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Growing debt loads weighing on growth, opening up vulnerabilities, Bank of Canada deputy warns



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OTTAWA

PUBLISHED MARCH 14, 2019

UPDATED 15 HOURS AGO

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Environment and Climate Change Minister Catherine McKenna released the council's report in Montreal, Que. on Thursday, saying the government is committed to increasing the availability of lower-emission transportation.

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The federal government's pre-election budget is expected to include subsidies for Canadians to purchase electric cars as part of Ottawa's long-promised commitment to adopt a zero-emission vehicle strategy to reduce greenhouse-gas emissions.

Senior government officials confirmed to The Globe and Mail that next week's budget will take action based on recommendations from an advisory council, which called for subsidies of

TOP STORIES

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The officials, who were granted anonymity because they were not authorized to speak publicly, declined to confirm details such as the precise size of any federal incentive. But one source said the government would not support tax breaks that apply to the purchase of the most expensive electric vehicles, which led to criticism of Ontario's former incentive program.

The council recommended that any incentive be short-lived to account for expectations that the cost of electric cars will soon be more competitive with traditional vehicles. Currently, only Quebec and British Columbia offer EV subsidies; the Ontario government cancelled that province's subsidy program last year. EVs run on battery only and are considered zero-emission vehicles, while the plug-in hybrids have a back-up gasoline engine that takes over when the battery runs down.

In a report to Ms. McKenna and Finance Minister Bill Morneau, the advisory council said EVs and plug-in hybrids "have quickly emerged as a viable alternative to gasoline or diesel vehicles," but still require federal support to ensure broader appeal. In addition to the rebate, it recommended that Ottawa help fund a national network of charging stations, similar to the effort in Quebec, which now has 1,000 public charging outlets and is committed to having 2,000 by the end of 2020.

"Choosing a zero-emissions vehicle as their next car is a meaningful way that Canadians can have a positive environmental impact without major changes to their lifestyle," said the panel, which was co-chaired by Montreal-based environmentalist Steven Guilbeault and Tamara Vrooman, chief executive at Vancity, a B.C. credit union.

Transportation Minister Marc Garneau in January announced targets to increase the sales of zero-emission vehicles – including EVs and hydrogen-powered cars – to 10 per cent of the market by 2025, 30 per cent in 2030, and 100 per cent by 2040. However, it has not proposed regulations to force manufacturers to meet those targets, as Quebec has and B.C. plans to adopt. Last year, 2.2 per cent of new vehicles sold in Canada were either EVs or plug-in

hybrids, as sales more than doubled over the previous year, according to Electric Mobility Canada, an industry-backed organization.

TOP STORIES

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LOWER-INCOME CANADIANS, THE REPORT SAID.

The previous Ontario government faced criticism because the incentive was being used to buy high-end luxury vehicles with purchase prices in the six figures. In response, the province limited the now-defunct program in 2018 to vehicles that cost \$75,000 or less.

Quebec limits its subsidies to vehicles that cost \$75,000 or less, while B.C.'s program applies to vehicles up to \$77,000. Even though both thresholds represent prices that are out of reach of most Canadian consumers, the advisory council said the Quebec and B.C. limits "might serve as a basis" for a federal threshold.

A 2019 Nissan Leaf EV, one of the most popular models in Canada, starts at \$36,798 before taxes. While EVs can cost \$10,000 more than comparable gasoline-powered models, lower operating costs and maintenance can shave \$1,400 a year off the cost of maintaining a vehicle, Mr. Guilbeault noted in an interview. With the recommended \$5,000 incentive, an EV buyer could break even in less than four years, he said.

The transportation sector accounted for 25 per cent of the country's greenhouse gas emissions in 2016, with passenger cars and light trucks representing fully half of that total, according to Environment Canada. A zero-emission vehicle strategy "is an essential component of tackling emissions in Canada," Mr. Guilbeault said.

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