

# Framework for the Ontario Defence Industrial Strategy



**PROTECT  
ONTARIO**

**Government of Ontario**

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**Ontario** 

# Global Need for Action

The illegal Russian invasion of Ukraine, China's growing use of economic coercion, ongoing conflicts in the Middle East and evolving transatlantic security dynamics have contributed to a more complex and uncertain global environment.

Over the coming years, Canada, along with its NATO allies, will invest trillions in national security projects and priorities. With Canada's membership in the **Security Action For Europe (SAFE) initiative**, a key pillar of Readiness 2030, **Canadian companies will be allowed to bid on large-scale defence projects** that will be supported by loans to EU member states of **up to \$244 billion**.

As part of federal Budget 2025, Canada announced it will **invest \$81 billion over five years** to support its defence commitments, **including reaching NATO's 5 per cent of GDP spending target by 2035**. Under the terms of the new NATO Defence Investment Pledge, **governments are permitted to invest 1.5 per cent of their 5 per cent** commitment into infrastructure projects, such as cyber defence, supply chain resilience, military base construction, logistics and defence innovation that would have spillover benefits for Ontario's broader economy. The remaining 3.5 per cent, equivalent to approximately \$150 billion annually, would go toward core defence spending, including equipment, personnel and munitions.\*

This global shift presents a generational opportunity to drive industrial development, capture high-value jobs and strengthen Ontario's role as a trusted, secure partner in domestic and allied defence supply chains.

# Ontario's Response

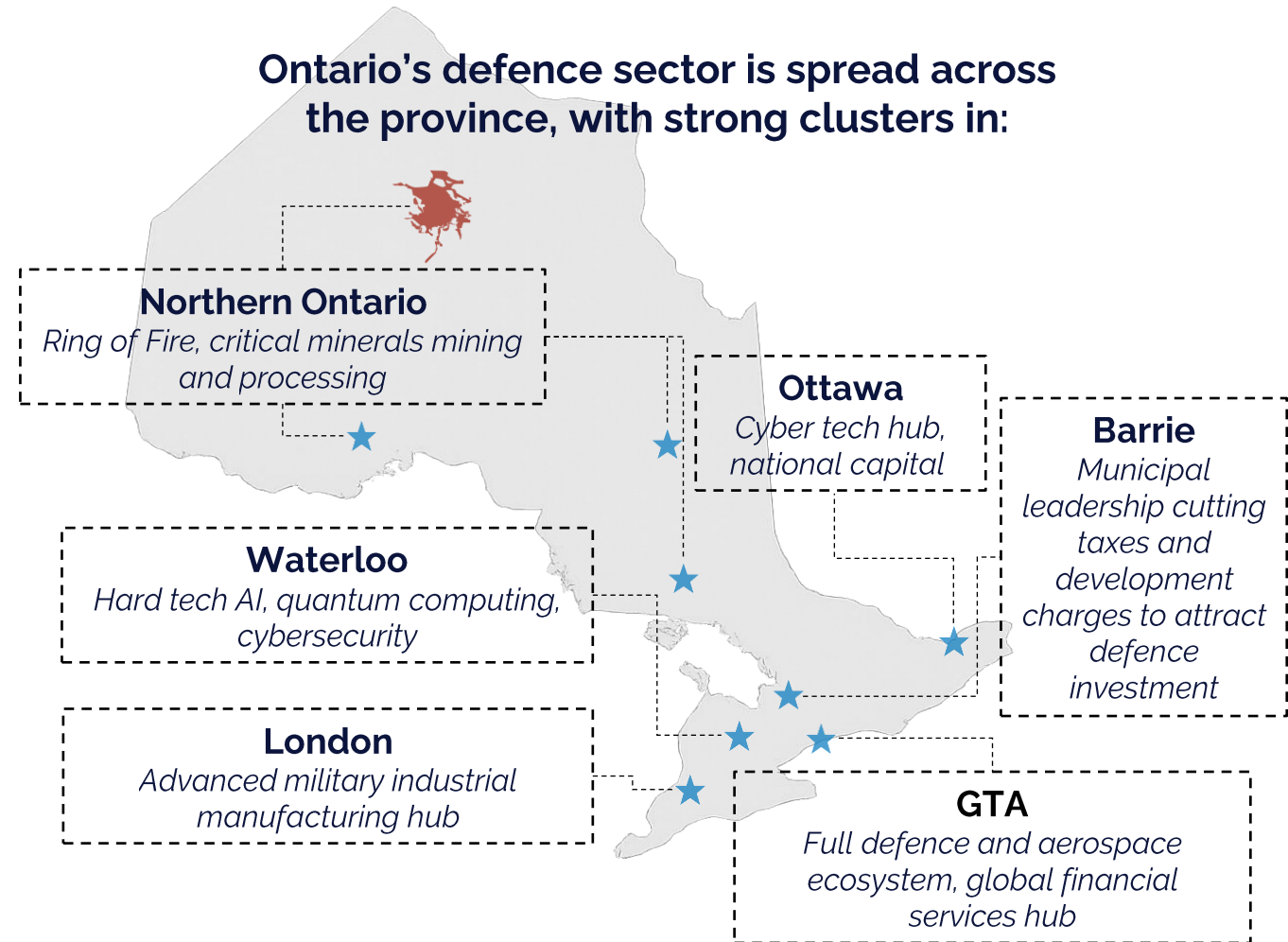
The government is developing its first-ever Ontario Defence Industrial Strategy to ensure the province's workers and businesses are proactively positioned to support Canada and its allies in securing defence, scaling production and capturing long-term economic benefits, including job creation and economic growth. The Strategy will include targeted measures to achieve the following:

