



Canada's Capital Performance Agenda

Combining Capital Deployment and Execution Discipline to Drive the National Investment Supercycle

Accenture Canada Industry & Enterprise CEO Advisory

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Canada's Productivity Mega Deduction allows businesses to immediately expense 100% of eligible capital assets, reducing the marginal effective tax rate to 6.4%, making Canada the most tax-competitive G7 economy for new investment, and reshaping project economics.

On September 15, 2026, Canadian Prime Minister Mark Carney announced the Productivity Mega Deduction (PMD) at Canada's inaugural Investment Summit in Toronto, an event that convened investors from nearly 30 countries managing over C\$100 trillion in assets and generated C\$500 billion in investment commitments.

The PMD is a permanent, broad-based immediate expensing measure that allows Canadian businesses to fully deduct 100 percent of the cost of eligible depreciable property in the year it becomes available for use.

The policy expands coverage from approximately 15% of depreciable assets under the prior Budget 2025 Productivity Super-Deduction, to more than 65%.

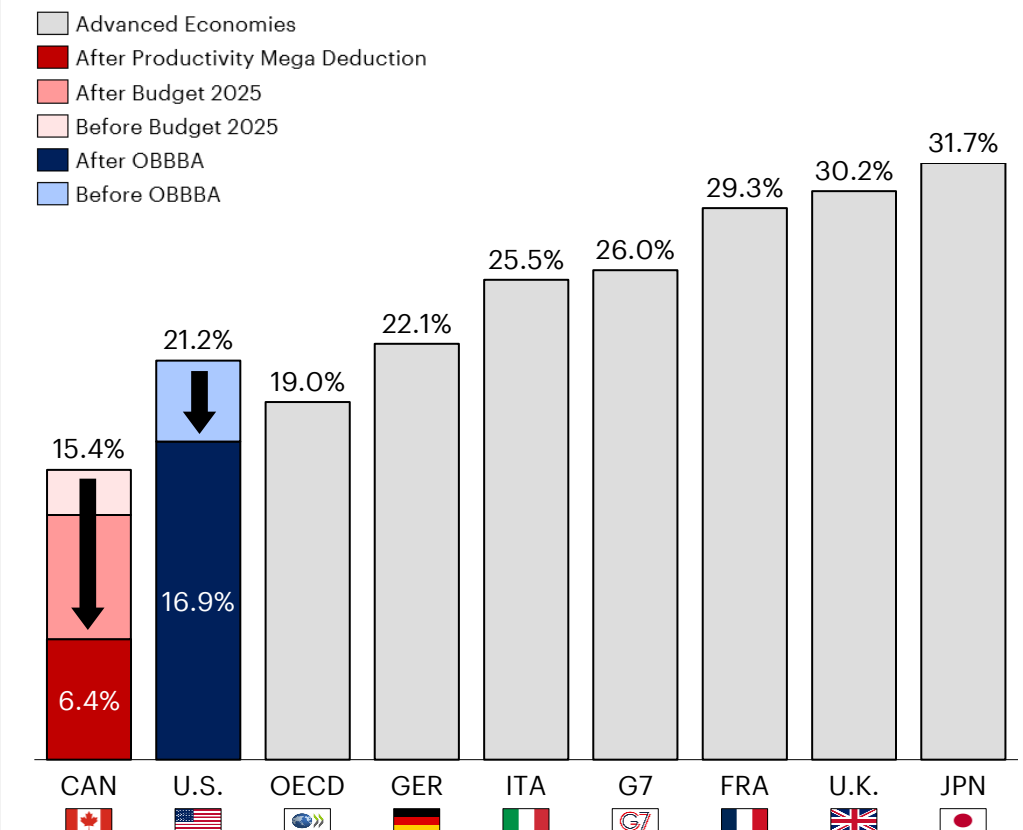
New eligible categories include mining property, oil and gas pipelines, LNG liquefaction equipment, fibre-optic cable, software, computer equipment, R&D capital expenditures, and more.

