ATB CORMARK CAPITAL MARKETS

While big ideas percolate, creative solutions and practical execution are out in front

This article explores ATB Cormark Capital Markets' Energy Infrastructure 2026 Outlook, originally released in December 2025, integrating the report's foundational insights with key industry developments from the first quarter of 2026.

The dynamic geopolitical landscape of the past 15 months has placed a spotlight on Canada's role in global energy markets. Specifically, developments in the first quarter of 2026 have intensified questions about the future of global energy superpowers and how changes will impact Canada's infrastructure sector. While "big ideas" regarding Canada's role continue to percolate at the policy level, a more immediate physical reality has taken hold, marking 2026 as the year where "singles and doubles" prevail.

According to ATB Cormark Capital Markets' Energy Infrastructure 2026 Outlook (2026 Outlook), authored by Nate Heywood, energy infrastructure players are shifting focus to invest in brownfield and optimization projects, allowing for growth through smaller projects while offering expedited capital paybacks compared to greenfield investments. This shift is being accelerated by energy security and a surge in power demand, driven by significant capital deployment for data centres and AI infrastructure, manufacturing onshoring, population growth and electrification. Consequently, Heywood expects that winners in 2026 will be infrastructure companies that have irreplicable asset portfolios and expansion/optimization opportunities that extract high returns while maintaining cash flow quality.

Focus on brownfield projects

Political and economic pressures both at home and globally have created renewed urgency around diversifying market access for Canadian producers. Near-term, we expect infrastructure players to meet emerging demand with lower-capex initiatives that optimize existing assets, without engaging in major new construction. Apart from being less capital intensive, such brownfield and optimization projects can accelerate timelines, maintain strong cash flow, and use existing pipeline rights-of-way to avoid the complex regulatory approval processes associated with new development.

According to the 2026 Outlook, Heywood identified that the private sector has found a "sweet spot" to grow cash flow by ~5–7 per cent through these targeted brownfield investments, effectively reducing the inflationary and supply chain pressures that often exist with new construction.

> "Companies are looking to unlock the value resident in operating infrastructure that's already in place. We expect to continue to see companies reducing risk and making smaller investments across a larger network, rather than taking on a single attention-grabbing project."

Recent market activity has underscored this shift. Following their initial November 2025 decision to move forward with a ~$2 billion Mainline Optimization project, Enbridge confirmed in its Q4 FY2025 earnings call that this "steel-in-the-ground" strategy is now the cornerstone of their growth through to 2028. The initiative optimizes existing infrastructure to add 150,000 barrels per day (bpd) of capacity to the U.S. Gulf Coast via pump upgrades and flow optimization, with a second phase already under consideration to unlock another 250,000 bpd. By targeting expected returns on capital in the 4x–6x range, Enbridge is demonstrating how additional market access can be realized by maximizing what is already in place.

WCSB fundamentals: egress and exports

A major pillar of the 2026 Outlook was the prediction that Western Canadian Sedimentary Basin (WCSB) volumes would be "on the up and up." To accommodate this growth, the mid-2024 completion of the TMX project *nearly tripled* throughput capacity from 300,000 bpd to 890,000 bpd. However, while the basin was provided with a much-needed capacity cushion through 2025, Heywood predicts this period of excess egress could be short-lived. Production growth is expected to absorb the remaining pipeline capacity by 2027/2028, a shift that could spark a renewed focus on additional expansion projects out of the basin. This timeline could be expedited with a prolonged supply disruption from the Strait of Hormuz.

Beyond near-term asset optimization, there is also a renewed strategic focus on large-scale, long-term infrastructure. In November 2025, the federal and provincial governments issued a Memorandum of Understanding (MOU), stating that they would work together to "establish Canada as a global energy superpower." One of the key goals is to foster at least one privately financed and constructed pipeline with capacity for at least 1 million bpd of Alberta bitumen, along a route that "increases export access to Asian markets as a priority."

This vision is already seeing tangible progress in the LNG sector, where national strategic goals are translating into immediate infrastructure developments. In the fall of 2025, the federal government's Major Projects Office released the first five projects to benefit from streamlined regulatory assessment and approvals, with LNG Canada Phase 2 topping the list. This follows the successful commissioning of the Kitimat facility that began exporting BC and Alberta LNG to Asia in June 2025.

> "We expect global demand for natural gas will continue to climb for the remainder of 2026 due to data centre development, electrification, coal retirements and population growth," says Heywood. "While it's early days for Canada in this market, our significant competitive advantages are our ample supply of natural gas and pipeline access to the west coast. Travel time from coastal BC to Asian markets is half the transit time from the U.S. Gulf Coast. Throughout 2026, we're looking for moves that will strengthen this critical infrastructure, towards the goal of becoming a more significant participant in the market, especially given LNG supply disruptions in the Middle East."

Additional evidence of this in action is seen further north, where the Nisga'a Nation's Ksi Lisims floating LNG facility has cleared major provincial and federal regulatory hurdles and is currently moving toward a final investment decision targeted for this summer. Slated for completion in 2029, Ksi Lisims is expected to add 12 million tonnes of LNG annually, nearly doubling Canada's export capacity and solidifying its role as a key LNG supplier to Pacific markets.

