OCTOBER 2026

CANADIANS FOR AFFORDABLE ENERGY

SUBMISSION ON AMENDING THE PASSENGER AUTOMOBILE AND LIGHT TRUCK EMISSIONS REGULATIONS

OCTOBER 29, 2026

Sumbisson to Environment and Climate Change Canada

02

ABOUT CANADIANS FOR AFFORDABLE ENERGY

Canadians for Affordable Energy is a not-for-profit organization dedicated to advancing policies that ensure affordable, reliable energy for all Canadians. With more than 110,000 supporters nationwide, we promote the benefits of affordable energy by informing Canadians, advancing sound policies and building a national constituency to support them.

Canadians for Affordable Energy (CAE) welcomes the opportunity to comment on the proposed *Amending the Passenger Automobile and Light Truck Greenhouse Gas Emission Regulations*.

CONTACT

Dan McTeague, President
Canadians for Affordable Energy
info@affordableenergy.ca

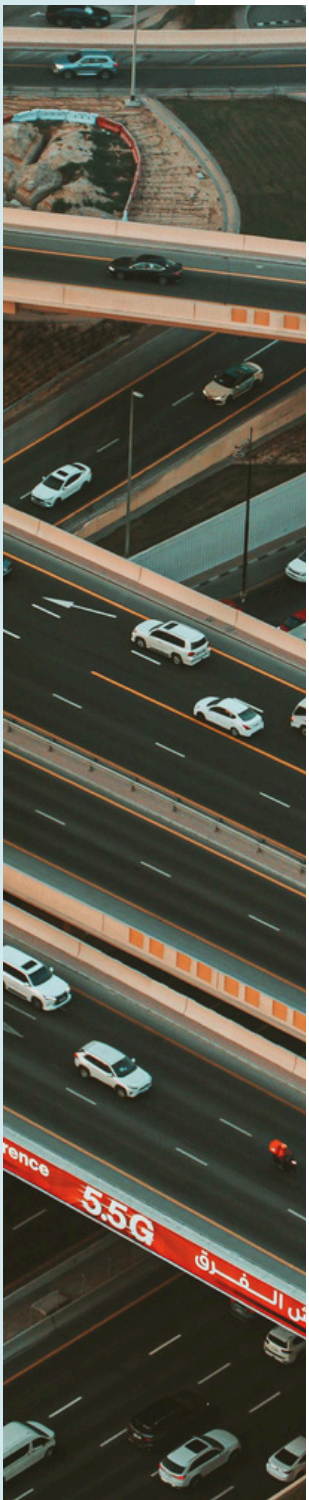
03

INTRODUCTION

CAE supports repealing the Electric Vehicle Availability Standard (EVAS), also known as the EV Mandate, including its mandated zero-emission vehicle (ZEV) sales percentages of 20% for model year 2026, 60% for 2030, and 100% for 2035, along with the associated credit, trading and reporting system. These requirements imposed an unrealistic, market-distorting burden on automakers, dealers and consumers. Their repeal would give manufacturers the immediate flexibility they urgently need to respond to market conditions, meet consumer demand, and compete for investment.

The government has linked the repeal to plans for tougher greenhouse gas (GHG) emissions standards, with stated objectives of reaching 75% EV sales by 2035 and 90% by 2040. Although the replacement standards have yet to be developed, CAE contends that standards designed to pursue these objectives would effectively recreate the EV mandate under a different name.

04



CAE therefore welcomes the end of formal ZEV sales quotas but opposes replacing them with emissions standards that effectively compel the same transition.

The government should abandon forced electrification targets altogether, end EV-specific purchase subsidies, and allow consumer demand, technological readiness and market competition to determine the pace of EV adoption.

This is a difficult time for Canada's auto industry. With trade uncertainty, U.S. tariffs, and intensifying international competition, Canadian manufacturers cannot afford additional regulatory disadvantages. Our objective should be to make Canada a more attractive place to build vehicles, protect the jobs and investment the industry supports, and maintain Canada's role in the North American automotive supply chain.

BACKGROUND: WHY REPEAL IS NECESSARY

The proposed amendments would remove the ZEV sales requirements introduced in 2023, eliminating the obligation for manufacturers to meet prescribed sales percentages or calculate and report compliance units and deficits.

