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The Regional Municipality of Durham Report

To: Community Growth and Economic Development Committee
From: Commissioner of Community Growth and Economic Development
Report: #2025-CG-13
Date: November 4, 2025

Subject:

Region of Durham Comments on ERO Postings #025-1077, a proposed regulatory framework under the Special Economic Zones Act, 2025 that sets out draft criteria for the designation of projects, proponents and zones and #025-1001, new requirements for data centres seeking to connect to the electricity grid in Ontario.

Recommendation:

That the Community Growth and Economic Development Committee recommends to Regional Council:

- A) That the letter dated November 4, 2025 found in Attachment #1 to this report, be endorsed as the Region of Durham's response to [ERO Posting 025-1001](#) and [ERO Posting 025-1077](#), including the following key comments:
- i) the Region welcomes the opportunity to meet with the province to discuss the possibility of Special Economic Zones (SEZs) in Durham and looks forward to collaboratively participating in the process of determining the locations of any new SEZs. If SEZs will be used as a tool for facilitating foreign direct investment attraction and improving investment readiness, the Region looks forward to working jointly with the province to identify specific opportunities;
 - ii) the Region would like to work with the province to explore how energy enabling infrastructure can be expedited, while maintaining critical project oversight beyond the project area;

- iii) the Region is concerned about the potential for a SEZs being used unilaterally for data centre development within the region and requests that the province engage Regional staff on any such proposals;
- iv) it is recommended that the province include municipal support as a requirement for designating projects, proponents and zones. This would help to mitigate concerns related to decision-making transparency under the SEZs Act;
- v) the Region appreciates the clarification that unless a law is specifically named in a regulation under the SEZs Act, existing laws will apply. The province should also consult with affected municipalities if their policies and/or by-laws are at risk;
- vi) if a SEZ is considered within Durham that overlaps with Transit Station Charge collection areas, it is requested that the future Transit Station Charge by-law not be considered for exemption under the SEZs Act, as this would impair the ability to extend GO Service to Bowmanville and construct four new stations;
- vii) to ensure transparency and maintain public trust, it is recommended that the province clearly outline the safeguards in place to support fairness and consistency when using the trusted proponent model;
- viii) the Region supports the inclusion of Duty to Consult and, where appropriate accommodate as specific project, proponent and zone criteria;
- ix) the Region remains concerned that potential SEZs exemptions to the Ontario Heritage Act could result in negative impacts, including to Indigenous artifacts and burial sites;
- x) it is recommended that decarbonization potential be included as a proposed project criteria under 'Significant and Long-Term Economic Benefits for Ontario' because doing so will not only support the reduction of greenhouse gas emissions, but also economic resilience and provincial security;
- xi) it is recommended that the province indicate the process by which respective ministries (e.g., Health and Environment, Conservation and Parks) will be involved in evaluating and/or overseeing proponent's plans;
- xii) if aggregates are considered for designation as a SEZ, the province should ensure that there are no adverse impacts to groundwater. Additionally, if

traditional aggregate licensing processes are bypassed, there would be limited ability for municipalities to secure mitigation measures, haul route agreements and operational adjustments (e.g., water delivery to mitigate well drawdown, street cleaning for dust, adjusted hours of operation, etc.) that are used to create solutions to unique local issues related to these sites; and

- B) That a copy of this report be forwarded to the Ministry of Economic Development, Job Creation and Trade, Ministry of Energy and Mines, the Region's area municipalities, conservation authorities, and to the Williams Treaty First Nations.
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Report:

1. Purpose

- 1.1 On October 2, 2025, the province released a proposed regulation that sets out draft criteria for designating Special Economic Zones (SEZs), projects and proponents ([ERO Posting 025-1077](#)). Comments on the proposal are open until November 16, 2025. The purpose of this report is to provide an overview of the key criteria proposed by the province and outline Regional staff comments on the proposal.
- 1.2 Previously, on September 5, 2025, the province announced consultation on proposed new requirements for data centres seeking to connect to the electricity grid in Ontario ([ERO Posting 025-1001](#)). Comments on this proposal are invited until November 4, 2025. Due to concerns that connect the two proposals, Regional staff have aligned comments on both postings.
- 1.3 Considering the Region's reporting cycle, a 45-day commenting window does not allow enough time for Regional Council to consider the proposals prior to their respective commenting deadlines. A Regional staff comment letter will be sent to the province on November 4, 2025. The letter indicates that the province will be made aware of any changes made to Regional staff's comments by Regional Council at their November 26, 2025, Regional Council meeting.