The government estimates this will reduce Canada's marginal effective tax rate (METR) on new business investment by more than half to 6.4%, which is the lowest rate in the G7 (Figure 1). This measure is expected to generate \$22 billion in annual economic output and support up to 80,000 jobs annually over a ten-year horizon.

The effect on project economics is direct. Under standard CCA depreciation schedules, the tax benefit of a capital investment is recovered over 20 to 30 years. Immediate expensing pulls the entire tax shield into year one, accelerating after-tax cash recovery, and strengthening NPV.

Figure 1: Canada now has the lowest METR among advanced economies

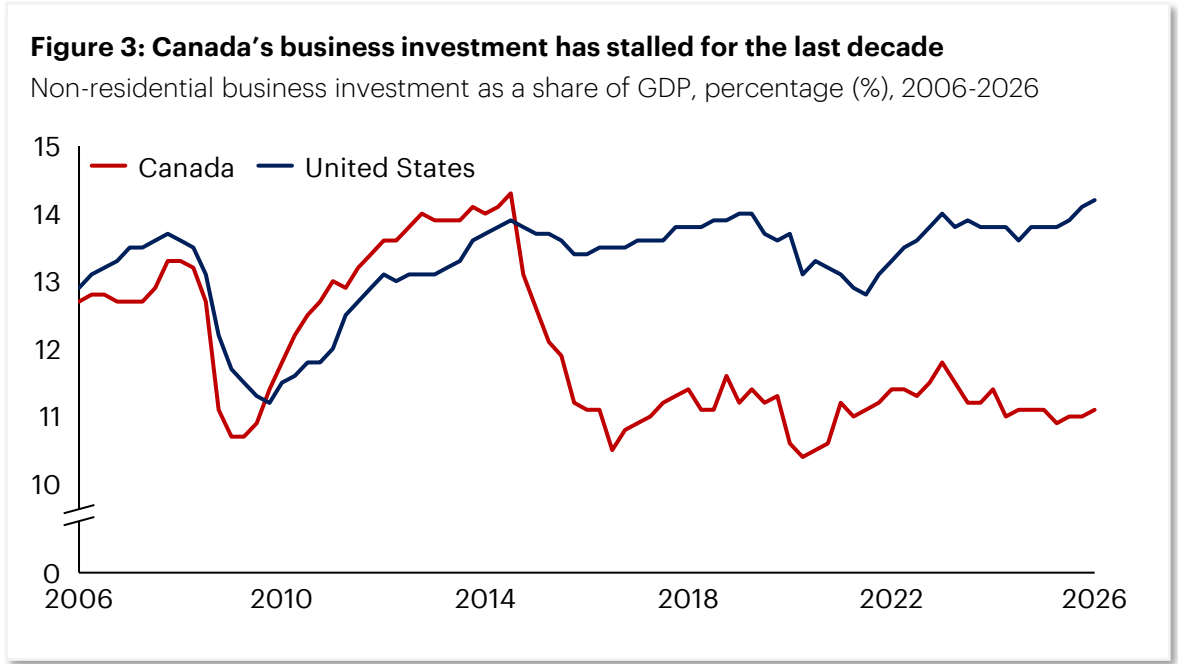
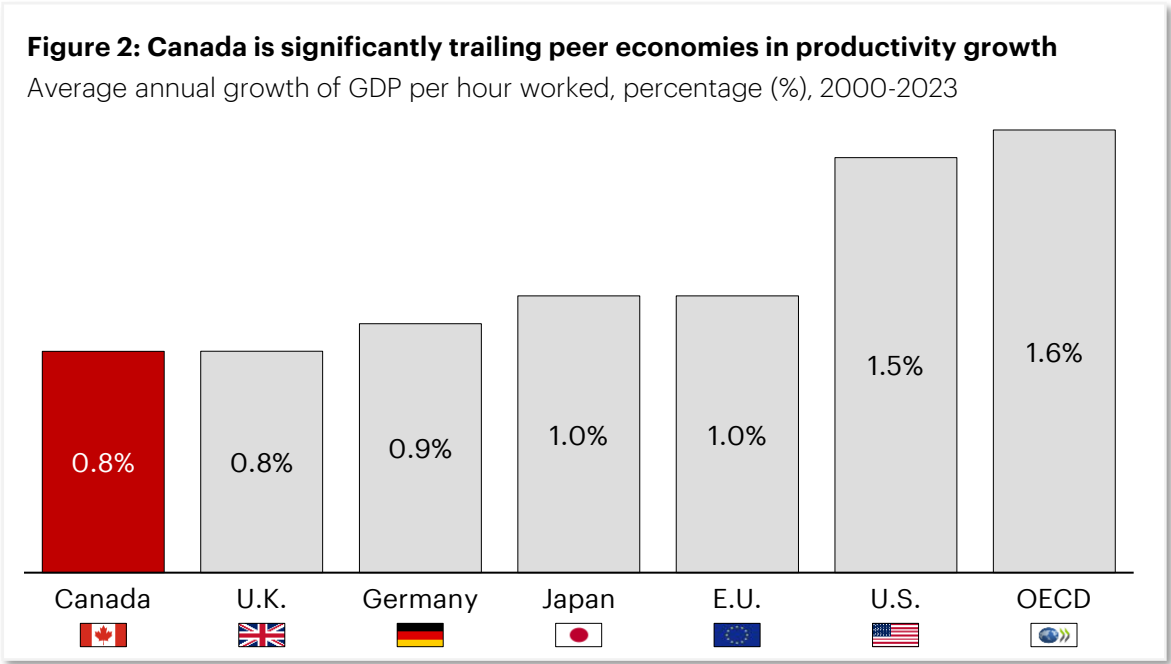
Marginal Effective Tax Rate (METR), percentage (%), 2026