The government's own analysis demonstrates why the mandate was unrealistic. ZEVs accounted for approximately 14% of new passenger vehicle sales in 2024, falling to about 9% in 2025. Even after a new purchase incentive was introduced, sales averaged approximately 10% from January to April 2026, well below the 20% required for model year 2026.

Industry associations raised concerns about weak consumer demand, affordability, inadequate charging infrastructure and the practical difficulties of meeting the targets. They warned that the mandate would restrict the availability of conventional, gas-and-diesel driven vehicles and put upward pressure on prices. Concerns about cold-weather performance, long travel distances, and electricity-grid capacity further demonstrate the limitations of imposing a uniform national timetable.

06

The proposed repeal also addresses an important regulatory problem. Canada's vehicle emissions rules have historically been aligned with those of the United States, including through references to U.S. regulations for testing and calculating emissions. Following the U.S. repeal of its vehicle emissions standards, effective April 2026, the proposed amendments would preserve the relevant Canadian testing and calculation framework by fixing those references to the U.S. regulatory text as it existed before the repeal.



CAE SUPPORTS MAKING THE NECESSARY ADMINISTRATIVE CHANGES. HOWEVER, THE NEED TO MAINTAIN A FUNCTIONING REGULATORY FRAMEWORK DOES NOT JUSTIFY CREATING A MORE BURDENSOME, CANADA-SPECIFIC REGIME THAT PUTS DOMESTIC MANUFACTURERS AT A COMPETITIVE DISADVANTAGE.

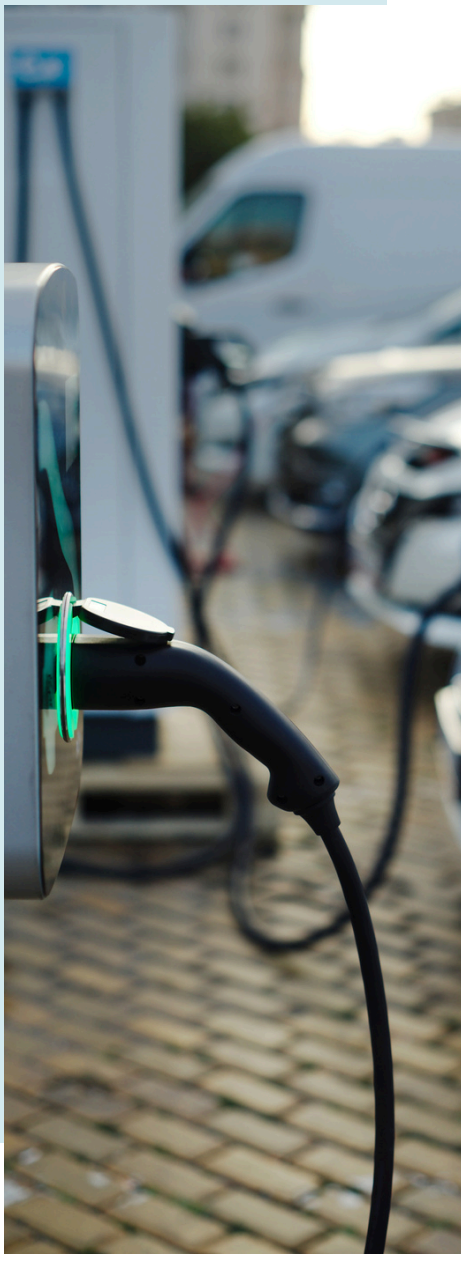
07

SPECIFIC COMMENTS ON THE PROPOSED REGULATORY PROVISIONS

1. REPEALING THE SALES QUOTAS IS THE RIGHT DECISION

CAE urges the government to finalize the repeal promptly and unconditionally. Ending the mandated sales percentages and the associated credit and reporting system would deliver three important benefits.

First, it would restore flexibility to manufacturers. Automakers must make complex decisions about production, investment, vehicle availability, and pricing. A government-imposed sales quota interferes with those decisions by requiring manufacturers to achieve a prescribed mix of vehicles regardless of what consumers want or what the market can support. Removing the quotas would allow manufacturers to respond to actual demand rather than divert resources towards meeting an arbitrary regulatory target.



Second, it would remove an unworkable compliance burden. The Department estimates that approximately 1.2 million ZEVs would have to be offered for sale in Canada in 2030 to satisfy the mandate. Manufacturers unable to meet their quotas would have to purchase credits, discount vehicles to stimulate demand (while raising prices on traditional vehicles), or forgo sales. These are costly and potentially damaging outcomes for an industry already facing significant pressures. Removing the mandate would free manufacturers to concentrate on producing and selling vehicles Canadians are willing and able to buy.