2. Background

- 2.1 The concept of SEZs was first introduced on April 17, 2025, by the Special Economic Zones Act, 2025 (SEZs Act), under the Protect Ontario by Unleashing our Economy Act, 2025 (Bill 5). Bill 5 received Royal Assent on June 5, 2025. The intent of this legislation was to support economic growth and development by building faster and more strategically, to protect Ontario industries from United States trade actions.

- 2.2 SEZs are defined as areas of strategic importance to Ontario's economy and security – particularly the critical mineral-rich Ring of Fire in northern Ontario. Within designated SEZs, the province can exempt trusted proponents and designated projects from regulatory frameworks and municipal by-laws to accelerate project permitting and approvals.
- 2.3 While no zones, projects or trusted proponents were outlined at the time, Regional staff anticipate that given the density of nuclear facilities with Durham, it is possible that the region or parts of the region could be designated as a SEZs. As a result, the Region's previous comments included concern that using a trusted proponent model may create a two-tier development system, favouring select private businesses with fewer regulations. It was also requested that the Region be included in consultations related to the identification of SEZs within Durham and the selection of trusted proponents that would operate within the region.

3. Previous Reports and Decisions

- 3.1 The Region's response to Bill 5, which included initial comments on SEZs, was provided through [Report #2025-CG-7](#), dated May 28, 2025.

4. Special Economic Zones Proposed Draft Criteria

- 4.1 On October 2, 2025, as a follow up to Bill 5's introduction of SEZs, the province released draft criteria for the designation of projects, proponents, and zones ([ERO Posting 025-1077](#)). To accelerate a project and provide exemptions (i.e., any requirement under any provincial Act, regulation or municipal by-law), all three elements should be designated.
- 4.2 Proposed criteria to **designate a project** are all subject to the Minister's opinion and include:
- Significant and long-term economic benefits for Ontario (e.g., job creation and skilling, provincial security, economic diversification, tax revenue, critical supply chains, advancing innovation and technology, and use of Ontario goods and services).
 - Strengthening local communities (e.g., community benefits, increase local business revenue, and benefits to Indigenous communities).
 - High likelihood of success (e.g., engagement planning, impact analysis and risk mitigation for health and environment).

- Duty to Consult and, where appropriate, accommodate.

4.3 Proposed criteria to **designate a proponent** include:

- The proponent may be the Crown, an agency, a municipality, or a for-profit or not-for-profit entity, but exemptions may be possible provided the proponent has a strong compliance record (subject to the Minister's opinion).
- The proponent is reputable and necessary to complete the project.
- If a for-profit or not-for-profit, assurances that there will be no change in control or ownership/membership without consent of the Minister.
- The proponent is capable of engaging and working successfully with Indigenous communities on the project and has an engagement plan (subject to the Minister's opinion).
- Duty to Consult and, where appropriate, accommodate.

4.4 Proposed criteria to **designate a zone** include:

- Single area with clear geographic boundaries, no larger than necessary to accommodate the project (subject to Lieutenant Governor in Council opinion).
- Contains strategic economic activities (subject to Lieutenant Governor in Council opinion).
- Duty to Consult and, where appropriate, accommodate.

5. Overview of Provincial Consultation on Data Centres

5.1 In June 2025, as part of Bill 40, the Protect Ontario by Securing Affordable Energy for Generations Act, 2025, the province introduced amendments to the Electricity Act, 1998, that if passed would set out in regulation a process allowing the Minister of Energy and Mines to prioritize and approve connection requests from data centre projects that serve the province's economic interests.

5.2 The proposal ([ERO Posting 025-1001](#)) contemplates implementing an approval process for connection requests of data centres. Specifically, the province is seeking input on the types of data centres that should be subject to the proposed requirement but is also requesting feedback on if electricity connections for data centres should be prioritized at all and how to design the approval process.

