Canadian Vehicle
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Hon. Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
90 Elgin Street
Ottawa, Ontario K1A 0G5

Dear Deputy Prime Minister:

Budget 2023 is a watershed moment for Canada's automotive industry and the hundreds of thousands of Canadians it employs.

President Biden's Inflation Reduction Act (IRA) commits more than USD $370 billion to fight climate change, including major new investments in electric vehicle (EV) manufacturing, adoption, and infrastructure. The IRA is the most significant development for the auto sector, and the broader Canadian economy that depends on manufacturing, since passage of the Canada-United States-Mexico Agreement.

As you outlined in the 2022 Fall Economic Statement, significant steps need to be taken to ensure that Canada remains competitive in North America and the World. Nowhere is this more important than in the auto sector to ensure Canada can compete with the IRA.

Thanks to CAD $13.5 billion in new investment announced by Ford, General Motors, and Stellantis, Canada is well positioned to build on its existing automotive strengths and maximize our advantages in critical minerals. But for Canada to build on these investments and be a leader in the transition to electrification, Budget 2023 must take concrete steps to compete for future vehicle production, investments in the battery supply chain and automotive research and development.

We recommend the following measures in Budget 2023:

Ensure Canada's readiness for the transition to electrification

The funding included in the IRA is in addition to USD $110 billion in climate and energy spending signed into law as part of the Infrastructure Investment and Jobs Act (IIJA). These two Acts dedicate a combined USD $41 billion to transportation (EV adoption including charging infrastructure and incentives) and USD $71 billion to advanced manufacturing including EV and battery manufacturing.

The federal government must keep up and keep aligned with the United States if we are to be full participants in the transition to electric vehicles (EVs). Canada has reaped enormous economic and social benefits by being part of an integrated auto sector in North America. Through aligned regulations and competitive supports we manufacture and sell into a market accounting for annual sales of nearly 20 million vehicles.

It is this integration that has allowed Ford, General Motors, and Stellantis to make historic investments in Canada to produce battery electric vehicles that will create over 6,000 direct jobs and tens of thousands throughout the supply chain. These investments will further strengthen the North

American automotive market, generate tax revenues for governments at all levels, support small and medium-sized businesses in the supply chain, and improve Canada's trade balance.

The federal government's plan to decouple Canada from the North American automotive market by establishing Canada-unique, regulated EV sales targets works directly against integration and your government's efforts since 2017 to defend and grow the automotive industry. We urge you to reconsider this approach and instead work with the industry to help more Canadians make the switch to electric.

To achieve our shared goal of reaching 100% zero-emission vehicle sales by 2035 more needs to be done to ensure EVs are affordable for all Canadians. Consumer incentives like the federal iZEV and other consumer financial and non-financial incentives will be critical over the next decade to offset the higher costs of EVs. We must keep pace with the strong financial incentives in the IRA to inspire consumer adoption of EVs.

Equally important is the need for functional, accessible, and convenient public charging infrastructure powered by reliable, affordable, and clean electricity. There are only 3,500 operational chargers of the government's planned 84,500. The pace of the government's charging infrastructure rollout, including enhancements to the electricity grid to support both public and home charging, is clearly not aligned with the government's sales targets.

Failing to align our EV sales objectives with the required supports for Canadians all but guarantees that Canada will fall behind in the transition to electrification.

Support for critical minerals production and the battery supply chain

Canada's rich natural resource endowment positions us to be a leading global supplier as demand increases for the critical minerals needed to make next-generation electric vehicle batteries. The International Energy Agency projects that for the world to achieve net-zero globally by 2050, six times more mineral inputs will be required by 2040 than today.

We share the vision of the *Critical Minerals Strategy* to increase the supply of responsibly sourced critical minerals and support the development of domestic and global value chains for the green and digital economy. Achieving this vision requires additional funding for critical minerals production and the associated battery supply chain through accessible, user-friendly mechanisms such as the Strategic Innovation Fund. Canada may not be able to match the U.S. dollar-for-dollar, but incentives and policies targeted at the right segments of the ZEV supply chain will level the playing field.

In addition to funding, investors require certainty in the regulatory approval process. Budget 2023 should include a clear plan to streamline the impact assessment process and shorten the timelines for approval of projects that increase the supply of critical minerals. Investors need predictable outcomes on predictable timelines.

At the same time, the federal government should introduce new measures to offset the competitive challenges the IRA poses for Canada's emerging battery supply chain. We recommend that Budget 2023 provide funding mechanisms for companies that can be leveraged and compared against the IRA's production tax credit for battery modules, cells, and electrode active materials to match the Advanced Manufacturing Production Credit in the IRA (Section 45X). The IRA puts Canadian battery production at a significant disadvantage and corresponding action is required to level the investment playing field.

Financial supports for critical minerals mining, processing, and the battery supply chain need to be fast, flexible, predictable, and implemented quickly for Canada to play a strategic and significant role in the emerging North American value chain.

In closing, Deputy Prime Minister, thank you for this opportunity to share our automotive industry priorities for Budget 2023. As Canada's leading auto investors, we stand ready to work with you and your colleagues to grow the industry, achieve our shared climate change objectives, and create more good jobs for Canadians.

Yours sincerely,

Brian Kingston
President and CEO