Third, it would protect affordability and consumer choice. Removing the mandate would reduce pressure to push consumers towards more expensive vehicles when they're disinclined or unable to make the switch. It would also reduce the additional electricity demand associated with the mandated transition.

CAE welcomes these benefits. But they will be lasting only if the government does not recreate the same pressures through replacement regulations.

2. STRONGER EMISSIONS STANDARDS MUST NOT BECOME AN EV MANDATE BY ANOTHER NAME

The government has stated objectives of reaching 75% EV sales by 2035 and 90% by 2040, and is considering new emissions standards intended to put Canada on the road to achieving them. The standards have not yet been finalized, but if they are calibrated to deliver those levels of EV adoption, they are highly likely to impose the practical equivalent of a sales mandate.

This is the central problem with the proposal. Replacing a regulation that explicitly prescribes the percentage of vehicles that must be electric with emissions standards calibrated to produce essentially the same result changes the mechanism, not the outcome.

The government may describe its proposed standards as technology-neutral. But technological neutrality must be judged by what manufacturers can realistically achieve. If only battery-electric vehicles can reasonably meet the required limits, manufacturers will have little meaningful choice but to favour producing them over other options. The result would be an EV mandate in practice, regardless of its formal designation.

The consequences would be familiar. Manufacturers would again face pressure to restrict the availability of gasoline, diesel, and hybrid vehicles, adjust prices and manage their product offerings to satisfy government targets rather than consumer demand. The government's own sales figures demonstrate the gap between its ambitions and the present market.

CAE understands that the government intends to consult separately on future emissions standards. We intend to participate in that process. However, because the proposed repeal is explicitly linked to a replacement policy, it is important to state our position now: **the government should reject the proposed 75% and 90% EV sales objectives and abandon any plan to design emissions standards around predetermined levels of EV adoption.**

CAE opposes using regulation to force EV adoption ahead of consumer demand, technological readiness and the development of supporting infrastructure.

3. CANADA'S AUTOMOTIVE INDUSTRY CANNOT AFFORD ADDITIONAL DISADVANTAGES

Canada's automotive sector contributed approximately $16.8 billion to GDP in 2024, directly employed more than 125,000 people and supported roughly 500,000 jobs overall, including those in parts manufacturing and dealerships.

The industry is particularly exposed to international trade pressures. More than 90% of Canadian-made vehicles are exported, primarily to the United States, and Canadian production has faced new U.S. tariff costs and uncertainty over the future of the bilateral trading relationship.

Against this backdrop, Canada should be reducing unnecessary obstacles to investment and production, not creating new ones. The United States has moved away from its federal vehicle emissions standards and federal EV purchase support. Canada's decision to impose more stringent, Canada-specific requirements would risk putting Canadian manufacturing facilities at a disadvantage to competing facilities south of the border.

When manufacturers decide where to build their next vehicle or invest in their next production line, regulatory costs and market access matter. If a Canadian facility must meet requirements that a comparable U.S. facility does not, that difference is likely to influence investment decisions. The resulting costs would ultimately fall on Canadian workers, suppliers, and communities.

Canada also faces growing competition from Chinese automakers, whose access to state support and lower-cost production can create significant challenges for domestic manufacturers. Policies that artificially increase demand for EVs without ensuring that Canadian production can compete risk making the Canadian market more attractive to foreign suppliers while weakening the domestic industry.

CAE's objective is straightforward: **make Canada a more attractive place to build vehicles, not a more expensive and complicated one.** That means protecting the competitiveness of Canadian facilities and avoiding regulatory burdens that their principal competitors do not face.

4. AFFORDABILITY, CONSUMER CHOICE, AND PRACTICAL REALITIES

The government's cost-benefit analysis estimates a net societal cost of $90.3 billion from repealing the EV mandate. But this figure relies heavily on the estimated value of forgone emissions reductions, using a social cost of carbon of $309 per tonne in 2026. That is a model-based estimate of projected climate damages, not a direct cost to Canadian households. Meanwhile, the same analysis estimates that repeal would save vehicle buyers $57.6 billion in upfront vehicle and home-charger costs. Its conclusions also change substantially under different fuel-price assumptions.