- **Accelerate job creation.** Ontario's defence sector represents 35 per cent of national defence activity by employment. Ontario will seek to proportionately grow this workforce through the creation of 43,000\* jobs across the economy to meet national targets.
- **Create more high-value defence jobs:** Defence-related jobs offer 60 per cent higher compensation compared to roles in the broader manufacturing sector.
- **Drive supply chain resilience.** Targeted investments in defence will support the retooling of factories and reskill workers in trade-disrupted sectors, disperse high-value skills to the broader economy, and help businesses pivot to defence production for dual use applications.
- **Unleash economic potential:** Ontario projects that meeting its objectives would contribute over \$6 billion to the province's GDP and \$400 million in annual tax revenue by 2035
- **Strengthen trade relations:** By supporting NATO rearmament, Ontario will anchor its reputation as a stable, reliable and predictable defence partner and diversify its exports to new strategic markets.

3 \*Based on federal goal of 125,000 new jobs and Ontario's historic 35% share of national defence employment.

# Ontario's Defence Advantage

With strengths and competitive advantages in research and development, critical minerals, nuclear energy, aeronautics, manufacturing and technology, the province holds decades of industry experience and proven capability. Ontario's defence ecosystem is anchored by **300 firms** that **directly employ 13,000 workers** with **50 per cent** of sector revenue generated by exports. This integrated network positions Ontario as an ideal partner for growth and includes communities, workers and businesses in every part of the province.



# Ontario's Defence Advantage

**Ontario companies are well-established within supply chains for critical defence programs relied on by Canada and its allies:**

**Air:** Ontario companies supply systems and components for military aircraft programs (e.g., F-35 fighters, Chinook helicopters, P-8 maritime surveillance aircraft).

**Sea:** Combat management and mission bay handling systems on Royal Canadian Navy River-class destroyers; training equipment and components for the U.S. Navy.

**Land:** Armoured vehicles for the Canadian Armed Forces and allies.

**Sensor Systems:** Airborne camera systems for Royal Canadian Air Force (RCAF) and allied air forces; optical systems for Canadian Armed Forces and allied armed forces; command, control, computing, intelligence and reconnaissance; networking, and intelligence systems for the Canadian army.

