After the 2026 U.S. Midterms: A Democratic Congress, A New Political Era, and What It Means for Canadian Energy and Nuclear

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Executive Summary

Democrats secured a victory in the November 3 midterm elections, taking control of both chambers of Congress and significantly shifting the balance of power in Washington. Democrats are projected to hold 56 Senate seats, including aligned independents, and 260 House seats. The victory extends well beyond traditional battleground states, reflecting a substantial shift in voter sentiment and potentially signaling a broader change in American politics.

For Canada, the election creates a fundamentally different political environment in Washington. Democrats will control congressional committees, gain greater leverage over federal spending and oversee Senate confirmations, giving them increased influence over trade, energy, financial services and health policy.

The most immediate consequence will likely be a significant increase in congressional oversight rather than major new legislation, although President Donald Trump has stated he plans to work with Democrats. Democratic lawmakers are expected to examine federal spending, trade policies, regulatory decisions, and government contracts. **Canadian companies with U.S. operations, investments, or federal partnerships could face additional scrutiny, particularly in highly regulated industries.**

Meanwhile, the White House will retain considerable executive authority over tariffs, federal agencies and foreign policy. As its legislative options narrow, the administration will likely focus on executive action and longer-term priorities, including trade agreements and major infrastructure projects. President Trump has also indicated his willingness to use his veto authority, setting the stage for potentially difficult negotiations between Congress and the White House over the final two years of his presidency.

Incoming Changes in Washington

Congressional investigations will become a major priority. Beginning January 3, Democrats will control congressional committees and gain the authority to hold hearings, issue subpoenas and investigate federal agencies.

Expect scrutiny of the administration's tariffs, federal spending, regulatory decisions, government contracts, and relationships with private companies. Energy, financial services, health care, and pharmaceuticals are likely to feature prominently. Companies that received federal funding, negotiated agreements with the administration or benefited from regulatory decisions could face congressional inquiries. Even without legislative changes, investigations can create significant reputational and operational risks.

Although Trump will retain considerable executive power, expect a shift in political culture. Democratic control will significantly constrain the administration's legislative agenda. However, Democrats will lack the two-thirds majorities needed to override presidential vetoes. Trump will retain substantial authority over tariffs, federal agencies, and foreign policy. For businesses, the result could be a more unpredictable policy environment. Even if not legislative, expect cultural shifts around Trump policies like crackdowns on DEI. With new congressional power, there will be less motivation to follow implied boundaries from the executive branch.

Trade negotiations will continue, but Democrats will have greater influence. Following an October 31 conversation, Prime Minister Mark Carney and President Trump signaled progress toward a potential trade agreement. Negotiators are expected to continue discussions in the coming weeks, with Canada seeking relief from tariffs on automobiles, steel and aluminum. Trump has also raised reviving the Keystone XL pipeline as a potential component of an agreement.

The election changes the political calculus. Incoming Democratic leaders, including Senator Ron Wyden, have opposed tariffs on Canadian goods and will have greater authority to examine the administration's trade policies. Congressional hearings could increase pressure on the White House, particularly as lawmakers hear from U.S. businesses affected by tariffs.

However, Democrats cannot repeal tariffs imposed under existing presidential authorities. Congress will also have an important role in the ongoing review of the Canada-United States-Mexico Agreement (CUSMA/USMCA), particularly where proposed changes require new U.S. legislation. The agreement remains in force, but it's 2026 joint review did not produce an extension, triggering continued annual reviews.

A trade agreement remains possible in 2027, although the timing and terms are uncertain. Democrats may support tariff relief while pursuing their own priorities on labour standards, manufacturing, market access and other issues. A Democratic Congress could therefore create both opportunities for Canada and additional complications in negotiations.

Federal spending and regulatory oversight will become more contentious. Democrats will gain significant leverage over federal funding decisions, potentially complicating appropriations for energy, infrastructure, health care, research, and other programs. The result may be slower regulatory changes, prolonged budget negotiations and greater uncertainty around federally supported projects and investments.

