have access to the same basic energy advantages that already support households, businesses, and institutions elsewhere in Canada.

Conclusion

The gap in natural gas access for rural and Indigenous communities is not a market failure that will resolve itself. It is a structural problem created by two policy frameworks working against each other: provincial regulatory economics designed to protect existing ratepayers, and federal programs that do not recognize natural gas distribution as an eligible investment. The result is that communities with known needs, willing utilities, and projects that would recover the majority of their costs cannot proceed because no mechanism exists to close the final gap.

The federal government has addressed this same barrier before. Programs across multiple decades connected rural communities in Ontario, Manitoba, Quebec, and British Columbia, where private economics fell short. The Universal Broadband Fund applied the same logic to connectivity. What is needed is a federal commitment to treat natural gas connections as eligible infrastructure under relevant rural and Indigenous funding programs, including support for appliance upgrades, internal piping, and local project readiness. It requires aligning existing federal tools with a well-documented need, so that communities furthest from essential infrastructure are no longer excluded from the energy advantages that support the rest of Canada.