Canadian Vehicle
Manufacturers' Association
Association canadienne
des constructeurs de véhicules

MEMO

TO: Interested Parties
FROM: Canadian Vehicle Manufacturers' Association
DATE: October 3, 2025
RE: Auto perspective on the review of the federal Electric Vehicle Availability Standard

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Prime Minister Carney announced on September 5th, 2025, that the federal government will remove the 2026 target from the Electric Vehicle Availability Standard (EVAS) and launch a 60-day review of the overall regulation. This memo answers questions about the regulations, their implications, and feasibility.

What is the Electric Vehicle Availability Standard?

The EVAS is a sales mandate that forces all new vehicles sold to be zero-emissions by 2035.

This standard was intended to improve supply of a zero-emission vehicles (ZEV) through a sales mandate that requires ZEVs to compose an increasing proportion of new light-duty vehicle sales annually in Canada starting in the 2026 model year. The mandate requires that ZEVs make up a minimum of 20% of new light duty vehicle sales in 2026, 60% in 2030, and 100% in 2035. ZEVs include Plug-in Hybrids (PHEVs), Battery Electric Vehicles (BEVs), and Fuel Cell Electric Vehicles (FCEVs).

Why is the federal government waiving EVAS requirements for 2026 and reviewing the regulation?

The pause reflects the need for realistic, effective policy.

The federal government announced a pause of the regulation for 2026 to support the auto industry as it navigates challenges from U.S. trade actions. The objective of the review of the regulation is to ensure that it continues to "reflect market realities, remains effective for Canadians, and does not place undue burden on automakers."

Are the regulations feasible?

No. The regulations were not feasible when designed and implemented. With sales falling, Canada's ZEV mandate is impossible to meet.

ZEV sales have fallen for six months in a row, comprising 7.7% of total new motor vehicles sold in July. There is no pathway to meeting the government mandated ZEV sales target. Achieving 60% ZEV sales by the 2030 model year requires a compound annual growth rate of over 45%, an unrealistic pace of sales.

Numerous factors have made the mandated targets impossible to achieve including weak consumer demand, affordability challenges, limitations of ZEV technology across vehicle segments and use cases, infrastructure shortfalls, and slow adoption by commercial and government users.

The regulations must be repealed before irreparable damage is done to the auto industry and the hundreds of thousands of Canadians the sector employs. Jurisdictions around the world, such as the United Kingdom, Germany, and the European Union, are reviewing and re-thinking ZEV mandates and their approach to electrification because the pace of consumer adoption and the commercial viability of the technology have fallen short of government expectations.

What happens if the regulations are not repealed?

The regulations endanger Canada's auto manufacturing sector.

Automakers have limited compliance options: purchase credits from companies with surplus credits (such as Tesla) or reduce the availability of gas-powered and hybrid vehicles to comply with the mandated ZEV to gas-powered vehicle ratio.

Credit purchases put an extraordinary financial burden on companies that manufacture vehicles in Canada. Assuming a cost per credit of $20,000 (the price government established in the regulation), complying with the ZEV mandate could cost automakers more than $3 billion between 2026-2030. These funds could otherwise be reinvested in advancing emissions reductions from all powertrain types or developing new ZEV models instead of being transferred to a particular company as pure profit, with no Canadian manufacturing or investment footprint.

The other compliance pathway is through restrictions on gas-powered and hybrid vehicle sales to Canadians. At current sales rates, automakers will need to remove between 700,000 to 900,000 gas-powered and fuel-efficient hybrid vehicle sales from the Canadian market starting this year. Such a reduction in market supply will have an impact on Canadian residents and businesses looking to replace their current vehicles, either financially as restrictions to vehicle supply drive up prices (as happened during COVID) or by slowing the turnover of the existing fleet to new and more efficient vehicles. This would inevitably force consumers into more expensive ZEV options, limit choice, or delay vehicle replacement, thus potentially harming the environment with an aging and less-fuel efficient overall fleet.

The implications for the automotive industry and the hundreds of thousands of Canadians it employs are dire. According to the Canadian Journal of Economics, if the pace of mandated sales targets outpace achievement of cost parity the economic consequences can be severe and would likely cause the auto manufacturing sector to shut down. In this scenario the Canadian automotive sector would be permanently shut down by the early 2030s with 137,000 direct jobs lost.

What are the implications of the regulations for Canadians?

The regulations threaten affordability, limit consumer choice and ultimately cost Canadians.