**Space:** Ontario firms and research institutes develop critical systems (e.g., low Earth orbit satellites).

**Critical Minerals:** Ontario is leading allied jurisdictions in mining and processing nickel, copper, and platinum group elements, which are critical for defence inputs such as super alloys and aerospace systems. Ontario has the minerals necessary for military applications.

**Munitions:** Critical munitions for Canadian and allied militaries, supporting a key federal target for increased production.

**Finance:** Ontario is home to North America's second-largest financial centre and Canada's financial capital, Toronto, which is in consideration to host the future headquarters of the Defence, Security and Resilience Bank (DSRB).

**Nuclear:** Planned nuclear refurbishments and new builds, including the construction and operation of four small modular reactors (SMRs), will catalyze research and development of defence technologies as well as help power remote and northern defence installations.

# Ontario Defence Industrial Strategy

Ontario is proposing a 10-year strategy to grow its defence industry and position its workers and businesses for long-term success. The proposed strategy complements actions taken to-date and includes a set of near-term initiatives that will enable the province to capitalize on emerging opportunities, while laying the foundation for longer-term initiatives that will be launched later this year.

## **Vision**

Ontario is the trusted industrial and innovation backbone for Canada and its allied partners, where defence and dual-use capabilities are invented, built, scaled and exported.

## **Mission**

Use provincial levers (talent, innovation, investment attraction, supplier readiness, export acceleration and enabling infrastructure) to help Ontario firms win and scale in Canadian and allied defence supply chains, while building durable industrial capabilities aligned with national priorities.

## **Key Performance Indicators (KPIs)**

By 2035, realize the following KPIs through the Strategy:

- Create 43,000 good-paying jobs
- Contribute \$6 billion to provincial GDP
- Generate over \$400 million in annual provincial tax revenue

As the strategy is developed, Ontario will consult on the development of additional KPIs to track the growth and competitiveness of the sector in the lead-up to 2035. This may include increases in exports, foreign direct investment and the number of defence companies established in the province.

# Ontario Defence Industrial Strategy

## PILLAR I: Strengthen Industrial Base

To ensure Ontario's defence and dual-use firms are ready to capture value from increased federal and allied spending.

## PILLAR II: Own Tomorrow's Frontier

To make Ontario the place where future industries and technologies are built, scaled and brought to market, enabling firms to compete in an evolving defence landscape.

## PILLAR III: Expand Export Reach

To position Ontario as a supplier of choice to the federal government and allies for defence and dual-use technology and equipment.

## PILLAR IV: Build an Integrated Supply Chain

To capitalize on Ontario's strength in critical minerals and advanced manufacturing to build a resilient, vertically integrated defence supply chain.

## Foundation for Success: A Specialized, Industry-Ready Workforce

To cultivate the skilled workforce that is a foundational enabler for capturing a generational opportunity.

# Foundation for Success: A Specialized, Industry-Ready Workforce

## INTENDED OUTCOMES

Long-term growth in Ontario's defence sector can only be achieved by building a future-ready workforce, equipped with highly specialized STEM and trade skills. Building a robust pipeline of new talent will enable local companies to scale their operations while attracting new job-creating investments to the province.

## CURRENT ACTIONS

- **Skills training funding** supports projects that address challenges in hiring, training, or retaining workers.
- The Ontario government is building a stronger, more resilient workforce by investing \$1.7 billion to fund an additional 70,000 seats in high-demand sectors such as health care, STEM, education and skilled trades at publicly assisted colleges and universities across the province, building on a previous investment of \$750 million to fund 20,500 more STEM seats per year. In 2024-25, Ontario produced more than **94,000 STEM graduates**.
- **Ontario Job Grant** provides funding to help employers train their employees and update their skills.
- **Apprenticeship support programs** for individuals (e.g., \$21 million Pre-Apprenticeship Training Program) and employers (e.g., Achievement Incentive).

