

What Canada's ambitious AI strategy means for business

JUNE 18, 2026 7 MIN READ



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Key Takeaways

- The Government of Canada's national AI strategy focuses on adoption, competitiveness, and domestic capacity-building.
- Key initiatives aim for \$200 billion growth, 250,000 AI-related jobs, and increasing AI adoption from 12% to 60% by 2034.
- The government's AI regulatory approach is targeted rather than comprehensive. New legislation like Bill C-34 and Bill C-36 will regulate certain aspects of AI, enhance transparency, and protect privacy with a goal of fostering a trust-based environment.

The details and implications of the Government of Canada's long-awaited national AI strategy are now coming into view. The June 4 release of AI for All, together with the introduction before Parliament of Bill C-22, the *Lawful Access Act*, Bill C-34, the *Digital Safety Act*, and Bill C-36, the *Protecting Privacy and Consumer Data Act*, signals how the government intends to approach AI governance.

Taken together, these initiatives suggest a notable shift in Canada's AI policy direction. Rather than pursuing a comprehensive AI-specific regulatory regime, the federal government appears to be prioritizing AI adoption, competitiveness and domestic capacity-building, while relying on targeted legislation, standards and existing regulatory frameworks to address identified risks and harms. The result is an approach that is ambitious in its economic objectives, but cautious in its approach to AI policy.

The ambition is visible in three key priority areas.

First, the strategy places AI at the center of Canada's economic growth. It sets ambitious targets, including an additional \$200 billion in growth, 250,000 new AI-related jobs over five years, and an increase in AI adoption from 12% to 60% by 2034. Promised policy actions to achieve these goals include helping SMEs adopt AI in priority sectors such as health, energy, transportation, agriculture, and manufacturing; launching a national AI literacy initiative; providing trusted AI access to every post-secondary student; facilitating up to 90,000 AI-related jobs and placements for younger Canadians; and offering training and upskilling opportunities for mid-career professionals and frontline workers. Collectively, the breadth of

these measures suggests accelerating AI adoption as a foundational element of the strategy.

Second, the government seeks to build trust and safety through targeted regulations and standards to protect Canadians from identified AI risks and harms. Released on June 10, Bill C-34 (the *Digital Safety Act*) will directly regulate AI chatbots and increase AI transparency, including through watermarking of AI-generated content, and critically the establishment of the Digital Safety Commission. Five days later, Bill C-36 (the *Protecting Privacy and Consumer Data Act* (PPCDA)) introduced the long-awaited revamp of Canada's privacy legislation. Both Bills have been presented as important elements of the advancement of the policy goals of the AI strategy. Together, if passed, these measures will be transformational for the digital businesses carrying on business in Canada..

Third, the strategy reinforces Canadian sovereignty and domestic capacity through investments in sovereign compute, a \$500 million Canadian Tech Growth Fund to improve access to capital for "Canadian champion" enterprises, strategic use of government procurement, support for AI companies seeking compute and commercialization resources, strengthened partnerships with trusted allies, and expanded AI talent pipelines through continued support for leading AI research institutions (e.g. MILA, Amii and Vector Institute) and targeted immigration pathways.

The strategy does not include a harm-based framework for responding to unforeseen risks, including cybersecurity threats or loss of control of AI systems. It does not signal how the government will plan for the societal and economic impacts of AI should near-term predictions about job losses prove accurate. And its funding for sovereign compute remains modest when measured against the announced investments by leading AI jurisdictions and major technology companies seeking to establish themselves as global leaders in AI.

Notably, the strategy acknowledges a pragmatic reality: while dependencies on foreign AI suppliers can be mitigated, eliminating them is not the goal. Instead, Canada will focus on *"building its key sovereign capabilities domestically whenever possible, while partnering with trusted allies or buying existing market solutions when appropriate."*

What this means for business in Canada

For enterprises in Canada that develop and sell AI products and services, the strategy offers a broadly supportive environment. Investments in sovereign compute, the \$500 million Tech Growth Fund, and strategic government procurement are intended to strengthen the growth of the domestic AI ecosystem by providing access to infrastructure, capital and opportunities needed to scale Canadian AI companies. Expanded talent pipelines and immigration pathways may ease persistent hiring challenges. The impact of these measures has been generally welcomed, but the impact is unpredictable, with effectiveness determined as actual implementation unfolds.

