



Submission For the ZEV Study
Standing Committee on the Environment and
Sustainable Development

December 2020

CADA – Who We Are

The Canadian Automobile Dealers Association (CADA) is the national association for franchised automobile dealerships that sell new cars and trucks. CADA deals with national issues that affect the well-being of franchised automobile and truck dealers. The association also advocates dealer views and concerns to Parliament, federal agencies, the courts, the public and Canada's automobile manufacturers.

We represent over 3,200 active small and medium-sized businesses. Our members employ over 161,000 Canadians in every province, city, town, and village in the country. Automobile dealers represent one of the most valuable sources of tax revenues for governments at all levels, paying tens of billions of dollars annually in taxes.

We thank the government and the Standing Committee on the Environment and Sustainable Development for the opportunity to provide our views on this important policy topic: Canadian ZEV Strategy

CADA – Why We Care

CADA and its members and leadership have a long and proud history of advocating for sound environmental policies. We, like the government, believe strongly that environmental policy can work hand in hand with economic policy, and our views on this particular issue reflect this position. Over the years, we have been heavily involved with environmental objectives through the following organizations:

- Consultation on zero-emission vehicles through Transport Canada.
- The establishment of the original set of Corporate Average Fuel Economy (CAFE) standards for North America in conjunction with the Obama administration.
- Ongoing partnership with Natural Resources Canada regarding fuel economy labels for new vehicles.
- We were an active member of the federal Zero-emission vehicle (ZEV) advisory group and worked closely with the federal government to design the national ZEV rebate program.
- Our dealers are responsible for providing the ZEV incentives to Canadians at the point of sale.

Industry Committed to Environment

The automobile industry fully shares and values the commitment of the federal government to reducing greenhouse gas emissions and tackling climate change. We understand the need to improve fuel efficiency, and the environmental benefits of alternative fuel sources such as electricity and hydrogen.

In fact, our industry has invested billions of dollars in greening vehicles and on improving fuel economy. Over the last decade, more innovation has taken place in the sector in terms of fuel efficiency than in the previous 90 years. Today's new vehicles are far cleaner and more efficient than anything the industry has ever produced. This came as a result of massive investment by manufacturers, ever-increasing consumer demand for greener vehicles, and government climate regulation.

No matter the direction of government regulation in the post-2020 period, these investments will continue to take place and fuel economy gains will continue to be made by automotive manufacturers.

The reason is simple: consumers increasingly are putting fuel economy at the top of their list of specifications for a new vehicle, and manufacturers are responding by bringing to market vehicles that are more efficient and cleaner than ever before in the industry's history. And it's not just Zero-Emission Vehicles (ZEVs) that have improved; the eco-footprint of vehicles in all segments is smaller. Internal combustion engines (ICE) now use technology that makes them more fuel-efficient than ever. This trend has been driven by market alignment with consumer demand.

There exists in Canada, North America, and around the world a powerful market force in favour of continued gains in fuel economy, and these gains will continue to be achieved now and in the future.

