A FEW EXAMPLES TO MAKE THINGS CLEARER

Here are three examples of how the credit calculation formula will work in model year 2020 for automakers with different sales volumes to clarify how the standard works in practice.

<table>
<thead>
<tr>
<th>Requirement for model year 2020</th>
<th>Total number of new cars sold or leased in Québec</th>
<th>Total required number of credits to be earned</th>
<th>Sales target for the manufacturer to meet its obligations with ZEV cars worth 3 credits each</th>
<th>Sales target for the manufacturer to meet its obligations with LEV cars worth 0.5 credits each</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.5% in credits</td>
<td>15 000 vehicles</td>
<td>1 425 credits</td>
<td>475 ZEV (3.2% of total sales)</td>
<td>1 425 ZEV (3.2% of total sales)</td>
</tr>
<tr>
<td>Including at least 6% from ZEV cars for automakers that sell more than 20 000 units each year</td>
<td>30 000 vehicles</td>
<td>2 850 credits</td>
<td>950 ZEV (6.3% of total sales)</td>
<td>2 850 LEV (5% of total sales)</td>
</tr>
<tr>
<td></td>
<td>45 000 vehicles</td>
<td>4 275 credits</td>
<td>2 850 ZEV (5.3% of total sales)</td>
<td>3 150 LEV (5.5% of total sales)</td>
</tr>
</tbody>
</table>

A STANDARD THAT MEETS DEMAND AND THE NEEDS OF QUÉBEC

Manufacturers have an obligation to offer clean vehicles to Quebeckers. The ZEV standard comes into effect in January 2018. Starting then, manufacturers subject to it will be required to earn credits through the sale and/or lease of ZEV and LEV motor vehicles in the Québec market. The percentage of obligatory credits required is calculated for each manufacturer on the basis of the total number of new cars it sells or leases in Québec.

MANUFACTURER CATEGORIES

The standard exclusively covers intermediate and large volume motor vehicle manufacturers. The categories are based on annual sales and leases of new light vehicles in Québec. If they wish, small volume manufacturers not covered by the standard may participate in the credits market by selling credits they acquire to other manufacturers.

THREE CATEGORIES OF MANUFACTURERS

SMALL

Fiat, Ford, GM, Honda, Mitsubishi, Subaru

INTERMEDIATE

GM, Honda, Hyundai, Kia, Mazda, Nissan, Toyota, Volkswagen

LARGE

Fiat, Ford, GM, Honda, Hyundai, Kia, Mazda, Nissan, Toyota, Volkswagen

**Québec is the first province in Canada to apply a ZEV standard, confirming its leadership in the fight against climate change.**
HOW THE ZEV STANDARD WORKS

Manufacturers will be required to earn credits starting with model year 2018. The government has set for that year 3.5% as the percentage in credits for new light vehicle sales and leases required of individual automakers. Targets will increase gradually each year to reach 22% in 2025 and later years. It is important to note that starting in 2020, large automakers will be required to earn a minimum percentage of their credits exclusively from the sales or leases of zero-emission vehicles. In point of fact, the minimum earned credits requirement that year for intermediate and large automakers will be 9.5%, with 6% coming exclusively from ZEV sales for large manufacturers. This dovetails with current California requirements.

HOW CREDITS ARE CALCULATED

Quebec uses the same system for calculating credits as the one used in U.S. states with a ZEV standard in place. Automakers use a formula for calculating the credits they earn from new car sales that is based on the following two factors:

- Type of vehicle
- Range in fully electric operating condition

The higher the fully electric range of a vehicle, the greater the number of credits received by the automaker.

IN SHORT, THE ZEV STANDARD WILL SPARK INNOVATION AND BETTER TECHNOLOGY

HOW THE ZEV STANDARD WILL SPARK INNOVATION AND BETTER TECHNOLOGY

Zero-emission vehicles (ZEV)

Fully electric vehicle
Hydrogen combustion vehicle

A maximum of 4 credits per vehicle

Formula: (0.01 x range in km) x 0.6214 + 0.5

Example: 402-km range in electric operating condition

= 3 credits

Example: 161-km range in electric operating condition

= 1.5 credits

Low-emission vehicles (LEV)

Rechargeable hybrid vehicle
Hydrogen combustion engine vehicle

A maximum of 1.3 credits per vehicle

Formula: (0.01 x range in km) x 0.6214 + 0.3

Example: 32-km range in electric operating condition

= 0.5 credit

ZEV AND LEV MOTOR VEHICLES FOR EVERYONE

Credits for reconditioned and low-speed motor vehicles

ZEV and LEV vehicles that have been reconditioned and registered for the first time in Québec can also earn credits. However, the number of credits decreases in proportion to the odometer reading in kilometres when a vehicle is first registered in Québec. Here is an example: If a new vehicle model is worth two credits to the manufacturer, the same model once reconditioned and imported with 35,000 kilometres on the counter is only worth one credit. It is important to note that the vehicle must meet a number of conditions in order to qualify, including being less than 4 years of age and having no more than 40,000 kilometres on the clock. As for low-speed vehicles that reach a maximum of 40 km/h, they count for exactly 0.15 credit each.

THERE ARE VARIOUS WAYS OF ACQUIRING THE REQUIRED CREDITS

Automakers have a choice of scenarios to enable them to reach their government-set credit requirements. The three examples below illustrate the different ways an automaker can receive 500 credits.

AUTOMAKERS CAN BUY & SELL CREDITS

Earnings credits may be purchased from competitors not subject to regulation but sell or lease no more than 4,500 vehicles annually, or from other automakers that are subject to the standard and have excess credits. Automakers that do not offer plug-in vehicles can therefore fulfill their obligations for a given model year with credits that are available on the market and avoid paying a charge to the government. Note that only credits earned in Québec can qualify, not those acquired in other jurisdictions that have a ZEV standard.