6. Regional Staff Assessment and Comments

- 6.1 Regional staff reviewed the proposed draft criteria for projects, proponents and zones and the consultation materials for new requirements for data centres seeking to connect to the electricity grid and offer the following comments for consideration.
- 6.2 Durham is the Clean Energy Capital of Canada, and our post-secondary institutions and local economy continue to innovate to solve global challenges. Durham continues to welcome major new investments from international companies, and the Region is proactively advancing servicing to employment lands to ensure that Durham is investment ready. The Region is already home to one of the first five “Nation Building Projects” and is the ideal location for future projects and inbound business investments, that generate positive economic impact regionally, provincially, and federally. **The Region welcomes the opportunity to meet with the province to discuss the possibility of SEZs in Durham and looks forward to collaboratively participating in the process of determining the locations of any new SEZs. If SEZs will be used as a tool for facilitating foreign direct investment attraction and improving investment readiness, the Region looks forward to working jointly with the province to identify specific opportunities.**
- 6.3 As the Clean Energy Capital of Canada, the Region recognizes the importance of creating supportive conditions to advance projects that will meet Ontario’s growing energy demand, enabling new homes and key infrastructure. Nuclear energy projects are federally regulated under the Nuclear Safety and Control Act by the Canadian Nuclear Safety Commission (CNSC), however, CNSC jurisdiction primarily applies within the ‘protected area’ of a licensed nuclear site, focused on security, safety, and environmental compliance inside the fence line. Nation building nuclear projects have significant potential for disruption beyond the protected area. SEZ exemptions may weaken oversight in these critical areas. **The Region would like to work with the province to explore how energy enabling infrastructure can be expedited, while maintaining critical project oversight beyond the protected area.**
- 6.4 The Region is aware that the province is seeking to prioritize electricity for data centre development, as communicated through [ERO Posting 025-1001](#). The Region recognizes the provincial and federal need for data centres, particularly for AI and sensitive data storage uses. The Region also recognizes that domestic data centre capabilities will be necessary for national security, mitigating geopolitical risks, and providing capacity for Canada’s agencies and broader business community to remain globally competitive. However, the siting of data centres must consider their

various impacts on the host community. They are highly energy-intensive and land consumptive, use vast amounts of water, contribute to electronic waste and noise pollution, and do not produce jobs. **The Region is concerned about the potential of SEZs being used unilaterally for data centre development within the region and requests that the province engage Regional staff on any such proposals.**

- 6.5 The draft criteria for projects and proponents for SEZs are subject to the opinion of the Minister of Economic Development, Job Creation and Trade. **It is recommended that the province include municipal support as a requirement for designating projects, proponents and zones. This would help to mitigate concerns related to decision-making transparency under the SEZs Act.**
- 6.6 When SEZ were introduced through Bill 5, concerns were raised about the potential for municipal policies and by-laws to be overridden, which could impact municipal revenue-making power and disrupt local planning and growth priorities. **The Region appreciates the clarification that unless a law is specifically named in a regulation under the SEZs Act, existing laws will apply. The province should also consult with affected municipalities if their policies and/or by-laws are at risk.**
- 6.7 The GO Transit Station Funding Act, 2023, allows Ontario municipalities to enact a by-law to enable a Transit Station Charge on new development within a prescribed contribution area to support the funding of new GO Stations. The Transit Station Charge would apply to areas surrounding new GO Stations, including Protected Major Transit Station Areas (PMTSAs). The Region has expressed its intent to the province to use this legislation to contribute to the cost of four new GO Stations along the GO Lakeshore East Extension to Bowmanville. **If a SEZ is considered in Durham that overlaps with the Transit Station Charge collection areas, it is requested that the future Transit Station Charge by-law not be considered for exemption under the SEZs Act, as this would impair the ability to extend GO Service to Bowmanville and construct four new stations.**
- 6.8 The trusted proponent model under the SEZs Act presents an opportunity to streamline certain development processes and foster innovation. **To ensure transparency and maintain public trust, it is recommended that the province clearly outline the safeguards in place to support fairness and consistency when using the trusted proponent model.**
- 6.9 **The Region supports the inclusion of Duty to Consult and, where appropriate accommodate as specific project, proponent and zone criteria.** The Region is

committed to meaningful engagement with Indigenous communities and partnership on economic priorities. As an example, the Region and Mississaugas of Scugog Island First Nation (MSIFN) recently entered into a Bilateral Agreement to establish a foundation for government-to-government collaboration. Regional staff would be happy to discuss this further with provincial staff.

