Regulations Amending the Passenger Automobile and Light Truck Greenhouse Gas Emission Regulations

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Canadian Vehicle Manufacturers' Association

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The CVMA supports the federal government's objective to significantly reduce emissions from transportation. CVMA members are among the largest green technology investors in Canada, announcing billions of dollars of new investments in EV assembly and the battery supply chain over the past three years. To achieve substantive emissions reductions from the new light-duty vehicle fleet we recommend the following:

Improve EV readiness: The government's transportation emissions reduction targets depend primarily on addressing the well-documented barriers to ZEV adoption. Consumers will not purchase ZEVs without providing better government incentives, charging availability and education. ZEV sales targets that are not tied to EV readiness will fail.

Maintain North American alignment: Canada's access to the rapidly increasing number of ZEVs coming to market across all light duty vehicle segments is underpinned by the long-standing integration of the North American automotive industry. A more stringent light duty vehicle (LDV) GHG performance standard, aligned with the near term and expected longer term U.S. federal vehicle GHG emission reduction standards, is the most effective tool that is already available to achieve emission reductions of the LDV fleet and the government's ZEV sales objectives.

The industry has committed approximately USD $1.2 trillion through 2030 to develop a new supply of electric vehicles and a supply chain from critical mineral mining to final vehicle assembly[1]. The proposed regulation and accompanying Regulatory Impact Analysis Statement (RIAS) must take account of this industrial transformation, the scale of investment required, and the risks associated. Establishing arbitrary sales targets with criminal penalties for non-compliance without undertaking a comprehensive assessment of required industrial transformation is imprudent and unlikely to succeed. Despite this, should ECCC proceed with a redundant, Canada-unique ZEV sales regulation, the proposed regulation needs to be improved to reflect the transformation underway in the automotive industry.

Key enhancements include the following:

1. Early action, non-tradeable credits to recognise immediate ZEV deployment;
2. Additional credits for ZEVs with greater utility to reflect the emissions reduction contribution of these vehicles and the investment still required to develop the technology;
3. Enhancements to credits generated through ZEV activities to encourage greater ZEV charging investment and consumer uptake;
4. Credits for Canadian-built ZEVs and batteries (components) to support the development of a Canadian EV supply chain;
5. The ability to revise annual targets should circumstances beyond the control of the regulated parties make them unachievable. Examples include a lack of charging infrastructure, insufficient electricity generation and transmission capacity, and critical mineral and battery shortages.

In addition to these enhancements, we recommend the Regulatory Impact Statement (RIAS) and Cost Benefit Analysis (CBA) be redone once the U.S. EPA issues its Notice of Proposed Rulemaking (NPRM) by April 2023 for LDV GHG performance standards. This RIAS overlooks the impact of the LDV GHG regulations through 2026 MY on the continued GHG reductions in the new and on-road internal combustion engine (ICE) fleet and on ZEV increases post-2026 MY. A more fulsome, accurate, data-driven analysis needs to be undertaken to determine the true cost implications and impacts on the auto industry, Canadians, and the government.

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[1] https://www.reuters.com/technology/exclusive-automakers-double-spending-evs-batteries-12-trillion-by-2030-2022-10-21/

Our comments on the Canada Gazette Part I publication and context are followed by detailed comments on the Regulatory Impact Analysis Statement (RIAS) and the Cost Benefit Analysis (CBA) in Appendix A. Comments on the proposed regulatory text are provided in Appendix B.

Our comments are also provided with the caveat that we may provide additional comments after the closing date once the U.S. NPRM is released and analysed.

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