## POTENTIAL FUTURE OPPORTUNITIES FOR EXPLORATION AND CONSULTATION

- Better understanding of upskilling needs to advance Ontario's defence advantage.
- Enhance defence focused learning opportunities in Ontario's colleges and universities.
- Convene government partners, Ontario's Military Defence Representative (OMDR), post-secondary institutions and industry stakeholders to identify defence-related training gaps.
- Attract leading talent to the defence sector.

# Pillar I: Strengthen Industrial Base

## INTENDED OUTCOMES

A stronger defence industrial base will position Ontario to benefit from rising **federal and allied spending** and grow Ontario's GDP. Supporting Ontario prime contractors, readying small and medium-sized enterprises for defence work and expanding capacity will help ensure the province's defence sector **secures multi-billion-dollar procurement opportunities**.

## CURRENT ACTIONS

- **\$215 million to support the provincial shipbuilding sector** including the **\$15 million Ontario Shipbuilding Grant Program (OSGP)**.
- **Dedicating staff to support industry procurement and collaborations** by connecting prime contractors with prospective Ontario suppliers.
- **Leveraging Ontario's lead investment attraction agency, Invest Ontario (IvO)**, to secure or expand large-scale, dual-use projects for both military and civilian applications.
- Using **Special Economic Zones, permitting reforms** and municipal collaboration on **potential incentives and local investment hubs** to fast-track large-scale defence projects of strategic importance.
- Offering funding through programs that include the defence sector:
  - the **Advanced Manufacturing and Innovation Competitiveness (AMIC) fund**, which supports SME manufacturers,
  - the **Ontario Together Trade Fund (OTTF)**, which supports projects that improve trade diversity and trade security.

## POTENTIAL FUTURE OPPORTUNITIES FOR EXPLORATION AND CONSULTATION

- Attract large-scale manufacturing investment projects to Ontario from companies that are able to fulfil major contracts for defence systems and programs.
- Support Ontario's defence suppliers and broader manufacturing base can successfully feed-into domestic and international supply chains.
- Capture a greater share of investments arising through the federal government's Industrial and Technology Benefits Policy.
- Engage the federal government on opportunities to fast-track procurement for firms that are ready to deliver and prioritizing the defence sector for industrial support programs.

# Pillar II: Own Tomorrow's Frontier

## INTENDED OUTCOMES

Global demand in the defence market for AI, quantum, cyber, drones, advanced materials and space technologies is growing rapidly. Ontario's world class research ecosystem including post-secondary institutions and labs are primed to meet this need for dual-use commercial and military technologies. A key factor for success will be Ontario's ability to translate research strengths into protected, commercialized technologies that can compete globally.

## CURRENT ACTIONS

- Ontario's **Critical Technologies Initiative**, delivered by the Ontario Centre of Innovation (OCI), promotes the development, adoption, and commercialization of advanced technologies by small and medium-sized companies.
- **Ontario Innovation Tax Credit** and **Ontario Research and Development Tax Credit** reimburse firms for eligible expenditures.
- **IPON's** program **provides firms with the tools, expertise and funding to protect and commercialize IP**, strengthening Ontario's ability to retain economic value from innovation
- **\$50 million in funding through Venture Ontario** is dedicated to support early-stage defence start-ups including those transitioning from R&D to commercial sales.
- **Ontario Research Fund (ORF)** funds dual-use research that supports the advancement of defence technologies.

## POTENTIAL FUTURE OPPORTUNITIES FOR EXPLORATION AND CONSULTATION

- Strengthen defence research capabilities to enable firms to leverage the expertise of Ontario's world-class universities and colleges.
- Opportunities to enable to commercialization of defence-related research.
- Explore linkages to the province's *Buy Ontario* initiatives.

# Pillar III: Expand Export Reach

## INTENDED OUTCOMES

**Domestic demand alone cannot sustain growth in Ontario's defence sector.** Building a globally competitive industry will require firms to secure export opportunities and cement their reputation as reliable partners in international supply chains. Expansion into export markets will create demand for Ontario defence products and ensure Ontario companies become the new global leaders in reliable, predictable NATO supply chains.

