












CAPC

Sustainability Working Group

April 2007

Initiative	Action Plan Item	Lead	Timing	Status
FEEBATES	1. <i>Federal Government feebate policy is severely flawed and will have detrimental impacts on consumers and the automotive industry. Industry recommends an integrated approach that addresses both pollutants and GHG emissions.</i>	FED	ST	
VEHICLE EMISSION REGULATIONS AND FUEL STANDARDS	1. <i>Avoid regulatory programs that are technology/marketplace forcing and that have a negative impact on the automotive industry in Canada.</i>	FED	MT	
	2. <i>California does not have a vehicle manufacturing industry to be concerned with. Emission Regulations proposed by "California" will not work, as they are technically and economically unfeasible. CAFÉ standards are set at the maximum amount that is technologically and economically feasible without comprising vehicle safety. Maintain national standards harmonized with the United States to ensure Canada is not disadvantaged as an investment destination.</i>	FED	MT	

Initiative	Action Plan Item	Lead	Timing	Status
VEHICLE EMISSION REGULATIONS AND FUEL STANDARDS	3. <i>Any proposed vehicle emission regulations must take into account previous work that has been done by vehicle assemblers under GHG MOU. Uphold current MOU on GHGs until its expiry in 2010 with a view to extending voluntary approach through “smart regulation” initiative</i>	FED	MT	
	4. <i>Government / industry have an obligation to ensure that national fuel standards exist that supports advanced vehicle technologies and Government implement regulations to achieve appropriate National fuel quality for advanced technologies</i>	FED	LT	
ENERGY	1. <i>Electricity cost in Ontario is no longer competitive with many other automotive jurisdictions (costs have increased more than 46% since 2000). Ontario’s reliable supply at a reasonable cost is no longer a competitive advantage over competing North America automotive producing regions (I.E. Southeastern States). Avoid decisions that increase Ontario’s electricity costs.</i>	PROV	ST	
	2. <i>Ontario should not exclude any one type of electricity generation in favour of another. All forms of generations have trade-offs that must be considered before developing new generation capacity or closing existing capacity. A complete cost analysis must be done on all generation options, to ensure that cost competitive, reliable and secure electricity is available for the automotive industry.</i>	ONT	ST	

Initiative	Action Plan Item	Lead	Timing	Status
CONSUMER PROGRAM	1. <i>Incentives for advanced fuel and advanced technology vehicles and advanced fuels</i>	FED/PROV	ST	
	2. <i>Increase support for alternative refueling infrastructure such as E85 and Biodiesel</i>	FED/PROV	MT/LT	
	3. <i>Introduction of a national drive clean education program</i>	FED	LT	
	4. <i>Introduction of a national program to encourage the removal of older high polluting vehicles from the on-road fleet.</i>	FED	MT	
World Leader in Manufacturing	1. <i>Funding for demonstration programs and advanced technologies manufacturing</i>	FED/PROV	LT	
	2. <i>Support for energy-efficient choices in plant investments</i>	FED/PROV	MT	
	3. <i>Support for employee training for energy efficient choices</i>	FED/PROV	LT	



Addressed - Implementation underway and on-time.



Plans, commitments and timelines not clear - attention needed.



Immediate Attention

FED - Federal Government
 PROV - Provincial Government
 AUTO - Auto Manufacturers, Suppliers

MT – Medium Term
 ST – Short Term

Sustainability Issues:

Introduction

Set out below are the four most important issues related to the CAPC sustainability sub committee's focus. We have consensus on issues 2 to 4 but have been unable to reach consensus on item 1. due to time constraints. Within these issues are two important but very separate aspects. The first aspect is emissions that cause smog and is generally what Canadians view as pollution. Auto contribution to smog emissions are from tailpipe precursors, volatile organic compounds and oxides of nitrogen.

Smog-related emissions from new vehicles have been cut by 99% since the removal of lead from gasoline in the 1970s. According to the Canadian government, all the cars and light duty trucks on the road in Canada today contribute approximately 9.5% of total Canadian smog-forming emissions. New vehicles represent just 8% of Canada's total on-road fleet in any year. With advancements in catalytic converters and related technologies, new model vehicles are some 10 times cleaner than the average on-road vehicle. New model vehicles today therefore represent just 0.1% of total Canadian smog-forming emissions in any year.

Today, burning one cord of wood produces more smog-related emissions than driving a new SUV around the earth's circumference 35 times. In fact, cars and light duty trucks are one of the only Canadian sources of smog emissions forecast to significantly decline over the next decade.

The second and more recent focus of environmental concern relates to green houses gases (GHGs) emissions. The most abundant GHG by far is carbon dioxide which is directly proportional to amount of non-renewable fuel consumed. Greenhouse gas reduction has also been an industry priority. In 2005, Canada's auto industry was the only sector to sign an agreement with the federal government to reduce greenhouse gases – by 5.3 million tones from cars and light duty trucks by 2010, with targets and reporting on progress. The industry has since introduced more than 70 new fuel saving technologies into Canada as companies compete to provide fuel efficient vehicles for consumers who seek to reduce fuel costs and lower GHG emissions. Technologies such as cylinder deactivation, hybridization, improved transmissions, alternate fuel capability, light weight materials and many more are now widely available.

1). FEEBATES: This section on Feebates is issued without consensus for discussion purposes.

On March 19, 2007 without industry consolation and against the recommendations of the National Roundtable on the Environment and Economy the Federal Finance Minister announced a Feebate program on new vehicles. This program taxes vehicles purchased that consume more fuel than an arbitrary fuel consumption target, and give a rebate to vehicles that consume less fuel than an arbitrary fuel consumption target.

