

Written Submission for the Department of Finance on Budget 2025

By:



Recommendation #1: Launch and implement the promised \$2-billion fund to support the Canadian automotive sector. This fund should recognize that the future of the global and North American automotive industry is electric and include specific elements that will support connecting Canada's traditional automotive production regions to our natural resource producing regions, positioning Canada's future automotive sector as a nationally expansive industry.

Recommendation #2: Re-launch the federal incentives for Zero-Emission Vehicles (iZEV) program with new criteria that support made-in-Canada vehicles, parts, components, minerals and materials. The federal government should also re-visit Canada's Electric Vehicle Availability Standard (EVAS) to ensure it aligns with our domestic industrial development goals.

Recommendation #3: Develop and implement a financing strategy that supports the growth of the entire battery supply chain in Canada.

Recommendation #4: Develop and implement a financing strategy to support critical minerals development in Canada.

Recommendation #1: Launch and implement the promised \$2-billion *Automotive Sector Support Fund* to support the Canadian automotive sector. This fund should recognize that the future of the global and North American automotive industry is electric and include specific elements that will support connecting Canada's traditional automotive production regions to our natural resources producing regions, positioning Canada's future automotive sector as a nationally expansive industry.

Canada's automotive sector is facing challenges on multiple fronts. The disruptive steel and aluminum tariffs implemented by the Trump administration in the US are driving up costs for production and seriously challenging the integrated North American vehicle production model. At the same time, automakers are transitioning to electrified product lines and grappling with new technology development, higher cost products, and a battery materials supply chain dominated by China.

The automotive industry is an essential contributor to Canada's GDP, a major employer, and a driver of Canadian manufacturing prowess. It is essential that the federal government launch the promised support fund to lessen the impacts of erratic US trade policy. This means funding streams to support OEMs, parts suppliers, and tool makers to retool and make the sort of capital investments needed to thrive.

At the same time, by the end of the decade, 40% of global automotive sales will be EVs, and keep growing, so the fund must be geared to supporting the auto industry of the future and forging a Team Canada approach to the sector's development. Chinese tariff policy on agricultural products is driving a deliberate wedge between the Prairie provinces and Canada's automotive manufacturing regions. Western provinces feel they are not getting their fair share of investment in comparison to incentives to support battery production in Quebec and Ontario. The automotive sector support fund must work to alleviate this and begin to build the automotive industry into a national champion industry.

This can be done by using the fund to support materials processing projects, battery innovation research, battery recycling operations, and rare-earth motors and magnets production in the Prairies and Western provinces. In the near-term this will generate new economic activity and support a materials supply chain for EV production in Central Canada. In the long-term this will strengthen Canada's defence and security posture by building out a critical battery materials supply chain that can support automotive, defense production, and energy storage.

Recommendation #2: Re-launch the federal incentives for Zero-Emission Vehicles (iZEV) program with new criteria that support made-in-Canada vehicles, parts, components, minerals and materials. The federal government should also re-visit Canada’s Electric Vehicle Availability Standard (EVAS) to ensure it aligns with our domestic industrial development goals.

In 2024, Accelerate published A “*Canadian Content*” Approach to Building a North American Electric Vehicle Supply Chain detailing how Canada could augment its contributions to the North American EV manufacturing sector, thereby making us more essential to the future of the continental auto sector. This was followed by public polling we conducted with Environics this spring that shows Canadians support the development of the ZEV supply chain, including critical mineral, battery and manufacturing projects and want the associated economic benefits these projects will create.

Despite this, the policy framework governing ZEVs in Canada is focused almost entirely on EV adoption, regardless of where they are made or where their component parts and materials come from. **This is not in sync with Canada’s industrial development goals**, nor with the objective of building the future of our domestic auto sector. We strongly believe that the goal of getting more Canadians to drive EVs is compatible with the goal of maximizing the economic and industrial benefits that accompany the transition to electric mobility.

To accomplish this, the Government of Canada should re-introduce the Incentives for Zero-Emission Vehicles (iZEV) program with new provisions that support Made-in-Canada vehicles and components. Scaling the program so that higher levels of incentives are made available to Canadians who purchase electric vehicles with defined percentages of Canadian resources, components, assembly, intellectual property, or labour contributions would catalyze industrial development and private investment to underpin the next iteration of Canada’s auto sector. Further, this type of graduated policy could also be structured to reward purchases of vehicles originating from allied countries working with Canada to prioritize Canadian critical mineral and clean technology development.