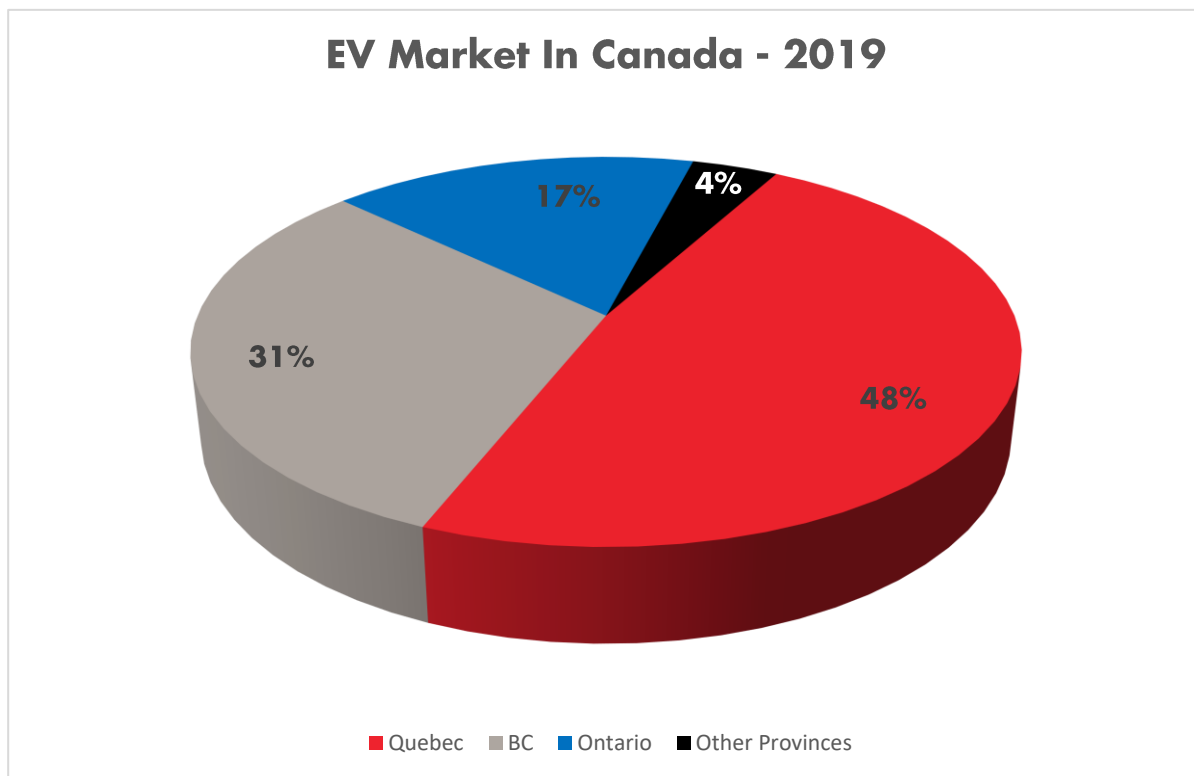
Zero-Emission Vehicle Strategy

There is no doubt that the demand by Canadians for ZEVs has increased significantly over the past five years. Vehicle dealers and manufacturers fully share and support the need to increase adoption and supply of electric vehicles across the country to reduce greenhouse gas emissions in the transportation sector.

Billions of dollars are being invested to make zero-emission vehicles (ZEVs) more viable for the mass market and to increase the rate of adoption. Virtually, every carmaker now offers a ZEV model. According to the International Energy Agency (IEA) global EV outlook, more than 200 EV models will be on the market globally by 2025, many of which are in key segments for Canadians (SUVs & pick-up trucks).

That said, current low gasoline prices, consumer preference for relatively larger vehicles such as SUVs and crossovers, and a lack of electric vehicle infrastructure mean ZEVs still represent a small share of total vehicle sales, even in Quebec and British Columbia, with less than 10 percent market penetration.

This is not to say that demand isn't increasing. It has increased significantly all over Canada, thanks to federal and provincial incentives but it is still very much concentrated in provinces with local incentive programs. Some 80 per cent of our ZEV market is in Quebec and British Columbia - provinces with provincial and federal incentives to purchase these vehicles. If we add Ontario, given the sheer size of that market for vehicle sales in Canada, that number increases to 96 per cent.



Source: Electric Mobility Canada, HIS Registration data (2019)

The main technological impediments to EV adoption are also being addressed by the industry. For example, “range anxiety” - the fear that a battery charge won't be enough to get a driver to where they need to be - is constantly diminishing. Today's ZEV batteries are improving and battery charges on most new models are more than enough to cover the vast majority of daily trips by the average Canadian. Costs are also coming down, though they are not yet on par with traditional internal combustion vehicles, and consumer awareness is much greater. ZEV demand will likely continue to grow if governments and industry work collaboratively to address the fundamental challenges currently holding back the proliferation of ZEVs on the roads of Canada.