The 2007 Federal Budget Feebate program is severely flawed public policy that will have detrimental impacts on consumers and our industry with no appreciable positive environmental impact.

This Budget policy is causing unintended negative consequences including major market segment distortions, the promotion of vehicles that do not achieve 2007 criteria emission standards (example; 2006 diesel powered vehicles that don't meet current emissions standards are eligible for \$1,000 rebate) and unfortunate tradeoffs between fuel efficiency and safety. The Federal Feebate policy overwhelmingly favours only fuel efficiency of new vehicles (only 8% of on road fleet) as a means to reduce GHG emissions, whereas immediate reductions are achievable through other means. With no prior consultation with industry and the Provinces, the Feebate policy has created a double taxation scheme, retarding new cleaner vehicle sales in Ontario and B.C.

Industry experts such as Dennis DesRosiers, estimate cost of this policy is \$5,600 per tonne of GHG eliminated. To put that into perspective the oil industry cost to reduce GHG's is capped at \$15 per tonne eliminated. Using this approach will cost Canadians billions of dollars, and thousands of automotive jobs to reduce GHG emissions to pre-1990 levels.

Urgent action is required. Industry wants to work with the Federal Government to fully examine the fundamental flaws of this policy so that it may be reconsidered, and replaced with a more effective policy, ideally by this September (pre 2008 model year launch).

Resolving these urgent matters would allow us to refocus our efforts on the more positive, integrated approach we have discussed over the past year to reduce vehicle-related emissions in Canada. This integrated approach would address accelerating the retirement of older more polluting vehicles, consumer maintenance education, advance fuel infrastructure (E85, biodiesel), cleaner fuels, advanced fuel and engine management technology.

2). Auto related GHG and emission reductions - Clean Air Act Amendments to the 1982 MVFCA

The GHG emissions generated by the vehicle fleet in Canada contributes 12.5% to Canada's total GHG emissions. In order to effectively reduce GHG emissions from the vehicle fleet, the committee wants to ensure that the focus of current federal policy focuses target reductions in the use of carbon-based, non renewable fuels. The current regulatory focus, introduced by the Clean Air Act Amendments to the 1982 MVFCA, targets only new vehicle fuel consumption an approach that will impact only 1% of Canada's overall GHG emissions. The maximum benefit is achieved by improving the whole vehicle fleet (19 million vehicles) as opposed to new vehicles (1.5 million per year). In addition the oldest vehicles have the highest smog emissions (33 times higher than new vehicles) and are less fuel efficient than new vehicles so dealing with the whole fleet produces dramatically better results more quickly.

The auto industry is very concerned that a narrow focus only on new vehicle fuel efficiency limits opportunity for reduction, and may lead to fewer model choices for consumers. The Canadian and U.S. auto sector has been fully integrated for the design, testing, certification, sourcing, production and sale of vehicles since the AutoPact of 1965. Consumers have enjoyed the economies of scale

for the most advanced vehicle technology utilizing a market that is 12 times the size of the Canadian vehicle market alone. Disharmonization would directly impact parts makers and assemblers with manufacturing investments in Canada. It would also put at risk the related environmental, economic and safety benefits that flow from our harmonized North American automotive standards including “maximum feasible” recent U.S. enhancements to CAFE (Corporate Average Fuel Economy) standards. The committee recognizes the need to develop awareness for the merits of harmonization that benefit the auto sector in Canada.

3). Fuel standards – the need for and recommendations for a national approach to fuels standards and regulations in Canada

Most of the significant advancements in reduction of vehicle based emissions have been the result of advancements of both fuel and vehicle technology and this will continue in the future. Therefore, it is imperative to consider existing fuel quality (diesel and gasoline) and future fuel advancements in any objectives to further reduce vehicle emission (both GHG and smog). Although a limited number of fuel properties in Canada are regulated (such as sulphur content), the vast majority of fuel properties are only specified by Canadian General Standards Board (CGSB) standards, which for the most part are not regulated in Canada. Therefore, this allows for and results in fuels being sold in Canada that do not meet these CGSB standards. As an example, while fuel detergency is regulated in the US, and is only referenced in CGSB standards for Canada, it is estimated that some 18% of the fuel in Canada (largely independent retailers) do not meet CGSB detergency standards and some contain no detergency what so ever. This situation represents a serious issue for the effective operation of existing vehicle and emission control technology in the market as well as a potential barrier to further advancements in vehicle technology in Canada. Therefore, at a minimum, in order to ensure that all fuel in Canada meet the existing CGSB standards, compliance to these CGSB standards should be regulated.

In addition to these existing challenges with gasoline requirements, more focus is required on establishing national renewable fuels standards as well as establishing a Canadian quality standard for E-85 (85% ethanol).

4). Technology and fuels incentives - to support auto sector GHG and Smog emission reductions

To facilitate introduction and use of advanced technology in vehicles and lower carbon content fuels (including a target of 5% renewable by 2010) the committee will provide recommendations for integrated approaches providing GHG reduction opportunities from the 12.5% of GHGs in Canada that are auto related. These will include but not be limited to technology and fuels incentives, government fleet procurement, public awareness / consumer education, fleet maintenance programs and consumer incentives for accelerated retirement projects for older vehicles that are less fuel efficient and have higher smog emissions. For older vehicle retirement the incentive should be proportional to the reduction in smog emissions.