Hanon Systems Electric Compressor Investment

4/10

SOVEREIGNTY SCORE

The federal government's investment into Hanon Systems to build electric compressors for EVs in Ontario receives a 4/10 on the Sovereignty Score.

The investment will add one more manufacturing process to Canada's electric vehicle supply chain, invest in developing the skills of workers in Canada and enhance industrial capacity. But, overall it will import existing expertise from inside a multi-national organization and will not support the development of Canadian innovation.

August 7, 2026

SOVEREIGNITY BY DESIGN

The $10 million investment into Hanon Systems gets a 4/10 on the Canadian Shield Institute's Sovereignty Score.

On August 6, 2026, the Federal Government announced a $10 million investment into Hanon Systems, a Korean company owned by Hankook & Company Group, that manufactures vapour-injected electric compressors for electric and hybrid vehicles.

The total project will cost $198.75 million, including $10 million from the federal government and another $10 million from the Ontario government. The facility is home to a manufacturing plant and a product development centre to anchor research and development. This project was first announced by Hanon Systems and the Ontario Government in October 2024. It will be the first electric compressor plant in Canada. The plant is expected to produce up to 1.5 million e-compressors per year by 2034.

Hanon Systems has operated in Canada since 1989 and also has manufacturing facilities in Belleville and Concord and a total of 50 manufacturing facilities globally.

The investment comes from the Strategic Response Fund, a $5 billion fund mandated to help Canadian industries innovate, adapt and compete in a changing global economy.

The Hanon Systems investment receives a 4/10 on the Sovereignty Score.

The investment will add one more manufacturing process to Canada's electric vehicle supply chain, invest in developing the skills of workers in Canada and enhance industrial capacity. But overall, it will import existing expertise from inside a multinational organization and will not support the development of Canadian innovation.

Sovereignty Score

Sovereignty: This section measures if and how the policy choice increases Canada's sovereignty and strategic autonomy.

Does the policy reduce dependence on foreign firms or diversify supply and value chains?

Yes – This facility is Canada's first electric compressor plant, feeding directly into the electric vehicle supply chain and building capacity that was not previously anchored in Canada.

Does the policy put Canada in a stronger position to govern technology systems?

No – Hanon Systems is a Canadian subsidiary of Hankook & Company Group, based in South Korea. This corporate entity will have control over the technology related to the factory and processing.

Does the policy enhance Canadian national security and industrial capacity?

Yes – Canada has made a big bet on building the electric vehicle and battery supply chains here, intending to position the country as an integral player in the electric vehicle industry. This investment adds additional industrial capacity in the EV supply chain.

Does the policy lead to greater competition and broader market participation, and avoid further entrenching monopoly power or market concentration?

No - This is Hanon's fourth facility in Ontario, and it has multiple electric compressor facilities globally. The company was already building the electric compressor facility in Vaughan, Ont. and has 50 manufacturing facilities globally. This investment will strengthen an incumbent with significant global presence.

Does the policy support the development and growth of Canadian innovation?

No – While Hanon will be doing R&D in Canada, alongside the actual manufacturing work, the project is wholly owned by a foreign multinational, and any expertise or innovation developed through the work will reside mainly inside the company.

Economic Prosperity: This section measures how the policy delivers economic growth, and how it shapes the Canadian economy.

Does the policy lead to the generation of intangible assets or economic value that is primarily retained by Canadian firms or public entities?

No – While the project includes a significant investment in an R&D facility, Hanon Systems is a Korean company and will be the largest beneficiary of any IP or economic value that is created by this project.

Does the policy create, sustain or improve quality jobs in Canada?

Yes – Overall, this project is expected to create 300 jobs in Vaughn. There are few details on what kind of jobs will be created, but we do know there will be a mix between technically skilled manufacturing jobs and research and development jobs.

Does the policy increase skill utilization or broaden the skill base of Canadian workers?

Yes – The new facility will allow workers in Canada to develop skills in the e-compressor industry. There will be some R&D jobs that are attached to this project, but we do not know how many. The contribution agreement does not provide any further details.

Is the policy designed to ensure that economic benefits create shared prosperity?

No – The investment does embed a new capability in Canada, but it does not require Hanon Systems to purchase from local suppliers or use local supply chains in its operations.

Does the policy increase affordability and deliver pro-social benefits to Canadians?

No – There is little detail in the government announcement and supporting documentation to suggest it will generate significant pro-social benefits for Canadians.

About The Canadian Shield Institute for Public Policy

The Canadian Shield Institute is a next-generation policy studio focused on developing Canada's sovereignty and driving economic transformation. We work across infrastructure, industry, and innovation to confront systemic risks, retain economic value, and build the domestic capacity Canada needs to thrive. Our goal is a more prosperous, resilient, and independent future for all Canadians.

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