Affordability remains a major obstacle to widespread EV adoption. The Department estimates that battery-electric passenger cars could reach price parity with comparable gasoline vehicles by 2033. Electric light trucks and plug-in hybrids, however, are not projected to reach price parity within the period examined. Home-charger installation adds to the cost, particularly for households already struggling with vehicle prices.

Practical limitations matter, too. Cold weather can reduce battery performance, while long distances and limited charging infrastructure create challenges for rural and remote communities. Workers who depend on pickup trucks or specialized vehicles may not yet have affordable, reliable electric alternatives. A rapid shift to EVs would also increase electricity demand, putting additional pressure on generation and grid infrastructure.

These are not arguments against EVs per se. Canadians who find that an electric vehicle suits their needs are free to buy one. But government policy should preserve consumer choice, not force Canadians into a technology that may not suit their needs or budgets.



5. END EV-SPECIFIC SUBSIDIES AND LET DEMAND LEAD

The government's automotive strategy pairs tougher emissions standards with renewed EV purchase incentives and further investment in charging infrastructure.

The experience to date raises questions about this approach. EV sales fell after the earlier federal iZEV rebate ended in March 2025 and recovered after a replacement incentive was introduced in 2026. Even with renewed support, sales remained well below the existing mandate's requirements.

This demonstrates the limits of relying on subsidies to accelerate adoption. Purchase incentives transfer costs to taxpayers, including Canadians who cannot afford an EV or whose circumstances make one impractical. They also risk sustaining demand through public spending rather than allowing consumers to judge whether a product offers sufficient value.

CAE therefore urges the government to end EV-specific purchase subsidies and avoid further spending designed to manufacture demand for a particular vehicle technology. Charging infrastructure should develop in response to demonstrated demand and practical need, rather than a government target.



Canada should pursue an automotive policy that supports a competitive industry and affordable transportation, not one that requires taxpayers to subsidize consumers into a market transition that manufacturers are simultaneously being required to deliver through regulation.

RECCOMENDATIONS

CAE RECCOMENDS THAT THE GOVERNMENT:

1. FINALIZE THE REPEAL PROMPTLY AND UNCONDITIONALLY.
TRemove the EVAS sales percentages and associated credit, trading and reporting requirements without making repeal conditional on replacement emissions standards.

2. ABANDON THE OBJECTIVE OF FORCED ELECTRIFICATION.
Reject the proposed objectives of 75% EV sales by 2035 and 90% by 2040, and avoid imposing a new, more burdensome regulatory regime. Any future emissions standards should be assessed against technological feasibility, affordability, consumer choice and the competitiveness of Canadian automotive manufacturing. They must not function as an EV mandate in practice.

3. END EV-SPECIFIC PURCHASE SUBSIDIES.
Allow consumers to make purchasing decisions based on their needs and the merits of available vehicles, rather than taxpayer-funded incentives.

4. PROTECT CANADA'S AUTOMOTIVE COMPETITIVENESS.
Avoid Canada-specific regulatory burdens that place domestic facilities at a disadvantage to North American competitors and preserve the benefits of an integrated continental supply chain.

5. MAKE INFRASTRUCTURE POLICY RESPONSIVE TO DEMAND.
Ensure that investment in charging infrastructure and electricity capacity reflects demonstrated needs, regional circumstances and practical feasibility rather than predetermined electrification targets.

6. KEEP ADMINISTRATIVE AMENDMENTS FOCUSED ON ADMINISTRATION.
Updating references to U.S. regulations should preserve a workable Canadian compliance framework, not become a justification for imposing a more restrictive set of Canada-specific requirements.

CONCLUSION

CAE welcomes the proposed repeal of the EV sales mandate and urges the government to complete it without delay. Removing the quotas would give manufacturers the flexibility they urgently need, restore a measure of consumer choice, and eliminate an unrealistic compliance burden at a particularly difficult time for Canada's automotive industry.

But the government must go further. Replacing explicit sales quotas with emissions standards designed to produce the same high levels of EV adoption would preserve the underlying problem under a different name. Canada cannot afford to impose additional regulatory disadvantages on an industry facing intense international competition and uncertainty over its most important export market.

We urge the government to abandon forced electrification targets, end EV-specific purchase subsidies, and pursue policies that support affordable transportation, consumer choice and a competitive Canadian auto industry. **Let Canadians choose the vehicles that meet their needs, and let manufacturers respond to genuine market demand rather than government-imposed sales targets.**