Key Figures to Watch

Chuck Schumer and Hakeem Jeffries (New York): Expected to become Senate Majority Leader and Speaker of the House and lead the Democratic legislative and oversight agenda, with significant influence over federal appointments, spending, and negotiations with the White House.

Ron Wyden (Oregon): Expected to chair the Senate Finance Committee, overseeing taxation, trade, and major health care programs.

Elizabeth Warren (Massachusetts): Positioned to lead Senate scrutiny of banking, financial regulation, and corporate conduct.

Roy Cooper (North Carolina) and Sherrod Brown (Ohio): Their Senate victories strengthen Democrats in politically important manufacturing and financial markets.

Richard Neal (Massachusetts): Expected to chair House Ways and Means. Any CUSMA implementing bill and any tariff legislation must pass through his committee, and he is a longtime opponent of the Canada tariffs.

Abdul El-Sayed (Michigan), Peggy Flanagan (Minnesota), Troy Jackson (Maine) and Chris Pappas (New Hampshire): These races were partly fought over trade costs, and in Maine the tariffs were a central issue. They are natural allies for border communities, autos, electricity, and forestry.

Immediate outlook: The lame-duck Congress

Republicans retain control of both chambers until January 3, giving them a final opportunity to advance legislation before Democrats take over. The immediate agenda includes a December 11 federal funding deadline, annual defense legislation, potential permitting reforms and other spending measures. Republicans could also explore additional tax or budget legislation before losing their majorities.

Canadian businesses should monitor these negotiations for provisions affecting cross-border investment, taxation, energy permitting and trade. The Section 899 retaliatory tax proposal, removed from the 2025 tax legislation, illustrates how measures affecting Canadian businesses can emerge during broader U.S. budget negotiations.

General Impact on Canadian Businesses

The election creates new opportunities for Canadian companies to engage with Congress, but it does not eliminate existing tensions in the U.S.–Canada relationship. In conclusion, three considerations stand out:

Greater oversight exposure: Companies with U.S. government contracts, funding arrangements or significant regulatory relationships should prepare for heightened congressional scrutiny.

New opportunities for engagement: Democratic control creates additional channels for Canadian businesses to communicate concerns about tariffs, supply chains, investment and regulatory decisions particularly through lawmakers from border states and major trading partners.

Continued uncertainty: The White House will retain significant executive powers, potentially producing conflicting signals from Congress and the administration on trade, energy and regulatory policy.

Canadian businesses should review their U.S. government relationships, monitor congressional investigations and strengthen engagement with policymakers from both parties.

Appendix A: Energy and Nuclear Implications

Bottom Line

Democratic control of Congress will bring greater scrutiny of the Trump administration's energy agenda, particularly Department of Energy (DOE) spending, cancelled grants, federal financing and infrastructure approvals. Incoming Democratic leaders are also expected to emphasize electricity affordability, grid reliability and transmission development.

For Canadian companies, nuclear energy and cross-border electricity supply offer opportunities for bipartisan cooperation, while pipelines and fossil fuel infrastructure face greater political uncertainty. Federal permitting authority largely remains with the administration, limiting Congress's ability to reverse approvals directly.

Keystone XL and trade negotiations

President Trump has raised reviving Keystone XL as part of a potential Canada–U.S. trade agreement, suggesting Canada would finance the project while the United States would provide the route. South Bow holds a presidential permit but has sought more durable regulatory assurances before proceeding, with a decision expected by mid-2027.

A Democratic Congress is unlikely to codify the project's approvals, leaving it vulnerable to a future administration, as occurred when President Biden revoked its permit in 2021. Congressional investigators could also examine commitments or concessions made as part of any broader trade agreement.

Canadian implications: Keystone XL could become a bargaining point in tariff negotiations, but producers and investors should distinguish White House support from the long-term certainty needed for capital investment.