6.10 The Region remains concerned that potential SEZs exemptions to the Ontario Heritage Act could result in negative impacts, including to Indigenous artifacts and burial sites.

6.11 The designation of SEZs projects provides an opportunity for the province to reinforce climate change mitigation goals through decarbonization. **It is recommended that decarbonization potential be included as a proposed project criteria under ‘Significant and Long-Term Economic Benefits for Ontario’ because doing so will not only support the reduction of greenhouse gas emissions, but also economic resilience and provincial security.**

6.12 Health and environmental protections are included under the criteria related to project success and are subject to the opinion of the Minister of Economic Development, Job Creation and Trade. **It is recommended that the province indicate the process by which respective ministries (i.e., Health and Environment, Conservation and Parks) will be evaluating and/or overseeing proponent’s plans.**

6.13 New aggregate pits and quarries can create pathways for the contamination of groundwater, may need perpetual pumping, and can alter local groundwater flows. **If aggregates are considered for designation as a SEZ, the province should ensure that there are no adverse impacts to groundwater. Additionally, if traditional aggregate licensing processes are bypassed, there would be limited ability for municipalities to secure mitigation measures, haul route agreements and operational adjustments (e.g., water delivery to mitigate well drawdown, street cleaning for dust, adjusted hours of operation, etc.) that are used to create solutions to unique local issues related to these sites.**

7. Relationship to Strategic Plan

7.1 This report aligns with the following Strategic Directions and Pathways in Durham Region’s 2025-2035 Strategic Plan:

- a. Environmental Sustainability and Climate Action
 - E2. Collaborate with partners on the low-carbon transition to reduce community greenhouse gas emissions across Durham Region.
 - E5. Respect the natural environment, including greenspaces, waterways, and agricultural lands.
- b. Resilient Local Economies
 - R1. Attract and retain quality employers that strengthen key economic sectors, including energy and technology.
 - R2. Support the growth of new business startups and small to medium local businesses.
 - R3. Develop, attract, and support a skilled and qualified workforce, including youth and newcomers.
- c. Strong Relationships
 - S1. Enhance inclusive opportunities for community engagement and meaningful collaboration.
 - S2. Build and strengthen respectful relationships with First Nations, Inuit, Métis, and urban Indigenous communities.
 - S4. Advocate to the federal and provincial government and agencies to advance regional priorities.
 - S5. Ensure accountable and transparent decision-making to serve community needs, while responsibly managing available resources.

7.2 This report aligns with the following Foundation in Durham Region's 2025-2035 Strategic Plan:

- a. People: Making the Region of Durham a great place to work, attracting, and retaining talent.

8. Conclusion

8.1 On October 2, 2025, the province released proposed draft criteria for the designation of projects, proponents and zones, under the SEZ Act. Previously, on September 5, 2025, the province announced consultations on new requirements for data centres seeking to connect to the electricity grid in Ontario.

- 8.2 Regional staff from Community Growth and Economic Development reviewed both sets of consultation materials and have outlined concerns about the potential application of SEZs for the approval of data centres, without municipal support.
- 8.3 We are pleased to see the inclusion of Duty to Consult as a criterion for all three SEZs elements. However, the extent to which municipalities will be involved in the designation of projects, proponents and zones within their jurisdictions remains unclear.
- 8.4 In advance of the commenting deadline, a Regional staff response will be provided to the province on November 4, 2025, (Attachment #1). If Regional Council makes any changes to staff's comments, the province will be advised.
- 8.5 The recommendations contained within this report were discussed with staff responsible for community growth, economic development, transit-oriented development, environmental sustainability, policy and Indigenous relations. For additional information, contact: Amanda Bathe, Senior Planner, at Amanda.Bathe@durham.ca.