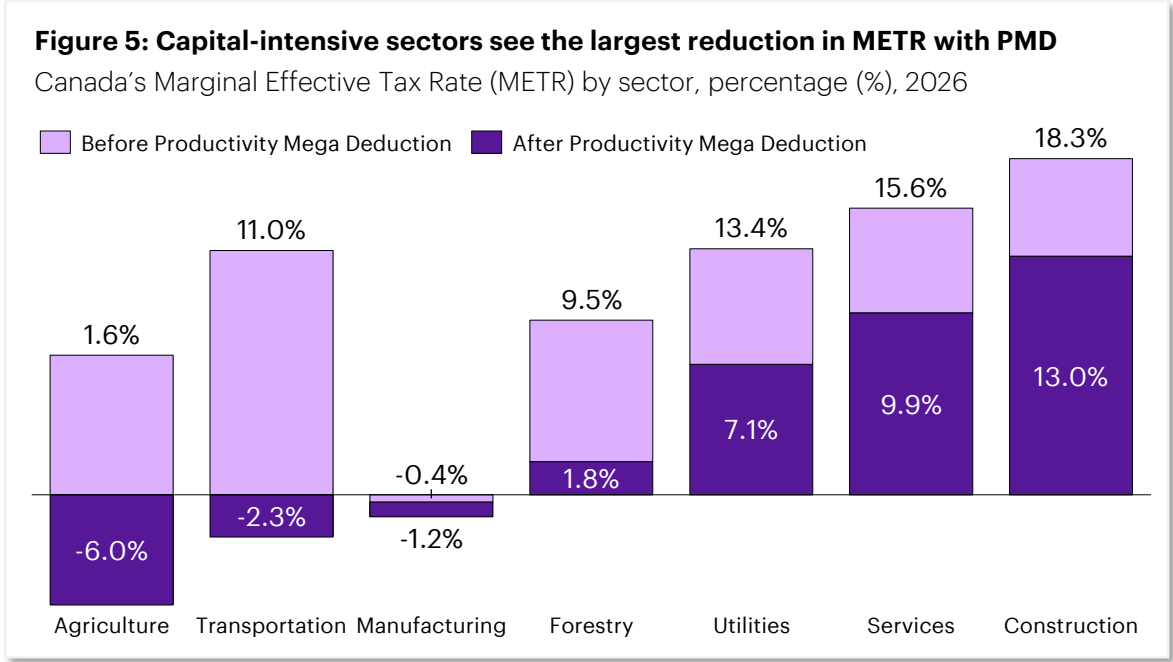
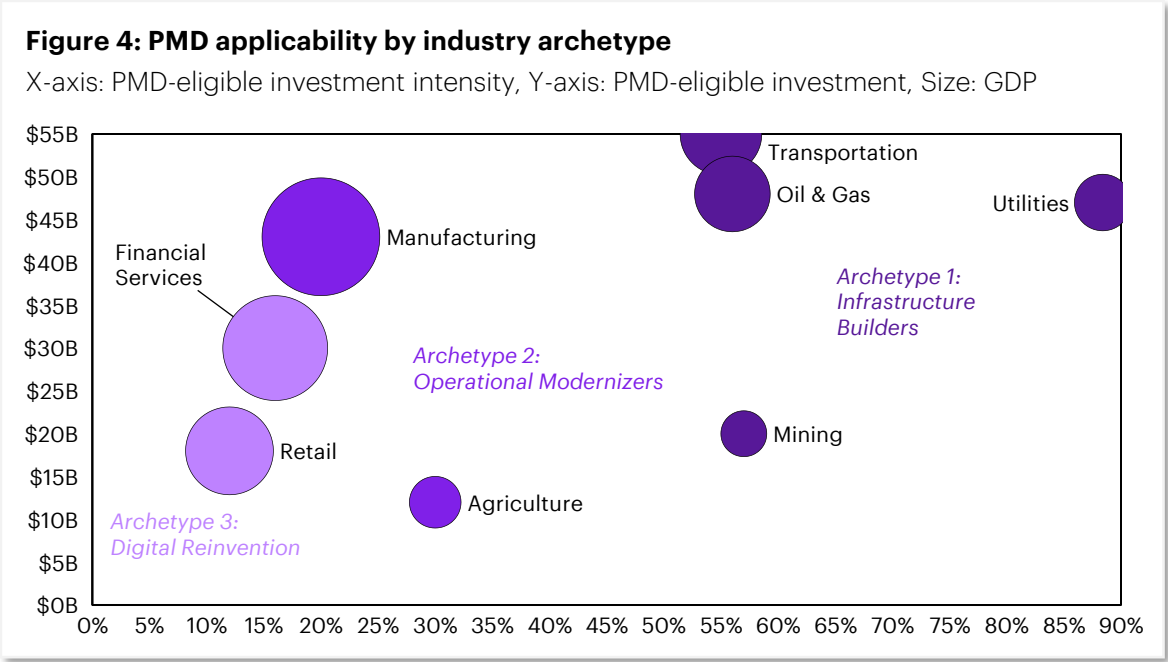