According to the government's analysis of the regulation, the sales mandate is expected to reduce consumer choice as non-ZEVs are phased out and increase vehicle prices due to the higher cost of ZEVs or requirement to purchase credits. The regulations have a disproportionately negative impact on low-income, rural, and Northern Canadians who will face higher vehicle and electricity costs and lower access to charging infrastructure.

The ZEV mandate could also create an inflated used car market for internal combustion engine vehicles if new ICE vehicles become scarce, which would counter Canada's environmental goals by keeping older, less efficient cars and trucks on the road longer.

While many ZEVs today offer comparable range to gas vehicles, they remain an impractical option for many Canadians due to major infrastructure gaps and poor charger reliability that must be addressed before broad adoption is feasible. According to the Auditor General, the federal government did not take sufficient steps to ensure that all geographical areas would benefit from charging infrastructure investments or assure Canadians that infrastructure is reliable and convenient.

Do automakers oppose regulations to reduce carbon emissions?

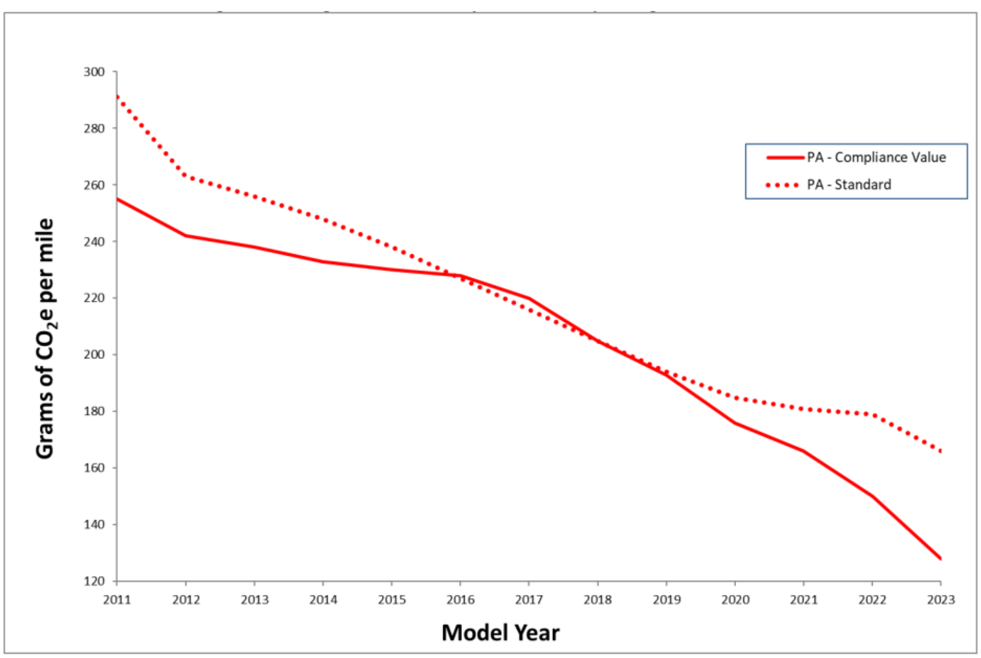
No. The automotive industry is committed to electrification and a sustainable future.

Emissions reductions should be achieved through a realistic, performance-based, technology neutral, and market driven approach rather than punitive sales mandates. The automotive industry has made unprecedented investments in electrification. Automakers are leading the transition to new electric vehicles, independent of regulatory mandates. With over 100 electric vehicle models now available across Canada, there are no supply-side constraints—Canadians who wish to purchase a ZEV can do so today.