The government's newly-released legislative agenda contemplates new obligations relating to transparency, digital safety, data governance and lawful access, while also expanding regulatory oversight of digital technologies more broadly. These new regulatory obligations, particularly mandatory metadata collection and encryption threats under the *Lawful Access Act*, and transparency, watermarking, and chatbot governance under the *Digital Safety Act* will impose compliance costs and may constrain how AI products are brought to market. AI-focused businesses will monitor how these requirements interact with emerging frameworks in the EU, the U.S., and elsewhere and make decisions, including on business location, accordingly.

For businesses in Canada that deploy AI to enhance the productivity and competitiveness of their operations, the signals are largely encouraging. Government programs targeting SME

adoption, sector-specific support in health, energy, agriculture, transportation, and manufacturing, and workforce upskilling initiatives, all aim to lower barriers to integration. The government's ambitious goal of raising AI adoption from 12% to 60% by 2034 suggests that significant public resources will flow toward accelerating AI deployment across the Canadian economy.

Broader adoption is likely to be accompanied by increasing expectations regarding how AI systems are procured, configured, and monitored, particularly those that interact with consumers or process personal information. AI systems should expect greater scrutiny and increasing expectations around transparency and accountability where AI systems are used to make recommendations, predictions or decisions that affect individuals. For example, the strategy refers to a Trusted AI Certification, the details of which are not yet apparent. The need for internal AI governance frameworks will intensify, and conformity with developing standards will become critical for deploying the technology.

What this means for foreign businesses

Foreign companies will need to assess how these Canadian-specific rules interact with their existing compliance programs under current and future frameworks, such as the EU *Artificial Intelligence Act* or emerging U.S. state-level regulations.

On the commercial side, foreign suppliers should expect greater competition from domestic suppliers critical to the Canadian AI ecosystem, particularly when selling products and services to the Government of Canada. The strategy's emphasis on using government procurement as a strategic anchor for domestic "Canadian champion" enterprises suggests that federal public procurement may increasingly be used to support homegrown solutions. The strategy explicitly stops short of calling for the elimination of foreign dependencies. Its stated approach, building sovereign capabilities "whenever possible" while "partnering with trusted allies or buying existing market solutions when appropriate" leaves meaningful room for foreign suppliers, particularly those from allied nations, to remain part of Canada's AI ecosystem.

The practical challenge for foreign businesses will be demonstrating that they can meet the federal government's objectives and new requirements around trust, sovereignty and responsible AI adoption. Technology providers that offer Canadian customers control over access to and use of their data, including through customer-controlled encryption, strong access controls, and meaningful audit rights will be better positioned to compete in an environment where questions of digital sovereignty and trust are becoming increasingly important. In some cases, partnering with Canadian firms or establishing a stronger Canadian operational presence may become increasingly relevant as a competitive differentiator.

Conclusion

Canada's national AI strategy represents a deliberate attempt to position the country as both a beneficiary and a shaper of the AI revolution, rather than merely a consumer of foreign technology. By pairing ambitious adoption targets with targeted regulation and sovereignty measures, the government has charted a course that prioritizes economic competitiveness while seeking to build public trust through increased oversight mechanisms.

For domestic AI developers, deploying businesses, and foreign suppliers alike, the message is clear: the rules of engagement for AI and the digital economy more generally in Canada are being rewritten. The coming months will be critical. As Bills C-22, C-34, and C-36 move through Parliament, businesses should monitor legislative developments closely and begin assessing how the proposed requirements may affect their operations, products, and

compliance programs. Early engagement with policymakers and industry associations may also help shape implementation in ways that balance innovation with the government's regulatory objectives. The strategy's broadly stated economic ambitions are significant, but whether they translate into meaningful outcomes will depend on numerous details and decisions regarding its implementation.