The productivity challenge facing Canadian business is well understood. Output per worker has grown at just 0.8% annually since 2000, half the U.S. rate, and the gap shows up in many operating metrics, from higher unit costs, to lower margins on export-facing businesses, and a harder case for global capital allocators to direct investment into Canadian operations over alternatives in the United States or elsewhere (Figure 2).

The underlying issue is capital intensity. Canadian businesses today operate with less machinery and equipment investment than they did a decade ago, even as headcount and population have grown. Non-residential business investment as a share of GDP tracked the United States for decades, and even exceeded it from 2010 to 2014. That relationship broke after the 2014-15 price collapse and never recovered. For companies competing for internal capital against U.S. operations, that gap has made Canadian projects structurally harder to justify (Figure 3).

The Mega Deduction changes that calculus for many projects. By making permanent immediate expensing the default across machinery, equipment, technology, transportation assets, resource infrastructure, and more, the policy resets the after-tax cost of the exact categories of investment that drive worker productivity.





The sectors where Canadian companies deploy the most capital are the sectors where the Mega Deduction has the greatest impact on project economics. Utilities, mining, transportation, oil and gas sectors each reinvest a significant portion of their GDP contribution in capital assets every year (Figure 4). Three of Canada’s most capital-intensive sectors now carry effective tax rates on new investment below zero, meaning the tax system actively subsidizes the marginal dollar of capital deployed (Figure 5).

