

Introductory Remarks for ENVI Appearance

- Good [morning/afternoon] Madam Chair. I want to thank you and the Committee members for the opportunity to provide Transport Canada's perspective on this important and timely subject.
- As members may know, promoting an environmentally responsible transportation system in Canada is a core tenet of Transport Canada's mission.
- By displacing the purchase and use of internal combustion engine vehicles, zero-emission vehicles offer the potential to significantly reduce emissions from light-duty vehicles, particularly over the longer-term as uptake of these cleaner vehicles increases. This is why increasing zero-emission vehicle uptake is a key element of the Pan-Canadian Framework on Clean Growth and Climate Change.
- In January 2019, Minister Garneau announced that the Government had set sales targets for zero-emission vehicles to reach 10% of new light-duty vehicles by 2025, 30% by 2030, and 100% by 2040.
- These targets are focused on light-duty vehicles, where zero-emission technologies are both proven and commercially available. Work continues to advance the uptake of medium and heavy-duty zero-emission vehicles, where technologies are still nascent.
- There is general agreement amongst experts that several key barriers need to be overcome to meet these sales targets. The first relates to affordability, as zero-emission vehicles presently have higher purchase prices when compared with internal combustion engine vehicles. The second barrier relates to ensuring there is sufficient supply to make zero-emission vehicles available to Canadians. The third barrier pertains to the need for new charging and hydrogen refueling infrastructure to support more ZEVs on the road. Finally, there is the need to improve consumer awareness of zero-emission vehicles.
- Given the importance of our automotive and resource sectors, we also want to ensure that Canada is well-positioned to benefit economically from the global shift towards zero-emission vehicles that is currently underway.
- In Budget 2019, the Government announced \$700 million in new initiatives to help meet Canada's ZEV sales targets. While my colleagues can speak to their relevant initiatives stemming from Budget 2019, I would like to focus on Transport Canada's Incentive for Zero-Emission Vehicles ("iZEV") program.
- The iZEV program is meant to address the purchase price barrier I referenced earlier, by providing purchase incentives that encourage Canadians to purchase and lease more affordable zero-emission vehicles. This purchase price gap, which is largely attributed to higher battery or hydrogen powertrains, keeps these vehicles out of reach for most Canadians. Experts anticipate

the purchase price gap is expected to close by around 2025, as technology costs come down with increased manufacturing.

- Until this price parity is reached, governments can play a role to help address this barrier. As seen in other jurisdictions, measures that help to close this purchase price gap are instrumental to accelerating the adoption of zero-emission vehicles.
- We have seen significant uptake of the iZEV program, since it was launched in May 2019. Over 60,000 Canadians or Canadian businesses have taken advantage of the program to date, totaling over \$255M in incentive claims by the end of September 2020.
- Combined with other supportive measures, particularly purchase incentives in Quebec and British Columbia, the iZEV program is helping to boost zero-emission vehicle sales. In 2019, for example, registrations of all zero-emission vehicles were up by 27% over 2018.
- Transport Canada's analysis of IHS Markit's data shows that the market share of ZEVs in Canada has grown from 2% in 2018 to 3% in 2019.
- Another key barrier to greater ZEV uptake relates to the limited availability of some models of zero-emission vehicles. Due a number of factors, including their higher manufacturing costs and battery production constraints, the supply of zero-emission vehicles is low in some parts of the country.
- We know that additional measures are needed to achieve our sales targets, and this has been confirmed by both external and internal projections that take into account current policies in place. This is why Transport Canada is working closely with colleagues in other federal departments to analyze potential additional measures to ensure that there is adequate supply to meet increased demand.
- We therefore welcome the work before the committee to consider the merits and implications of additional measures, as it will help to inform the Government's own analysis.