Data centre regulation in Québec: From honeyed promise to iron control

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Since 2016, Québec has actively positioned itself as a prime destination for data centres, leveraging its abundant renewable energy, competitive electricity rates, and ambition to strengthen digital sovereignty. Supported by a government-owned utility that controls electricity generation, transmission and distribution, the province offered a compelling value proposition: low-cost power and a naturally cold climate that reduces cooling costs.

This strategy has been successful. The number of data centres has grown significantly in recent years. However, this rapid expansion, along with energy transition and scarcity challenges, has begun to strain Québec's energy resources, prompting a noticeable policy shift. What initially appeared to be a favourable and predictable environment is now evolving into a more restrictive and tightly controlled regulatory framework.

This shift is reflected in a series of legislative and regulatory measures. In 2023, Québec introduced a requirement for ministerial authorization for projects consuming 5 megawatts (MW) or more, as well as for blockchain-related cryptocurrency operations requiring a minimum of 50 kilowatts (kW)[1].

Building on these changes, Québec adopted, in June 2025, *An Act to ensure the responsible governance of energy resources and to amend various legislative provisions*[2], also known as Bill 69. This legislation reinforces and expands the government's control over electricity allocation, consolidating the role of the Minister of Economy, Innovation and Energy (MEIE) in approving large-scale energy projects and shaping long-term resource management.

A decade after opening its doors to large electricity consumers, Québec is now recalibrating its approach. Data centre operators are increasingly challenging Hydro-Québec's measures, including significant proposed tariff increases and new charges related to underused capacity.

Key institutional actors

Understanding Québec's energy framework requires familiarity with its principal actors.

At the policy level, the MEIE plays a central role. Its mandate is to ensure the responsible and integrated management of energy resources in support of economic development and energy transition[3].

Hydro-Québec, as the province's vertically integrated utility, is responsible for the generation, transmission and distribution of electricity. Its activities are regulated by the Régie de l'énergie du Québec, which has exclusive jurisdiction over electricity rates and service conditions. The Régie ensures that rates remain fair and that energy resources are managed responsibly.

Key provisions of Bill 69: Strengthening control over energy allocation

Bill 69 was introduced to modernize Québec's energy sector. Key provisions include:

- **Enhanced Oversight**: Strengthens the role of the Régie de l'énergie in overseeing major projects and rate setting.
- **Greater Transparency**: Mandates clearer public reporting and stakeholder engagement for energy-related decisions.
- **Resource Allocation**: Updates criteria for allocating power to large consumers, emphasizing responsible use and strategic priorities, and ensures a rounded integration of varied sources of energy to limit dependence on hydroelectricity
- **Environmental Integration**: Embeds environmental and social criteria in energy resource development and allocation.

For energy-intensive facilities, such as data centres, Bill 69 introduces several important changes:

- **Access to Power**: New or expanded facilities face a more rigorous evaluation of their alignment with provincial priorities, including economic, social, and environmental considerations.
- **Allocation Policies**: Facilities must demonstrate responsible energy use and contribute to strategic objectives, such as decarbonization or regional development.
- **Compliance Requirements**: Enhanced reporting and monitoring obligations ensure that large users adhere to agreed-upon conditions and support provincial energy goals.
- **Potential Delays**: Additional regulatory reviews may extend project timelines, especially for projects with significant environmental or social impacts (see below).

Projects requiring ministerial approval

Since 2025, Hydro-Québec or any other electricity supplier must apply for the MEIE's authorization to provide electricity to a data centre, for instance, requesting 5 MW or more for its operations, as well as an electricity consumer requesting 50 kW or more for cryptographic use applied to blockchains for cryptocurrency mining purposes[4]. According to governing bodies, this grid connection process ensures that the limited electricity resources available are allocated to projects that generate the greatest overall

benefits for the province. Hence, the process is no longer purely technical, it is strategic and competitive.

1. Submission of the Application

The grid connection process for a data centre (or a cryptocurrency mining project involving blockchains operations) begins with the submission of a formal application to both the MEIE and to the relevant electricity provider, which is typically Hydro-Québec. This application serves as the official presentation of the project, outlining its energy requirements, technical characteristics, and anticipated economic, social, and environmental benefits.

2. Government and Hydro-Québec review

Once submitted, the application undergoes a rigorous and comparative evaluation with other submitted projects. Because electricity capacity is limited, projects are not assessed on a first-come, first-served basis. Instead, the government and Hydro-Québec jointly review all applications to identify those that make the most efficient and beneficial use of electricity.

In this context, particular attention is given to several key factors. These include the project's economic contribution, such as job creation and investment, as well as its environmental and social impacts. Authorities also review the project's application in light of overall energy assessment to ensure optimal energy management, planned energy efficiency measures and the use of high performance equipment, optimization of the energy mix (*e.g.*, use of alternative energy sources such as biomass, bioenergy, natural gas, or self-generation), and recovery and valorization of heat rejection, among other things.

Importantly, the assessment focuses on maximizing benefits per megawatt consumed, rather than simply favouring larger projects. This means that projects demonstrating strong overall performance and efficient energy use are more likely to be prioritized.

3. Decision and possible outcomes:

Following the review, the MEIE issues a decision, which is communicated to the applicant through Hydro-Québec. There are three possible outcomes.

- First, the application may be refused. In such cases, the applicant may consider submitting a new application.
- Second, the application may be deferred. This means that the project remains under consideration, but no immediate decision is made. The applicant may engage with the authorities to identify areas for improvement and strengthen the proposal.
- Third, the project may receive preliminary approval. This is a conditional acceptance, subject to further requirements before final authorization is granted (see Step 4).

