

# CANADA'S NEW MANDATORY 100% ZEV TARGET IS A RAPID CHARGE FORWARD. WHAT WE THINK THIS ANNOUNCEMENT MEANS FOR OEMS, CANADIAN INDUSTRY, AND MORE

Posted on July 12, 2021

Categories: [Insights](#), [Publications](#)

On June 29, 2021, the Government of Canada announced it is setting a mandatory target for all new light-duty cars and passenger trucks sales to be zero-emission by 2035.<sup>[1]</sup> This mandatory target replaces Canada's voluntary target announced in January 2019 for 100% zero-emission vehicles ("ZEV") by 2040<sup>[2]</sup>.

At McMillan and McMillan Vantage Policy Group, we recognize that achieving 100% ZEV sales by 2035 will require significant incentives and investments by government and business, coupled with policy, regulatory, and social change. The government's announcement did not contain any new measures or spending, but did say "the Government of Canada will pursue a combination of investments and regulations to help Canadians and industry transition to achieve the 100 percent zero-emission vehicle sales by 2035." Members of McMillan's [Automotive Group](#) and [ESG Initiative](#) are already thinking about how our clients in a number of sectors may be affected and what they will be keeping an eye on in the near future:

*A regulatory mechanism will need to be implemented to establish the mandatory 2035 target as well as the yet-to-be-developed interim targets the government has announced are coming for 2025 and 2030. In terms of compliance and enforcement, it remains to be seen whether the federal government will follow Quebec's or British Columbia's example, or take an entirely new approach. Quebec's ZEV law seeks to achieve 100% ZEV sales by 2035 by mandating vehicle manufacturers sell a minimum number of ZEVs whereas British Columbia's law establishes sales targets for manufacturers, but primarily aims to reach ZEV sales target by enticing consumers to buy green. Both regimes provide for a range of enforcement tools to be used against original equipment manufacturers ("OEMs"), including administrative monetary penalties as well as potentially hefty fines and the possibility of imprisonment for non-compliance. Consumers and OEMs will be*

*affected by the future federal regulation, but to what extent may depend on whether Canadians and/or industry require more carrot or stick to transition to ZEVs.*

– **Timothy Cullen**

*The new deadline will require OEMs to accelerate their vehicle electrification plans, which will involve significant re-tooling of factories to build zero-emission vehicles and an accelerated investment schedule to accomplish that. As well, dealers will need to begin making the necessary investments to build out their sales and repair facilities to accommodate and service the new generation of automobiles. Along the way, both OEMs and their dealers will need to be on alert for measures the Canadian Government will be taking to support the transition to zero-emission vehicles, which will include tax breaks and other incentives.*

– **Brad Hanna**

*The federal government has slowly been laying the groundwork on ZEV's, including last fall's federal and provincial contributions of \$295 million each to Ford Canada's repurposed battery-electric vehicle (BEV) production plant at the Oakville Assembly Complex. The federal government also announced over \$300 million to support the establishment of a coast-to-coast network of fast chargers for electric vehicles and investments in project including a Quebec battery pack assembly plant. I expect EV batteries to become more and more of a target of investment; Canada does have serious deposits of key battery metals including lithium, nickel, cobalt and copper. With an election likely to be called by the end of the summer, the Liberals are banking on a successful campaign focussed on maintaining/consolidating support amongst progressive voters. This all falls within the context of building back better, heading towards a greener economy, and the potential of cleantech.*

– **Jonathan Kalles** (McMillan Vantage)

*With this new target, the government will need to work to increase adoption of electric vehicles,*

sooner. Yes, we can expect stimulus programs and infrastructure investments; however, what else will the government do to accelerate consumer demand for ZEVs? We'll see policymakers provide incentives and tax breaks but there's also a need to help Canadians overcome the psychological barriers to purchasing ZEVs – barriers like range anxiety and charging times, to name a few. Lots of people are ready to buy green. For those who aren't, changing social norms and attitudes towards electric cars is urgently needed and the automotive sector is going to expect the federal government to help drive this transformation.

– **Andrea Donlan** (McMillan Vantage)

Hydrogen fuel cell electric vehicles (FCEVs) offer one alternative to meet Canada's new zero-emission vehicles requirements. FCEVs convert compressed hydrogen into electricity through a chemical reaction, which powers the vehicle's motor while producing only heat and water vapour. Unlike battery-powered electric vehicles, FCEVs do not need to be plugged-in, but instead are filled up with a nozzle at hydrogen fueling stations. They can be refilled quickly (i.e. a few minutes) and once filled-up, are capable of driving typically double the range of a standard combustion engine vehicle. To-date, FCEV technology is more established in the commercial market, including for use in fleets, buses, trucks, forklifts and other industrial equipment. In fact, Canada is well-known for its expertise in these areas and there is a thriving export market. Here at home, manufacturers are offering FCEVs to the public in certain markets as technology improves and supporting infrastructure develops. However, in order to aim towards economies of scale, infrastructure will need to continue to develop accordingly. This includes infrastructure for both the fuel cells and fueling stations. In addition, legal and regulatory frameworks to address FCEVs, hydrogen fueling, measurement and metering, storage, and associated applications are also needed in order to protect and support the growth of the FCEVs industry.

– **Julia Loney**

From an infrastructure perspective, governments will need to ensure that there is sufficient and easy public access to charging infrastructure (e.g., along highways, near or at public venues and buildings, etc.) to support the ZEV mandate. The federal government has already committed \$280 million over 5 years towards charging infrastructure through its Zero Emission Vehicle

*Infrastructure Program, where the government will contribute a portion of the total project costs for installing charging infrastructure. Hopefully in advance of 2035 we will see an increased number of projects to retrofit both public and private infrastructure with charging stations. We should also expect to see more ZEV-related government procurements (such as for the installation of charging infrastructure or for ZEVs themselves for government use).*

– **Julie Han**

*There is currently no specific regulation regarding transportation, disposal or recycling of EV batteries in Canada but we can expect those to be introduced possibly along the lines of what is currently in place regarding batteries and electronics. These issues as they relate to EV batteries of various types are currently captured by regulations generally applicable to hazardous substances at the provincial level and transportation of dangerous goods at both the provincial and federal levels. The push toward ZEV's will hasten the adoption of EVs which will in turn make necessary appropriate and specific regulation of the various battery technologies involved (lithium, nickel, glass, solid state, etc.) with respect to importation, transportation, disposal, material recycling and fire safety.*

– **Ralph Cuervo-Lorens** and **Talia Gordner**

As the federal government takes steps towards achieving the new mandatory 100% ZEV target, McMillan and McMillan Vantage Policy Group will continue to share updates and insights on new developments. In the meantime, we are here to assist if you have questions about what this announcement may mean for you.

[1][ps2id id='1' target=''] Government of Canada, News Release, "[Building a Green Economy: Government of Canada to Require 100% of Car and Passenger Truck Sales to be Zero-Emission by 2035 in Canada](#)" (29 June 2021), online: *Government of Canada*.

[2][ps2id id='2' target=''] See [Federal Government Wants Provinces Riding Shotgun for ZEV Sales Targets](#).

by [Timothy Cullen](#), [Brad Hanna](#), [Julie Han](#), [Talia Gordner](#), [Ralph Cuervo-Lorens](#), [Julia Loney](#), [Andrea Donlan](#) (McMillan Vantage), and [Jonathan Kalles](#) (McMillan Vantage)

### **A Cautionary Note**



The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

© McMillan LLP 2021