However, Accenture’s 2026 edition of its CXO Pulse of Change finds that we are at a moment leaders feel less prepared to manage disruption even as they accelerate investment. Only 35% percent of Canadian industry leaders feel very prepared for economic disruption, even as 91% of executives are planning to increase investment. The gap between confidence and readiness defines the challenge facing industries.

Every major Canadian operator in these sectors is now facing the same moment. The business case for capital that has been deferred for years has materially improved. The question facing these companies is no longer whether to invest. It is whether they are prepared to execute with discipline at speed and scale.

The Productivity Mega Deduction is one pillar of a broader government agenda to mobilize \$1 trillion in investment over five years, alongside the Building Canada Act, and other measures. For example, the inaugural Canada Investment Summit generated nearly \$500 billion in commitments organized around 167 major projects.

As this capital begins to move, the harder question is what happens when major operators across energy, mining, utilities, and manufacturing reactivate years of deferred expenditure simultaneously, into an operating environment that has not expanded in parallel. The skilled trades workforce is shrinking, not growing. Supply chains and equipment manufacturers are already operating at elevated utilization. And the trade relationship with Canada's largest export market remains uncertain.

The organizations that recognize these constraints early will capture the full value of this moment. The organizations that treat the investment decision and the execution challenge as separate problems risk giving back the financial benefit through project cost and timeline overruns.

Figure 6: Sample structural execution risks that need to be addressed to capitalize on the PMD

Skilled labour shortages

A large share of Canada's skilled trades workforce is approaching retirement while the pipeline of new entrants has not kept pace. At the same time, immigration numbers are slowing down nationwide, resulting in a tightening of the labour market. When the PMD drives additional capital project activity on top of existing demand, competition for skilled labour will intensify. In this context, a physical AI and automation strategy embedded into the operating model is becoming the industry standard.



Trade uncertainty

Tariff escalation and geopolitical tensions have made clear that Canada's historic overdependence on the U.S. as an export market is a strategic vulnerability. Capital committed today to export-oriented projects must be resilient to multiple trade scenarios. The government is actively negotiating new agreements with India, ASEAN, and Mercosur, with a stated goal of doubling market access from 1.5 billion to 3 billion consumers.

Cost escalation and extended lead times

When major operators reactivate deferred capex in the same window, the demand surge propagates across the entire supply chain, from materials to professional services, and labour, all facing upward pricing pressure and extended lead times. This pressure compounds because projects already mid-flight need to be completed. Companies that recognize the incoming competing demand surge and move early to lock in long-term agreements will protect their project economics.

Figure 7: Key considerations by industry archetypes			
	Infrastructure Builders	Operational Modernizers	Digital Reinventors
	<i>New long-lived assets, mega-projects, multi-billion-dollar programs</i> <i>E.g., Oil & Gas, Utilities, Mining, Transportation</i>	<i>Equipment upgrades, site-by-site productivity, automation rollouts</i> <i>E.g., Agriculture, Manufacturing</i>	<i>Technology, AI, operating model transformation</i> <i>E.g., Financial Services, Retail</i>
How we got here	The post-2014 investment break left growth and infrastructure projects deferred. Long-lived assets delayed tax recovery, weakening projects competing for global capital.	Machinery and equipment investment has lagged, leaving an aging capital base. Site-by-site modernization often loses funding to U.S. or other global operations.	Productivity constraints are more technology-, process- and workforce-led, with much spend in opex or fragmented pilots. A smaller eligible asset base limits the enterprise-wide tax effect.
Expected Impact of Mega Deduction	Immediate expensing across mining property, pipelines, LNG, machinery and infrastructure materially accelerates cash recovery. More projects clear hurdle rates, but a synchronized capex surge could strain labour, equipment and contractors.	Faster payback on equipment, automation, logistics, energy efficiency and R&D expands the investable modernization portfolio. Value scales through standardized rollouts and meticulously delivered capital projects and transformation programs.	Selective uplift for software, computers, fibre and automation improves the economics of scaled digital and AI programs. The deduction is an enabler to pursue true AI reinvention and operating-model change.
Key strategic questions	▪ Which projects now clear the hurdle rate and which should move first? ▪ Where are delivery and supply-chain constraints most acute? ▪ How will we protect the NPV uplift from overruns and sustain post-start-up productivity?	▪ Which upgrades deliver the highest labour, throughput and energy productivity? ▪ Can projects be bundled into a repeatable, enterprise-wide program? ▪ What governance will lock in adoption and benefits across sites?	▪ Which digital investments are both eligible and scalable? ▪ Where should capex be accelerated versus redirected to change and adoption? ▪ How will investment translate into measurable unit-cost, service and growth outcomes?