Nuclear energy and uranium supply

Nuclear remains among the more bipartisan elements of U.S. energy policy, supported by growing electricity demand, energy security concerns, and interest in advanced reactors. Canada supplied approximately 32% of uranium purchased by U.S. civilian nuclear operators in 2025, making it the largest foreign supplier. Cameco and Brookfield-owned Westinghouse announced a partnership with the U.S. government involving at least US$80 billion in planned reactor construction. Ontario Power Generation and the Tennessee Valley Authority are also collaborating on GE Vernova's BWRX-300 small modular reactor.

Expect Democratic oversight of DOE nuclear spending, Loan Programs Office financing, reactor licensing, and implementation of the ADVANCE Act. Congressional investigations could extend to private companies receiving federal support, although bipartisan interest in nuclear expansion is likely to continue.

Canadian implications: Uranium supply, advanced reactor development, and nuclear technology remain potential growth opportunities. Companies with federal financing or major government partnerships should prepare for greater scrutiny of project costs and commitments.

Line 5 and cross-border infrastructure

Enbridge's Line 5 tunnel received a federal Army Corps permit on August 12, 2026, but a July 31 Michigan Supreme Court decision required further state review. Michigan's incoming political leadership and regulators will therefore remain important to the project's future, despite federal approval. Democratic congressional scrutiny could focus on environmental review and permitting decisions, although state proceedings remain the more immediate source of uncertainty.

Canadian implications: Line 5 demonstrates how state-level political and legal decisions can complicate cross-border infrastructure even when federal approvals are secured.

Electricity trade and grid development

Electricity affordability and grid reliability are expected to be major Democratic priorities, particularly as data centres and industrial development increase demand. The Champlain Hudson Power Express began operating in May 2026, expanding Canadian hydropower exports to New York. New England Clean Energy Connect is another significant cross-border transmission project. Canadian hydroelectricity and nuclear generation could benefit from growing U.S. demand for reliable power, particularly in northeastern states. However, transmission development will remain subject to federal and state permitting requirements, local opposition and financing challenges.

Canadian implications: Utilities and developers should emphasize electricity affordability, reliability and regional economic benefits when engaging U.S. lawmakers, governors and regulators.

Committee	Expected Democratic leader	Relevance
Energy and Natural Resources	Martin Heinrich (NM)	DOE, transmission, pipelines, critical minerals
House Energy and Commerce	Frank Pallone (NJ)	Grid policy, nuclear regulation, pipeline safety
House Natural Resources	Jared Huffman (CA)	Mining, federal lands, environmental review
House Appropriations, Energy and Water	Marcy Kaptur (OH)	DOE funding, nuclear programs, federal investment

Committee assignments and leadership remain subject to confirmation.

Outlook for Canadian Energy Companies

The Democratic takeover of Congress presents a mixed outlook for Canadian energy companies. Nuclear power, uranium supply and cross-border electricity trade are likely to retain bipartisan support, particularly as U.S. electricity demand grows. Canadian companies are well positioned to benefit from these priorities.
Oil and gas infrastructure faces greater uncertainty. Keystone XL could become part of a broader U.S.–Canada trade agreement, but questions about long-term regulatory certainty remain. Line 5 will continue to depend heavily on Michigan's political and legal environment.

The key consideration for Canadian companies is the growing divide between congressional priorities and White House policy.

About this memo

This memo was prepared by Mike Barco and Zack Nolan of Proof America, our Washington, D.C.-based team. For questions about U.S. energy policy, congressional developments, federal regulatory activity, or the broader American political landscape, please feel free to reach out. Keep in mind that federal representation for any U.S. based clients is likely to have changed in this unprecedented election. Please reach out to our team if you have any state-specific questions regarding clients. Our team provides ongoing policy intelligence, public affairs counsel, and strategic communications support to organizations navigating the U.S. market.

Mike Barco
Senior Vice President, Proof America
mike@getproofusa.com

Zack Nolan
Associate Account Director, Proof America
zack@getproofusa.com