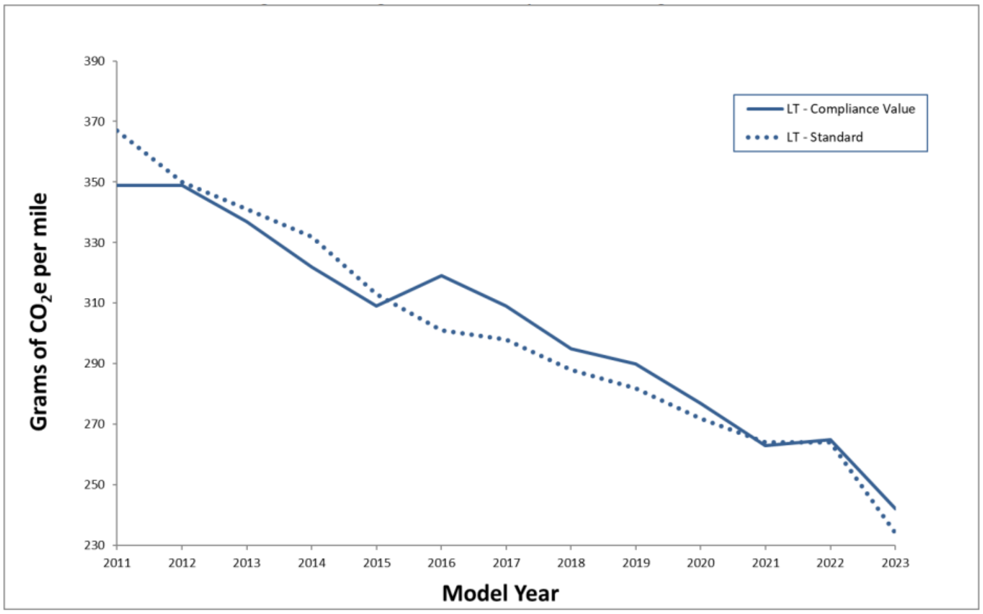
Repealing the ZEV mandate will not jeopardize Canada's environmental objectives. Existing greenhouse gas (GHG) and criteria air contaminant (CAC) emissions regulations require year-over-year vehicle emissions reductions from the entire on-road fleet that already necessitate zero emissions solutions including battery electric, hybrid, plug-in hybrid, and extended range electric vehicle technologies. As of 2023 (latest data available) the GHG regulation has guided industry to achieve a 43.6% reduction in GHG emission over the 2005 baseline and is on track to exceed the government's emissions reduction target of 50% from 2005 levels by 2035.

The automotive industry has a history of emissions reductions, as documented by Environment and Climate Change Canada's annual reports.

Average GHG Emissions Performance of the Passenger Automobile (PA) Fleet



Average GHG Emissions Performance of the Light Truck (LT) Fleet



What happens if the Trump Administration weakens U.S. EPA GHG emissions regulations?

Canada's existing technology neutral GHG regulations are independently codified through to model year 2026 and beyond.

In other words, Canada has a law in place – the Passenger Automobile and Light Truck Greenhouse Gas Emission Regulations – that set GHG targets for vehicles sold in Canada. US actions do not impact these Canadian targets. Regulatory changes to U.S. emissions standards will not have immediate implications for Canada's emissions standards. Furthermore, manufacturers are acutely aware of consumer demand for increasingly fuel-efficient vehicles regardless of powertrain, and in fact compete in the market on this vehicle attribute. Fuel consumption or all-electric range improvements directly result in GHG and other tailpipe emissions reductions.

Will Canada miss its 2050 carbon neutrality goal without the ZEV mandate?

No. Proven regulations, not quotas, drive real emission reductions.

The ZEV mandate is not required to reduce emissions. Regulations designed specifically to reduce GHG and other tailpipe emissions from all on-road vehicles have been in place in Canada for over 15 years. The auto sector has achieved the largest reduction of all transportation sectors and will continue to reduce emissions every year. The auto sector will continue to offer improved fuel-efficient technologies and fully supports the transition to electrification in a responsible manner that protects consumer choice and innovation.

What is required to increase ZEV adoption in Canada?

A comprehensive effort to address the barriers to ZEV adoption.

Canada needs a national strategy focused on robust and reliable charging infrastructure deployment, sustained demand-side incentives, and public education campaigns is essential for a sustainable and equitable ZEV transition, rather than relying on unachievable sales mandates.

With the number of public chargers available today there is no obvious pathway to having the needed charging infrastructure. The current availability of only 35,000 public chargers stands in stark contrast to the 410,500 required by 2035. According to NRCan, 100,500 public ports are required in 2025, 234,500 in 2030, and 410,500 in 2035 to meet the government's mandated ZEV sales targets. This will require the installation of, on average, 40,000 public ports each year between 2025 and 2040. There are no regulations in place to require charger installations nor the upkeep of existing chargers.

What are automakers recommending?

A better path forward: consumer choice, innovation, and realistic policies.

The sales mandate is demonstrably unfeasible, economically damaging, and misdirected given Canada's existing and effective GHG regulations. For the long-term health of the Canadian auto industry, the economic well-being and choice of Canadian consumers, and the continued progress towards genuine emissions reductions, we strongly recommend the full repeal of the EVAS sales mandate. Government efforts should be focused on collaborative policies that support consumer demand, accelerate infrastructure build-out, and foster innovation within a realistic market framework.