The companies that will capture this moment are the ones who treat the investment decision and the capital program discipline as a single problem. That requires knowing which investments generate the highest productivity return at your specific cost structure, having the operating model readiness to absorb the capital, and the project delivery capacity through execution. Accenture’s CEO Advisory practice was built to orchestrate all three.

Capitalizing on the Investment Supercycle

How Accenture CEO Advisory partners with Canadian and global industry to orchestrate the full capital investment lifecycle.



Capital Strategy
Where to invest

01

Identify which investments generate the highest productivity return at your specific cost structure, not just which ones qualify for the deduction. Allocate capital with discipline to the opportunities that compound enterprise value.

PMD impact modeling

Quantify the cash-flow benefit of immediate expensing across your asset portfolio.

Capital allocation optimization

Distinguish between tax-optimal and productivity-optimal investments at your cost structure.

Trade scenario planning

Stress-test capital plans against macro factors shifting market access and supply chains.



Program Delivery
How to execute

02

Protect the business case through delivery when the inevitable resource pressures arrive. In a constrained operating environment, project delivery capacity is the difference between capturing the tax benefit and giving it back through cost overruns.

Capital program delivery

Program management and project controls across the lifecycle.

Workforce capacity planning

Model labour competition and secure skilled trades before markets tighten.

Digital engineering

Deploy digital twins and AI-driven controls to compress project timelines and costs.



Sustained Performance
How to sustain

03

Embed the performance disciplines required to convert commissioned assets into sustained productivity gains. The return on a capital investment is written at the point of decision and realized over the life of the asset.

Asset performance optimization

Embed asset-by-asset performance disciplines that compound over the investment life.

AI-powered performance cockpit

Real-time analytics and decision intelligence across the capital portfolio.

Operating model readiness

Ensure the organization can absorb and operate newly deployed assets.

Authors



Ryan Pearce
Global Lead, Enterprise Productivity & Performance
ryan.s.pearce@accenture.com



Ryan Holbein
Managing Director, Partners in Performance
ryan.holbein@pip.global



Gavi Stulberg
Canada Lead, Macro Foresight
gavi.stulberg@accenture.com

Contributors

Jonathan Scarlett
Managing Director

Varun Bindal
Managing Director

Justin Thompson
Strategy Principal Director

Bahar Shoogufan
Managing Director

Amar Thakrar
Managing Director

Akhil Agarwal
Strategy Senior Manager

Athmane Darenfed
Macro Strategist

About Accenture CEO Advisory

Accenture’s Industry & Enterprise CEO Advisory practice works with CEOs, Executive teams, and Boards to enable their organizations to perform, protect and grow, shaping a unified enterprise agenda, navigating uncertainty with foresight, strengthening competitiveness and resilience, and delivering enduring value for investors and stakeholders.

About Accenture

Accenture helps the world’s leading enterprises reinvent by building their digital core and unleashing the power of AI to create value at speed for organizations across industries. Our strategy is to be the reinvention partner of choice for our clients and lead in the safe, widespread adoption of AI, and to be the most client-focused, AI-enabled, great place to work in the world. We bring together the talent of our approximately 799,000 people with proprietary assets and platforms, deep process and industry expertise, and leading ecosystem relationships to deliver end-to-end solutions and measurable outcomes at scale. Through our Reinvention Services, we offer broad expertise across Cybersecurity, Digital Core, Finance, Industry and Enterprise, Song, Supply Chain and Engineering, and Talent, with advanced capabilities in AI and Data, Industry and Process, and Technology.

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