9. Attachments

Attachment #1: Region of Durham Staff Response to Environmental Registry of Ontario Postings #025-1077, a proposed regulatory framework under the Special Economic Zones Act, 2025 and #025-1001, new requirements for data centres seeking to connect to the electricity grid in Ontario.

Respectfully submitted,

Original signed by

Sandra Austin
Commissioner of Community Growth and
Economic Development

Recommended for Presentation to Committee

Original signed by

Elaine C. Baxter-Trahair
Chief Administrative Officer



November 4, 2025

Sent Via Email

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**The Regional
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RE: Region of Durham Staff Response to Environmental Registry of Ontario Postings #025-1077, a proposed regulatory framework under the Special Economic Zones Act, 2025 and #025-1001, new requirements for data centres seeking to connect to the electricity grid in Ontario.

Thank you for the opportunity to provide feedback on a proposed regulation under the Special Economic Zones Act, 2025 (SEZs Act) that sets out draft criteria for designating Special Economic Zones (SEZs), projects and proponents and new requirements for data centres seeking to connect to the electricity grid in Ontario. Regional staff have aligned our comments on both proposals.

Through Report [#2025-CG-7](#) dated May 28, 2025, the Region previously provided comments on Bill 5: the Protect Ontario by Unleashing the Economy Act, 2025, which introduced the SEZs Act.

This proposed regulation was posted to the Environmental Registry of Ontario on October 2, 2025, with a commenting period of 45-days ([ERO 025-1077](#)). Considering Regional Council's reporting cycle, the 45-day timeline does not allow for Regional Council to consider this matter prior to the November 16, 2025, commenting deadline.

The following comments represent those of Regional staff. A report seeking Regional Council endorsement of these comments will be presented at the November 26, 2025, meeting of Regional Council. Should any changes be made to the comments, Regional staff will follow up accordingly.

1. Durham is the Clean Energy Capital of Canada, and our post-secondary institutions and local economy continue to innovate to solve global challenges. Durham continues to welcome major new investments from international companies, and the Region is proactively advancing servicing to employment lands to ensure that Durham is investment ready. The Region is already home to one of the first five 'Nation Building Projects' and is the

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ideal location for future projects and inbound business investments that generate positive economic impact regionally, provincially, and federally. The Region welcomes the opportunity to meet with the province to discuss the possibility of SEZs in Durham and looks forward to collaboratively participating in the process of determining the locations of any new SEZs. If SEZs will be used as a tool for facilitating foreign direct investment attraction and improving investment readiness, the Region looks forward to working jointly with the province to identify specific opportunities.

2. As the Clean Energy Capital of Canada, the Region recognizes the importance of creating supportive conditions to advance projects that will meet Ontario's growing energy demand, enabling new homes and key infrastructure. Nuclear energy projects are federally regulated under the *Nuclear Safety and Control Act* by the Canadian Nuclear Safety Commission (CNSC), however, CNSC jurisdiction primarily applies within the 'protected area' of a licensed nuclear site, focused on security, safety, and environmental compliance inside the fence line. Nation building nuclear projects have significant potential for disruption beyond the protected area. SEZ exemptions may weaken oversight in these critical areas. The Region would like to work with the province to explore how energy enabling infrastructure can be expedited, while maintaining critical project oversight beyond the protected area.
3. The Region is aware that the province is seeking to prioritize electricity for data centres, as communicated through [ERO Posting 025-1001](#). Durham Region recognizes the provincial and federal need for data centres, particularly for AI and sensitive data storage uses. Durham recognizes that domestic data centre capabilities will be necessary for national security, mitigating geopolitical risks, and providing capacity for Canada's agencies and broader business community to remain globally competitive. However, the siting of new data centres must consider their various impacts on the host community. They are highly energy-intensive, land consumptive, use vast amounts of water, contribute to electronic waste and noise pollution, and do not produce jobs. The Region is concerned about the potential of SEZs being used unilaterally for data centre development within the region and requests that the province engage Regional staff on any such proposals.
4. The draft criteria for projects and proponents for SEZs are subject to the opinion of the Minister of Economic Development,

Job Creation and Trade. It is recommended that the province include municipal support as a requirement for designating zones, projects and proponents. This would help to mitigate concerns related to decision-making transparency under the SEZs Act.

