



November 21, 2025

From: Benjamin Dachis
To: The Hon. Stephen Lecce, Ontario Minister of Energy and Mines
Re: HYBRID HEATING WOULD BE WIN-WIN FOR ONTARIO

Households across Ontario have begun turning on their gas furnaces as temperatures have started falling. But homes with hybrid heating systems – which combine a furnace with an electric heat pump – won't be turning on the gas until the depths of winter.

Ontario households can save money on their heating bills while also reducing their greenhouse gas emissions as I outlined in a recent Clean Prosperity [report](#) I co-authored, echoing findings from similar [studies from others](#). What's more, widespread adoption of hybrid heating systems can reduce the cost of upgrading Ontario's electricity grid for our increasingly electric future. That's why the Ontario government should help consumers choose hybrid heating.

The savings come from the flexibility to switch between heat pumps and furnaces, driven by smart thermostats and weather algorithms. This means families don't have to choose one source of heat or the other – significantly, they don't have to abandon their gas furnaces – and still help fight climate change and reduce their seasonal heating bill. Households can configure smart thermostats to automatically choose the most economical heating source, whether gas or electricity, taking advantage of electricity rates that are cheaper when demand is lower. A home in a typical GTA suburb or in Ottawa can save money, my study found, and reduce emissions by almost 40 percent.

Hybrid heating should also make sense to electricity system planners. Ontario's electricity demand currently peaks in the summer, due to air conditioning use. However, as more households adopt electric heating, this demand peak will shift to the cold winter months. A widespread move to all-electric heating systems could put immense pressure on our grid, and lead to higher electricity costs.

The provincial government has anticipated rising electrification by committing to a major nuclear power buildout, which will require a sharp increase in electricity demand to make economic sense. Widespread adoption of electric heat pumps will help create just that kind of electricity demand.

But there's a catch: On the coldest days of the year, the total power demand from electric heating could be enormous. It's not cost-effective to build out nuclear or renewable generating capacity that will only be needed a few days a year. New natural gas power plants are likely to be the most cost-effective way to meet the demand peaks from all-electric heating systems.

Ironically, compared to a world of wide-spread hybrid heating roll-out, Ontario could end up increasing its electricity generation emissions to power emissions-reducing home heat pumps. That's if we make the perfect the enemy of the good, by focusing exclusively on an all-electric home heating model.

Hybrid heating is a better alternative; it uses natural gas furnaces on the coldest days, reducing the strain on the grid when it's most vulnerable. I [estimate](#) that widespread deployment of hybrid heating systems could save \$4,700 per household in the present value of foregone electricity generation investments. With this hybrid approach, Canada can also still achieve its 2050 net-zero emissions targets.

The benefits are clear, but so is the key challenge: The high upfront cost to homeowners. A deal between Hydro-Québec, which has always faced winter electricity peaks, and the main natural gas utility Enbridge shows how to [solve](#) this dilemma. Their program [subsidizes](#) up to 80 percent of the cost of installing a hybrid system and offers special [electricity rates](#) for them. Ontario should follow suit.

Some of the \$4,700 in energy-system savings should go to customers. One way to deliver that subsidy is to make heat pumps – which double as air conditioners – just as affordable as standard air conditioning systems. That would encourage consumers to choose them when replacing a worn-out unit. Heat pumps cost about \$2,000 more than a standard air conditioner. Until these costs converge, that is the extent of the subsidy needed to make hybrid heating a financial slam dunk when replacing air conditioners.

Importantly, hybrid heating subsidies should also be easy for homeowners to navigate. Ottawa's recently cancelled Canada Greener Homes Loan required an energy audit and a lengthy approval process. This approach is ineffective for people replacing their systems in an emergency. Financing should instead be delivered through utility and energy-service companies, with the right consumer protections in place, and should be available regardless of whether the customer owns or leases their heat pump.

Once consumers install heat pumps, they need to be more affordable to operate than natural gas furnaces. The Ontario government should build on the success of its ultra-low overnight electricity rate to offer low prices to run heat pumps when there is excess electricity, and higher prices for electricity when heating with natural gas is the better option. Price-optimizing [thermostats](#) are [increasingly available](#) and should be part of any program for hybrid heating.

The Ontario government should be looking for practical, cost-effective alternatives to decarbonize home heating. Widespread deployment of hybrid home heating systems offers a win-win: Emission reductions and household savings.

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