## CURRENT ACTIONS

- Ontario leads trade and export missions, which are increasingly prioritizing defence. This includes a record 11 missions planned for 2026.
- **Export training** is available for defence companies, including market intelligence, export readiness support, and guidance on the administrative and compliance requirements associated with international defence contracts.
- **Ontario's Military Defence Representative (OMDR)** has been appointed and charged with the responsibility to advance Ontario's defence sector growth and trade diversification.
- The province's international network of **Trade and Investment Offices (TIOs)** work to attract investment by promoting exports to priority markets, conducting trade missions and providing strategic in-market intelligence on procurement priorities, regulatory changes, and emerging opportunities for Ontario businesses.
- **Supplier Days** hosting major defence companies and showcase partnership opportunities across the supply chain.

## POTENTIAL FUTURE OPPORTUNITIES FOR EXPLORATION AND CONSULTATION

- Foster improved export readiness and business-to-business connections to support the expansion of Ontario's defence suppliers into international markets.
- Strengthen Ontario's brand as a global hub for supplying critical defence inputs and components.
- Create a *Sales "Playbook"* that can be used by the OMDR, Ontario TIOs and domestic teams to engage domestic and international customers.
- Deliver targeted procurement insights and export readiness guidance to support Ontario defence companies entering priority global markets.
- Work with municipal/local Economic Development agencies to identify prospective firms for trade missions and TIO support.

# Pillar IV: Build an Integrated Supply Chain

## INTENDED OUTCOMES

Leveraging Ontario's strengths in critical minerals, nuclear energy and advanced manufacturing can drive provincial economic growth while supporting Canada's defence sovereignty objectives. Supply chain resilience boosts Ontario's reputation as a stable and secure jurisdiction for investment and partnerships by preventing production disruptions that could otherwise throttle critical systems.

## CURRENT ACTIONS

- **The \$500 million Critical Minerals Processing Fund** and the **\$25 million** committed to date through the **Critical Minerals Innovation Fund** support projects that build on Ontario's critical minerals strengths for defence purposes (e.g., high-grade nickel).
- **Powering Ontario's Growth Plan** includes supports for projects that maintain Ontario's clean energy advantage in areas such as nuclear development and energy storage.
- Ontario has submitted a bid for the headquarters of the **Defence, Security and Resilience Bank (DSRB)**, a new multilateral institution focused on financing defence-related projects.
- Ontario is leading the global race to develop small modular reactors (SMRs), with the **province's first SMR set to come online in 2030**. SMRs designed for off-grid applications will play a critical role in future defence applications (e.g., remote military bases), and Ontario's experience in SMR development would make it well positioned to supply this next-generation nuclear technology to both the federal government and allied nations.

## POTENTIAL FUTURE OPPORTUNITIES FOR EXPLORATION AND CONSULTATION

- Explore linkages to Buy Ontario initiatives in order to support adoption of Ontario developed dual use technologies.
- Advance opportunities in critical minerals extraction and processing to supply allied nations with key defence inputs (e.g., class 1 nickel).
- Whole-of-government approach to align procurement and investment strategies which span the full defence supply chain.

# Delivering the Ontario Defence Industrial Strategy

Domestic and international competition mean Ontario must act to leverage its strategic strengths in the sector and seize this generational opportunity.

In the coming weeks and months, Ontario will take action to:

- Launch comprehensive and targeted consultations with key defence stakeholders, municipalities, industry and post-secondary institutions
- Scale up Ontario's position as a key defence jurisdiction through domestic and international trade and export missions
- Identify partnerships through in-market engagements with global defence companies
- Launch the full Ontario Defence Industrial Strategy by the end of 2026

Together, these targeted actions will help inform Ontario's first-ever Defence Industrial Strategy and new strategic initiatives that will attract generational investments and advance the province's leadership in the global defence supply chain.

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