5. When SEZs were introduced through Bill 5, concerns were raised about the potential for municipal policies and by-laws to be overridden, which could impact municipal revenue-making power and disrupt local planning and growth priorities. The Region appreciates the clarification that unless a law is specifically named in a regulation under the SEZs Act, existing laws will apply. The province should also consult with affected municipalities if their policies and/or by-laws are at risk.
6. The GO Transit Station Funding Act, 2023, allows Ontario municipalities to enact a by-law to enable a Transit Station Charge on new development within a prescribed contribution area to support the funding of new GO Stations. The Transit Station Charge would apply to areas surrounding new GO Stations, including Protected Major Transit Station Areas (PMTSAs). The Region has expressed its intent to the province to use this legislation to contribute to the cost of four new GO Stations along the GO Lakeshore East Extension to Bowmanville. If an SEZ is considered within Durham that overlaps with the Transit Station Charge collection areas, it is requested that the future Transit Station Charge by-law not be considered for exemption under the SEZs Act, as this would impair the ability to extend GO Service to Bowmanville and construct four new stations.
7. The trusted proponent model introduced under the SEZ Act presents an opportunity to streamline certain development processes and foster innovation. To ensure transparency and maintain public trust, it is recommended that the province clearly outline the safeguards in place to support fairness and consistency when using the trusted proponent model.
8. The Region supports the inclusion of Duty to Consult and, where appropriate, accommodate as specific project, proponent and zone criteria. The Region is committed to meaningful engagement with Indigenous communities and partnership on economic priorities. As an example, the Region and Mississaugas of Scugog Island First Nation (MSIFN) recently entered into a Bilateral Agreement to establish a foundation for

government-to-government collaboration. Regional staff would be happy to discuss this further with provincial staff.

9. The Region remains concerned that potential SEZs exemptions to the Ontario Heritage Act could result in negative impacts, including to Indigenous artifacts and burial sites.
10. The designation of SEZs projects provides an opportunity for the province to reinforce climate change mitigation goals through decarbonization. It is recommended that decarbonization potential be included as a proposed project criteria under 'Significant and Long-Term Economic Benefits for Ontario' because doing so will not only support the reduction of greenhouse gas emissions, but also economic resilience and provincial security.
11. Health and environmental protections are included under the criteria related to project success and are subject to the opinion of the Minister of Economic Development, Job Creation and Trade. It is recommended that the province indicate the process by which respective ministries (i.e., Health and Environment, Conservation and Parks) will be involved in evaluating and/or overseeing proponent's plans.
12. New aggregate pits and quarries can create pathways for the contamination of groundwater, may need perpetual pumping, and can alter local groundwater flows. If aggregates are considered for designation as a SEZ, the province should ensure that there are no adverse impacts to groundwater. Additionally, if traditional aggregate licensing processes are bypassed, there would be limited ability for municipalities to secure mitigation measures, haul route agreements and operational adjustments (e.g., water delivery to mitigate well drawdown, street cleaning for dust, adjusted hours of operation, etc.) that are used to create solutions to unique local issues related to these sites.

Regional staff recognize that SEZs have the potential to support economic growth and development within the province and region. The Region is looking forward to participating in future consultations related to the determination of zones, projects and proponents, specifically if SEZs are being considered in Durham to facilitate development of data centres. If you have any questions about the above noted comments, please contact Amanda Bathe, Senior Planner, at Amanda.Bathe@durham.ca.

Thank you,

Sandra Austin

Sandra Austin
Commissioner of Community Growth and Economic Development

cc. Colleen Goodchild, Director, Community Growth
Simon Gill, Director, Economic Development
Ian McVey, Director, Environment and Climate
Aneesah Luqman, Manager, Transit-Oriented Development
Caitlin Rochon, Manager, Corporate Initiatives
Debbie Ellis, Manager, Indigenous Relations