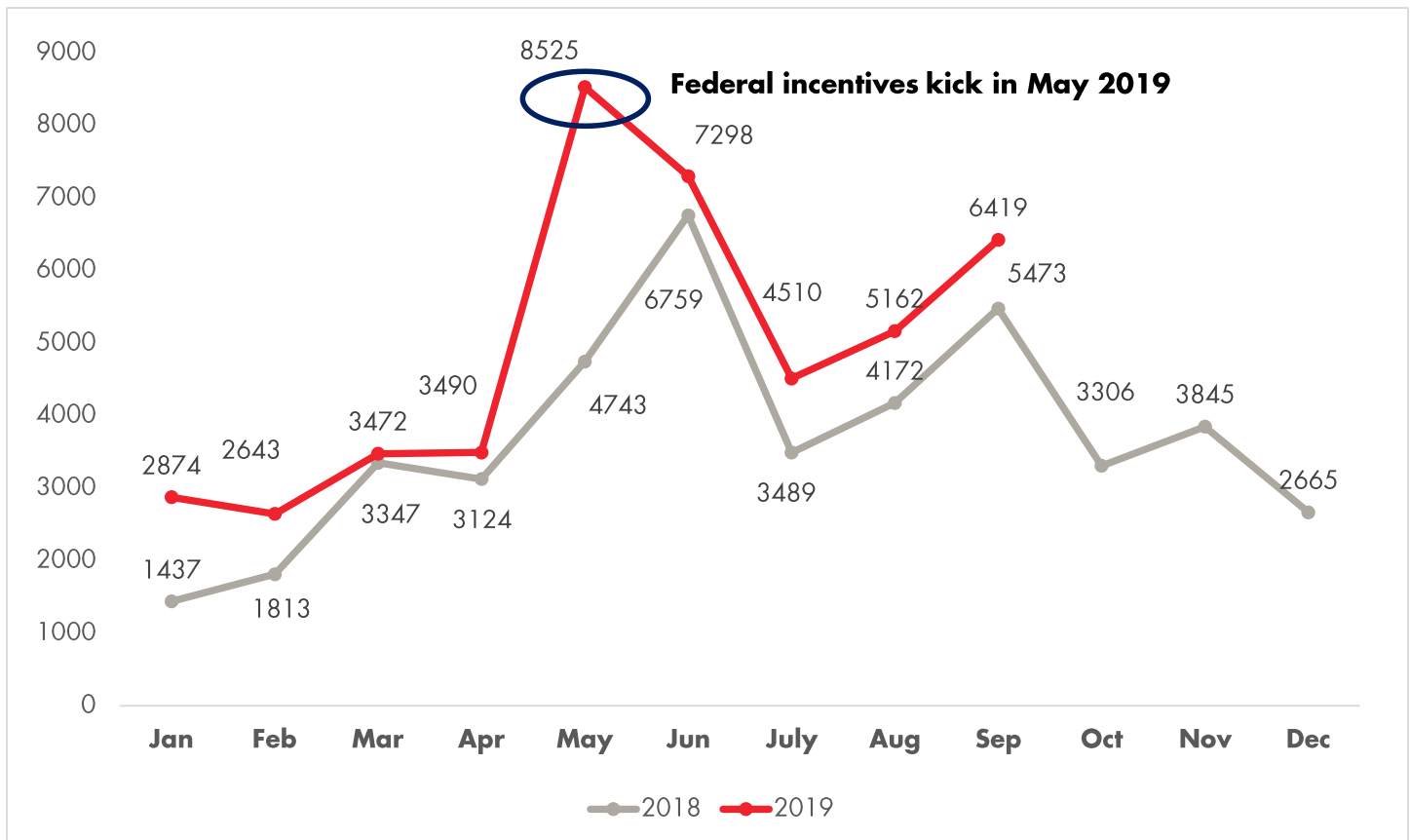
ZEV mandate policies such as the ones in Quebec and British Columbia, however, amount to effectively dictating what products manufacturers should bring to market and what vehicles the consumer should purchase. This kind of government interference in market dynamics without consideration for consumer preference and choice almost always leads to disappointing results at best, and outright failure at worst. The reality is that consumer demand and incentives drive trends in the automotive market.

The electric vehicle “boom” in Quebec and British Columbia over the last couple of years is the result of consumer demand supported by the right set of incentive policies. The record sales numbers in these two provinces occurred before a ZEV mandate was in place.

In Ontario, ZEV demand tanked by close to 44% between 2018 and 2019, when the provincial government scrapped its incentive program, indicating that government policy should be focused on addressing demand-side barriers to adoption.

While government mandates are focused on increasing supply, it is as critical to overcoming barriers on the demand side. **Evidence across many jurisdictions strongly suggests that incentives drive EV sales, not mandates.**

ZEV demand surged in Canada after the introduction of federal rebates



Source: Electric Mobility Canada, IHS Registration Data (2019)