4. From preliminary approval to final authorization

Where preliminary approval is granted, the project must complete additional steps. Initially, the government issues a pre-authorization letter outlining specific conditions to be met within a defined timeframe. These conditions may include improvements to energy efficiency, clarification of the connection scenario, or the provision of financial guarantees.

The applicant is then required to work closely with Hydro-Québec and the government to prepare the necessary documentation and demonstrate compliance with these conditions. Once these requirements have been satisfied, the government issues a final decision.

This final authorization may include binding commitments, such as deadlines for concluding a connection agreement, performance requirements in terms of economic or environmental benefits, and key project milestones.

In other words, when applying for the grid connection process, data centres and cryptocurrency mining applicants must now demonstrate not only the technical feasibility of the project, but they also must show how the project answers to economic, environmental and social concerns with respect to its energy consumption.

Ramp-up underperformance charge

In parallel with tighter access control, Hydro-Québec has introduced new pricing mechanisms targeting large energy users.

In 2025, Hydro-Québec introduced a new charge for customers with Rate LG contracts, which targets customers whose demand is 5 MW or more, such as data centers, and have unused available power. Under the applicable rate, customers are required to reserve a certain level of electrical capacity to meet their operational needs. If this reserved capacity is significantly higher than actual usage, a charge is applicable.

Hydro-Québec calculates the charge by reviewing the customer's usage over the previous 12 billing periods and, if the customer's maximum power demand during that period is less than 60 per cent of the reserved capacity, a charge is applied. This charge is calculated on the portion of the reserved capacity that remains unused (i.e., the gap between actual peak usage and the 60 per cent threshold).

Although the purpose of this mechanism is to ensure that reserved electrical capacity is used efficiently, this measure is widely perceived by stakeholders as a penalty rather than a traditional tariff . Several data centre operators have challenged the validity of this charge before the Québec Superior Court, and the outcome remains pending.

New tariff proposals for data centres and blockchain operations

In February 2026, Hydro-Québec announced its intent to propose to the Régie de l'énergie new rates for large consumers, such as data centres, and an adjustment of the rate for the cryptographic use applied to blockchains[5]. The stated objective pursued by Hydro-Québec is to make data centres bear more of the costs for their high electricity

demand, manage asset growth responsibly, and capture full value for Québec. According to Hydro-Québec, the proposed tariffs will reflect the cost of new supply while remaining competitive in the North American market and leveraging fully renewable electricity.

The Québec government supports Hydro-Québec's approach as it has laid out economic, social, and environmental concerns to the Régie de l'énergie in decrees 89-2026 and 88-2026, issued in January 2026.

Data centres (CD tariff)

The CD tariff is a new tariff proposed by Hydro-Québec for data centres requiring 5 MW or more, at an average cost of about 13 ¢/kWh, roughly double the current large-power rate.

This tariff will automatically apply to new projects, subject to approval by the Régie de l'énergie, with transitional arrangements for existing facilities to provide predictability in energy consumption. It will also apply to any data centre currently supplied by Hydro-Québec with authorized maximum power of 5 MW or more, including current M and LG tariff clients meeting that threshold.

Hydro-Québec requests approval for the CD tariff to become effective on November 1, 2026. However, many data centers operators and users have already expressed their intent to challenge the CD tariff before the Régie de l'énergie. The hearing is set for the Fall of 2026; a potential decision could be rendered by the end of the year or early 2027.

Blockchain and cryptocurrency (tariff CB)

Hydro-Québec proposes a revised tariff for cryptographic blockchain usage of 19.5 ¢/kWh, reflecting the energy-intensive nature of these operations and their limited economic footprint. Transitional pricing over three years is proposed for current customers to ease adaptation. The tariff is also being challenged before the Régie de l'énergie alongside the CD tariff for data centers.

A comparative perspective

Québec's tightening approach aligns with trends in British-Columbia and New-Brunswick, who similarly emphasize careful allocation of electricity based on economic and environmental criteria.

By contrast, jurisdictions like Alberta and certain U.S. states rely more heavily on fossil fuels or decentralized generation to accommodate data centre demand, offering greater flexibility but raising different environmental concerns.

Conclusion: A strategic pivot with uncertain implications

Québec's approach to data centre regulation has undergone a clear transformation—from active promotion to selective and controlled growth.

The province now seeks to ensure that its finite electricity resources, even if largely renewable, are allocated to projects that deliver the greatest overall benefit. This shift is driven by increasing demand, the need to manage infrastructure constraints, and broader policy objectives related to energy transition and economic value creation.

At the same time, this evolving framework introduces greater uncertainty for data centre operators. Stricter authorization processes, higher tariffs, and new charges for unused capacity collectively alter the economic assumptions that initially attracted these investments.

The outcome of the ongoing regulatory proceedings before the Régie de l'énergie, and the pending court challenges, will be decisive. They will determine whether Québec can maintain its attractiveness while asserting stronger control over its energy resources.

In practical terms, Québec is no longer simply competing with respect to low-cost renewable electricity. It is redefining the rules of access to that electricity. The key question is whether this model will strike a sustainable balance between public interest and private investment, or whether it will prompt some operators to redirect projects toward more flexible jurisdictions.

Footnotes

[1] *An Act mainly to cap the indexation rate for Hydro-Québec domestic distribution rate prices and to further regulate the obligation to distribute electricity*, L.Q. 2023, c. 1; *Act respecting the Régie de l'énergie*, RLRQ, c. R-6.01. s. 76.

[2] L.Q. 2025, c. 24.

[3] *Act respecting the Ministère de l'Économie, de l'Innovation et de l'Énergie*, RLRQ, c. M-14.1, s. 2(3).

[4] *Act respecting the Régie de l'énergie*, RLRQ, c. R-6.01. s. 76.

[5] *Act respecting the Régie de l'énergie*, RLRQ, c. R-6.01. s. 48 (2).

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