

Remarks to the Standing Committee on International Trade



Canadian Vehicle Manufacturers' Association

February 2, 2022

Madame Chair, committee members, thank you for the invitation to take part in your study on the Canada–United States relationship and its impacts on the electric vehicle, softwood lumber and other sectors.

The Canadian Vehicle Manufacturers' Association (CVMA) is the industry association representing Canada's leading manufacturers of light and heavy-duty motor vehicles. The CVMA's membership includes Ford Motor Company of Canada, General Motors of Canada Company, and Stellantis (FCA Canada).

CVMA members are at the forefront of new automotive investment in Canada. Over the past two years Ford, General Motors and Stellantis have announced over \$6 billion in investment which will create 3,700 direct jobs and tens of thousands throughout the auto supply chain. Over \$4 billion of this investment is for electric vehicle (EV) assembly right here in Ontario.

These investments are part of an unprecedented technological transformation taking place in the automotive industry. Automaker investments into electrification alone are estimated at USD \$515 billion over the next five to 10 years with the number of EVs available to Canadians to reach more than 120 models by 2023.

The transition to electrification is not possible without ambitious government efforts to address well-documented barriers to EV adoption. Reducing the price gap between EVs and traditional internal combustion engine vehicles is the single most powerful tool to help consumers make the switch to electric.

For that reason, CVMA is a strong supporter of proposals to spur adoption of EVs. Without large scale changes in consumer behaviour,

supported by incentives, it will be impossible for the U.S. or Canada to achieve their EV sales targets of 50 per cent of new vehicle sales by 2030.

Proposals like the U.S. EV tax incentive in the Build Back Better Act will support the transition to EVs, but since no one knows what a revised U.S. credit will look like, it is difficult to say what impact it will have on Canadian production. We urge the federal government to undertake a detailed analysis of the US EV tax incentive on the auto industry to help inform potential solutions and proposals.

Due to the highly integrated North American auto sector, the CVMA and our member companies support policies that align with and enhance this North American integration. Given the recently implemented CUSMA, there is a strong argument to be made for an EV incentive that supports CUSMA-region EV production.

At the same time, we should be taking actions now to support the transition to EVs and enhance our competitiveness as a manufacturing jurisdiction. Competition is fierce for job-creating investment, we need to get serious about creating a competitive manufacturing environment in Canada. We recommend the following actions:

- 1. Match US EV adoption policies:** It is critical that Canada's EV policies are aligned with those in the U.S. to support the consumer transition to EVs, including on consumer incentives and charging infrastructure. Canada must be prepared to both continue and increase its own consumer purchase incentive, iZEV, and invest more in charging infrastructure if we hope to keep pace with the U.S., boost EV sales and attract investment.

2. **Maintain regulatory alignment with the U.S.:** While much attention has been given to the US EV tax credit and implications for manufacturing in Canada, the federal government is currently advancing policies that are a more direct challenge to Canada's competitiveness as an EV manufacturing jurisdiction.

Introducing a regulated ZEV sales mandate and/or border carbon adjustment will take Canada out of longstanding regulatory alignment with the U.S. Canada's seat at the North American automotive table, and the hundreds of thousands of jobs the industry provides, depends on alignment. The policies being proposed are more immediate threats to automotive investment, jobs, and Canada's place in the emerging EV supply chain.

Thank you for the opportunity to address your committee. I look forward to answering questions.