A volatile geopolitical landscape

The global energy market is currently navigating a period of profound transformation, driven by simultaneous political upheavals in key oil-producing regions. Following the January 2026 removal of Nicolás Maduro, and a period of significant oversight over Venezuela's energy sector, the U.S. formally restored diplomatic relations with the country on March 4, 2026, accelerating the reintegration of Venezuelan crude products into the U.S. Gulf Coast. However, the impacts of this have been eclipsed by the physical disruption currently unfolding in the Middle East.

As detailed in an early March report by ATB Cormark Capital Markets, the conflict in Iran has rendered the Strait of Hormuz an "uninsurable shipping zone," effectively trapping roughly 20 million bpd of crude oil and refined products and 20 per cent of the world's LNG trade. This crisis serves as a "strategic catalyst" for Canadian infrastructure, establishing the Port of Vancouver and the TMX project as critical secure lifelines for Asian refiners. With Middle Eastern freight and insurance rates skyrocketing, Canadian heavy oil now holds an advantage in Asia, positioning it as a premium global "safe-haven" asset.

Amid discussions of potential long- and short-term economic impacts, one key fact stands out. The combined situations in Venezuela and Iran create a renewed urgency around market access, energy security and diversification.

> "The Canadian production profile is proving its resilience on a global scale," says Heywood. "While we must navigate the re-entry of Venezuelan crude into the U.S., the crisis in the Middle East has highlighted Canada's unique position as a stable, "safe-haven" for energy. Canadian infrastructure is providing a critical, secure lifeline to global markets. This is a clarifying moment for our sector; it's no longer about competing on price, but about the strategic value of having reliable, unhindered access to the world."

The AI-driven "power play"

The global demand for AI infrastructure is fundamentally reshaping power demand. Alberta is a logical choice for AI facilities due to its cool climate, deregulated electricity market and natural gas reserves. The province is hoping to attract more than $100 billion in investment by 2030 to meet emerging demand.

As 2026 unfolds, this goal is well underway. There are currently three dozen data centre projects applying to connect to Alberta's grid, representing ~20 gigawatts (GW) of power demand. The Alberta Electric System Operator (AESO) limits the number of data centres that can connect directly to the existing grid, and has already directed the entirety of its first-phase large-load power capacity to two data centre projects. As of March 2026, the AESO is advancing the second phase of its Large Load Integration program, which formalizes a "bring your own power" framework. This follows the passing of the Utilities Statutes Amendment Act (USAA 2025), which encourages data centres to provide their own power in exchange for a fast-tracked regulatory process.

This shift is illustrated by the proposed Greenlight Project, a joint venture between Kineticor and Pembina to develop a 1.8 GW data centre and associated generation in Alberta's Industrial Heartland, with the project being allocated 900 MW under the AESO's Phase 1 Large Load Integration program. Similarly, TransAlta has signed an agreement with CPP Investments and Brookfield to develop up to 1 GW of capacity at its Keephills site, leveraging existing on-site generation to secure a faster route to market. These projects represent the first major wave of "behind-the-fence" infrastructure, demonstrating that the USAA 2025 has created a new asset class for investors who can solve their own power needs.

The power requirements involved in bringing these data centres online and on-grid will dramatically increase the demand for low-cost, reliable fuel sources such as natural gas. Alberta offers existing networks, infrastructure development experience, and access to capital and predictable cash flow. Alberta's energy infrastructure players are well positioned to develop these large capital projects.

Financial realism and capital discipline

Capital allocation toward growth projects in 2026 signals high confidence in the sector's future. Following a period of debt repayment in 2024 and a resurgence of natural gas spending in 2025, the market is now seeing a strong emergence of liquids-tied projects. Management teams are prioritizing value creation through high-quality contracts and attractive return metrics, with a strategic shift toward brownfield and optimization projects. These smaller-scale initiatives provide the expedited capital paybacks and smaller budgets necessary to navigate today's environment more efficiently than massive greenfield developments.

For investors, contracted cash flows remain the bedrock for dividend growth. Companies with visible growth in distributable cash flow and sustainable payout ratios are prime candidates for distribution increases, even as some share buyback activity slows in favour of these new growth catalysts. To fund these expanding project backlogs, the sector continues to rely on a balanced funding model, with debt issuances expected to remain high through 2026 to maintain the industry's historical 50/50 debt-to-equity ratio.

2026: The year of the creative solution

Driven by the Canada-Alberta MOU, "bring your own power initiatives", a push for market expansion and changing geopolitical dynamics, 2026 is set to highlight innovative strategies for strengthening Canada's energy infrastructure sector.

For Canada, the disruption of Pacific trade routes during the Iran conflict has transformed the diversification narrative from a strategic preference into an economic imperative. Investor confidence in Canadian energy is no longer tied solely to project scale, but to the regulatory certainty and speed-to-market provided by a unified provincial and federal roadmap. In this environment, stakeholders must work in lockstep to leverage existing steel-in-the-ground and streamlined approvals, as these efficiencies are critical to maintaining the competitive edge of Canada's energy sector on the global stage.

> "The Canadian energy space is a dynamic value driver for the entire nation," says Heywood, "and finding creative solutions to volatile challenges will be key to meeting our domestic energy needs, exceeding our international expectations, and maximizing value from investments."