

CANADA'S PASSENGER VEHICLE GREENHOUSE GAS STANDARDS

The required annual efficiency improvements for passenger vehicles in Canada are scheduled to weaken from 5% to 1.5% for model years 2021 to 2026. This is because Environment and Climate Change Canada's (ECCC) greenhouse gas emission standards are linked to the newly-updated less-stringent U.S. rules.¹ If Canada fails to act to keep the current standards and instead remains aligned with the United States, it will result in millions of dollars in lost savings for Canadian consumers and will hinder the country from achieving its climate goals.

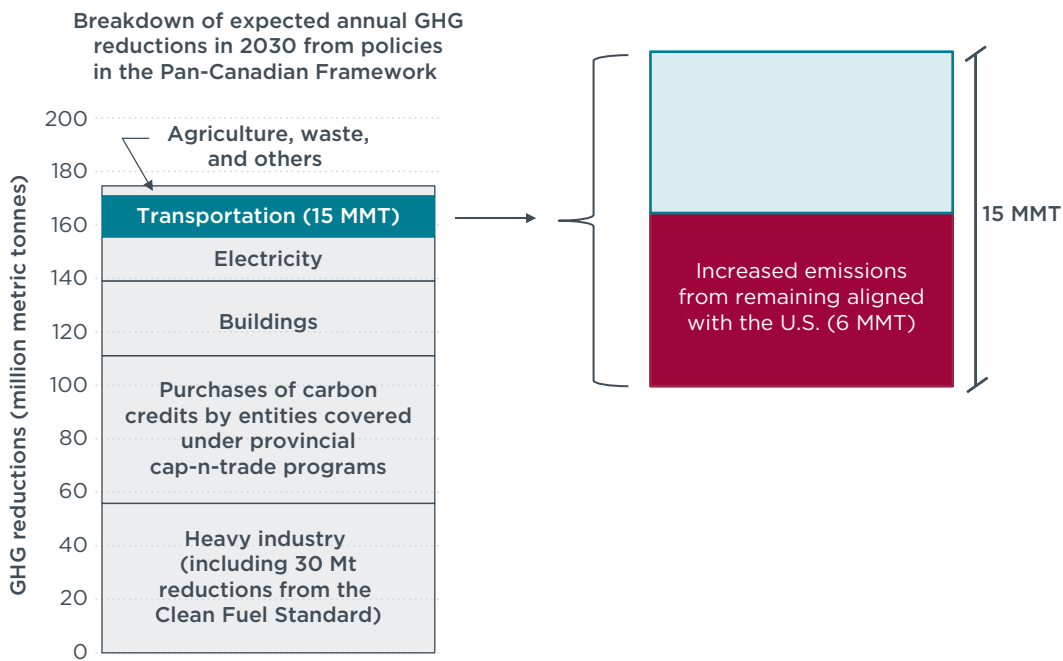
WHAT ARE THE IMPLICATIONS OF WEAKER VEHICLE GHG STANDARDS IN CANADA?

Canada's GHG reduction commitments defined in the Paris Climate Agreement and the Pan-Canadian Framework for Clean Growth and Climate Change rely heavily on emission reductions from passenger cars.

- » Canada is expecting 15 million tonnes of GHG reductions from the transportation sector to meet its goal of reducing total GHG emissions 30% by 2030 relative to a 2005 baseline.²
- » ICCT estimates that by remaining aligned with the weakened U.S. federal vehicle regulations, Canada can expect nearly 6 million tonnes more GHG emissions in 2030—foregoing 40% of the expected emission reductions from the transportation sector.

1 National Highway Traffic Safety Administration 49 CFR Parts 523, 531, 533, 536, and 537; Environmental Protection Agency 40 CFR Parts 85 and 86, <https://www.epa.gov/regulations-emissions-vehicles-and-engines/safer-affordable-fuel-efficient-safe-vehicles-final-rule>

2 "Modeling of greenhouse gas projections," Government of Canada, accessed March 31, 2020, <https://www.canada.ca/en/services/environment/weather/climatechange/climate-action/modelling-ghg-projections.html>



THE CURRENT GREENHOUSE GAS STANDARDS FOR PASSENGER VEHICLES IN CANADA ARE ACHIEVABLE FOR MANUFACTURERS AND COST-EFFECTIVE FOR CONSUMERS.

Compared to the cost estimates made when the Canada’s original regulation was finalized in 2014, the estimated cost of compliance with the more stringent passenger vehicle GHG regulation in 2025 has declined significantly, making the standards increasingly cost-effective.

- » In 2014, ECCC estimated compliance with the standards would result in an additional \$2,222 (2015 Canadian Dollars) in incremental costs for an average vehicle in 2025 compared to the 2016 costs. According to U.S Environmental Protection Agency and ICCT data, these costs³ have dropped to \$1,766 (21% decrease) and \$1,183 (47% decrease), respectively.
- » Based on current fuel price projections and ICCT’s technology cost inputs, the annual fuel savings for an average vehicle meeting the 2025 standards would exceed the extra cost of the vehicle after 2 years.

³ Francisco Posada, Aaron Isenstadt, Ben Sharpe, and John German, *Assessing Canada’s 2025 passenger vehicle greenhouse gas standards: Technology deployment and costs*, (ICCT: Washington, DC, 2018), https://theicct.org/sites/default/files/publications/Canada_CAFE_3_Tech_Costs_20180912.pdf

STRONG GREENHOUSE GAS AND EFFICIENCY STANDARDS SUPPORT CANADA'S DOMESTIC MANUFACTURING INDUSTRY AND GLOBAL COMPETITIVENESS.

Canadian auto sector exports a majority of the vehicles produced. A large portion of these exports are sold in states that are taking legal action⁴ to retain their authority to set more stringent vehicle efficiency standards.

- » An ICCT market assessment⁵ found that the more efficient car brands produced in Canada are nearly twice as likely to be sold in California and states that have adopted California's efficiency standards than in other U.S. states.
- » The four vehicles with the highest production volumes in Canada are also the most fuel-efficient models manufactured domestically. These higher-efficiency vehicles are favored by consumers in Canada, California, and the Section 177 states.

4 Brady Dennis and Juliet Eilperin, "California and nearly two dozen other states sue Trump administration for the right to set fuel efficiency standards," *The Washington Post*, November 15, 2019, <https://www.washingtonpost.com/climate-environment/2019/11/15/california-nearly-two-dozen-other-states-sue-trump-administration-right-require-more-fuel-efficient-cars/>

5 Dan Luria, Alan Baum, and Ben Sharpe, *Automobile production in Canada and implications for Canada's 2025 passenger vehicle greenhouse gas standards*, (ICCT: Washington, DC, 2018), <https://www.theicct.org/publications/canada-automobile-production-and-implications-2025-vehicle-stds>

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