The other critical component of the government’s ZEV policy framework, the Electric Vehicle Availability Standard (the EV Sales Mandate) could then also be re-framed as an industrial policy measure that accounts for both today’s market realities and the sector’s strategic importance to the future Canadian economy. It seems clear that, despite significant federal government pressure, the target of 20% sales of all new light duty passenger vehicles by 2026 will not be met by traditional automakers. It follows then that, absent any change to the Availability Standard, in an effort to increase EV availability for Canadians, there will be increasing pressure to open our market to the heavily subsidized Chinese EV industry. It is difficult to see how either outcome – a failure to meet sales targets or opening our market to vehicles that have no Canadian content - is a benefit to the Canadian EV industry.

We, therefore, urge the government to broaden the ambition and the scope for success within the EVAS. One option could be to reward manufacturer investment into our domestic EV supply chain. While it is a reasonable policy that automakers must make EVs available to Canadians for purchase, it is also reasonable that the efforts of those automakers that commit to investing into our domestic EV supply chain, including mining, battery material development, R&D, etc., be recognized within the framework of Canada's most important EV policy. Similar to the changes proposed to the iZEV programme, this would help Canada to align the objective of encouraging EV sales with the objective of encouraging investment into Canada's EV supply chain.

Recommendation #3: Develop and implement a financing strategy that supports the growth of the entire battery supply chain in Canada.

Building out the entire battery supply chain in Canada will not only support the automotive industry but it will also contribute to energy security, defence, and wider industrial development goals. A specific battery industry financial strategy will serve a wide range of stakeholders in research and development, pre-revenue, growth stage, and major battery industry players, and in publicly and privately funded entities.

This strategy should focus on catalyzing growth domestically across the entire supply chain and:

- Revise, streamline and implement funding models that support the development of efficient and competitive supply chains, specifically in the refining, processing, and transformation of critical battery minerals into precursors and functional materials, and that also complement and support advanced battery research, battery materials production, and battery manufacturing.
- Revitalize and leverage Canadian capital markets with finance tools that re-direct capital and headquartering back into Canada, including:
 - Extending flow-through shares from mining, where it has driven billions in investment, into minerals and materials processing projects.
 - Extending tax-credits, tax-deferrals, and additional capital gains allowances to those who invest in Canadian listed battery and energy sector companies.
 - Collaborating with Canadian investment regulators to eliminate predatory and manipulative trading practices that harm the capitalization and stunt the growth of earlier stage companies.
- Empower government officials with discretionary authority to approve fast-track funding for battery projects, targeting decisions within 120 days of submission.

- Use quarterly or bi-annual public performance reviews, based on KPIs and milestones, to evaluate disbursement speed and economic impact of the financing strategy. Implement government procurement policies that prioritize Canadian-made battery products that source from Canadian supply chains, providing a stable market for domestic manufacturers.
- Adapt funding programs to ensure funds are available earlier in project development timelines, and to support cashflow needs in advance of meeting milestones, aiming at providing support when it matters most.

Recommendation #4: Develop and implement a financing strategy to support critical minerals development in Canada.

Building a ZEV supply chain that will create economic benefit throughout the country will require activating Canada’s critical minerals resources. This effort is underway at the federal level. More can be done to overcome the significant challenges the sector faces in securing capital to finance projects.

A critical minerals financing strategy would include:

- Expanding corporate mining activities eligible for flow-through shares to include feasibility studies and other administrative costs and expand CMETC credit to all 34 critical minerals.
- Launching a Debt Security Financing Program for critical mineral projects, including minerals processing projects, in Canada that meet a clear set of criteria to be established within 6 months in coordination with industry, Indigenous partners and other relevant stakeholders.
- Creating a Contracts for Difference program for critical mineral projects to combat unfair price manipulation in global minerals markets.
- In collaboration with the Minister of Industry, develop an approach that will incentivize manufacturers such as battery and other critical technology companies in Canada to source raw and processed materials from Canada.
- Ensuring the Indigenous Loan Guarantee Program is empowered to support Indigenous economic and equity partnerships in the critical minerals sector by endowing the Canada Development Corporation (CDEV) with a risk mandate that reflects the economic and financial realities of critical minerals projects.

- Beginning with BDC and EDC, and expanding to the Maple 8, develop new guidance on risk tolerance that will encourage investment in Canadian critical minerals projects.

Conclusion

Thank you for your consideration of this pre-budget submission. Accelerate is committed to working with government and all stakeholders to help Canada seize the industrial and employment-creating opportunities, and the national and economic security benefits, that an integrated ZEV industry represents for the future of our country.

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