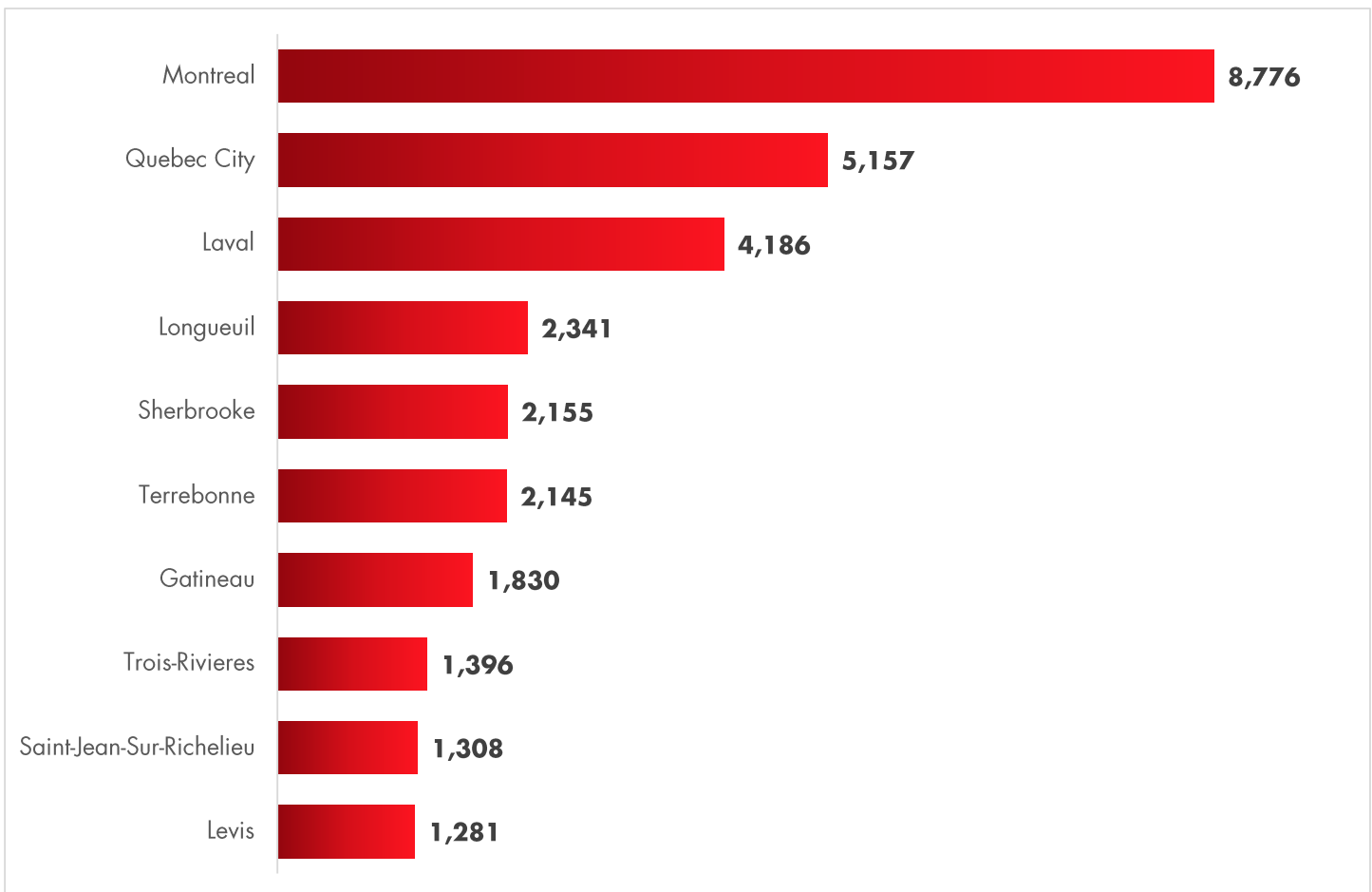
Phasing out gasoline vehicles and ordering manufacturers and dealers to sell a certain percentage of ZEVs in a jurisdiction absent of any evidence that such demand exists, is not sound policy. A national ZEV mandate will restrict families and businesses from purchasing the type of vehicles they need, particularly in rural communities. As a matter of fact, even in Quebec, the Canadian hub for electric mobility, EV uptake is concentrated in major urban centres such as Montreal and Quebec City.

Dealers, seeking to meet ZEV sales targets where no demand for such vehicles exists, will be coerced to sell fewer internal combustion vehicles, hurting their businesses and jobs, and generating fewer tax revenues for the provincial and federal governments.

Canadians faced with this new reality will move to purchase the vehicles they need from the United States or keep their older vehicles. The result will be a massive disruption to the market with no positive impact on the environment. Therefore, it is paramount for the federal government to work closely with the industry and provinces to implement a realistic set of policies that support the growth of ZEVs in the market without limiting consumer choice and disrupting market trends.

Lastly, it is provincial jurisdiction to make policy regarding the type of vehicle consumers in their respective provinces can purchase and provinces such as Quebec and BC have already done so. A top-down approach to mandating ZEV sales from the national government would infringe on the provincial governments' ability to make decisions according to the needs of their local markets and population.

EV on the road in Quebec by region



Source: Quebec Electric Vehicle Association (AVEQ)

CADA Recommendation

The auto industry is committed to developing fuel-efficient, greener vehicles and has made impressive progress in improving internal combustion engines (ICEs) while also bringing ZEV technologies to market. ZEV models and supply are increasing in every segment of the market and manufacturers are making the necessary adjustments to production patterns in order to meet increasing ZEV demand all across the globe.

National governments should abandon the failed strategy of interfering in market dynamics, and instead keep working closely with the industry and the provinces to promote consumer demand for ZEVs through incentive programs, investment in charging infrastructure, and consumer awareness.

Recommendation:

- Extension of iZEV incentive program to support ZEV purchase in every part of the country
- Investment in charging infrastructure to build a reliable cross-Canadian network of charging stations
- Implementation of a national ZEV consumer awareness campaign.

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