

QUÉBEC ADOPTS THE ZEV ACT!

(ZERO-EMISSION VEHICLES)



On October 26, 2016, Québec took a major step in fostering a prosperous low-carbon economy by adopting the Bill to increase the number of zero-emission motor vehicles in Québec in order to reduce greenhouse gas emissions and other pollutants (ZEV Act).

Transportation electrification is a niche industry with great economic potential and a promising solution for reducing GHG emissions and air pollution while reducing our dependence on oil.

In its 2015-2020 Transportation Electrification Action Plan, Québec set a target of 100,000 registered plug-in vehicles by 2020. The ZEV Act gives the Government of Québec the powers to require car manufacturers to sell a minimum of zero-emission ZEVs through a tradable credit system.

The goal: Incentivize the ZEV offer so that Québec consumers have access to a greater number and variety of plug-in vehicles that are the cleanest and most technically advanced on the market.

Once again, Québec is showing leadership by becoming the first Canadian province to implement a ZEV standard.

A regulation that has already proved its success!

Québec is joining ten U.S. states, including California and several northeastern states, that together account for close to one-third of all new vehicle sales in the United States and that have already adopted a similar ZEV standard. Their experience demonstrates that the ZEV offer has increased and has resulted in a drop in price for this type of vehicle.

The ZEV standard explained

How does it work?

Once the regulation has been adopted, automakers will be required to meet a ZEV sales target that is set by the government and transposed into credits, starting with 2018 models. The target will be calculated by applying a percentage to the total number of light vehicles that each manufacturer sells in Québec. The credit requirement will therefore vary from one manufacturer to another. Every sale or lease of a ZEV recognized by the Minister will earn the manufacturer a number of credits based on the vehicle's electric range. The greater the range, the greater the number of credits earned by the manufacturer, which in turn reduces the number of ZEVs the manufacturer will need to sell to reach its target. The goal of the ZEV standard is to incentivize automakers to build more models and use increasingly efficient technology.

Under certain conditions, the sale of reconditioned vehicles that are imported to Québec will also generate credits via a similar calculation, but to a lesser degree.

Small manufacturers that are not subject to the standard and high-performance automakers will also be able to benefit financially from selling their excess credits to manufacturers that will need to purchase credits to avoid paying regulatory charges or they can hold onto the credits for their own future needs. The requirements will take effect with 2018 model year vehicles, but automakers will be able to accumulate credits for 2014, 2015, 2016 and 2017 model-year vehicles that are not subject to regulatory requirements, and use them for compliance purposes in subsequent years. However, the Act stipulates that the government may, by regulation, limit the number of referred credits that automakers will be able to use to meet their requirements.

Who will be subject to the ZEV standard?

Automakers that sell or lease a yearly average of more than 4,500 new vehicles, all models combined, will be subject to the ZEV standard. This accounts for 99% of the Québec market. Automakers that sell fewer than 4,500 new vehicles per year will not be subject to the ZEV standard, but they will be able to participate and sell credits on a voluntary basis. Ultimately, automakers themselves will be responsible for reaching their targets.

Car dealerships are not subject to the Act or future ZEV regulations. The ZEV standard will enable dealerships to offer consumers what they are asking for, such as more low-carbon models at increasingly affordable prices. It is the automakers that will be responsible for meeting targets and to make sure that their ZEVs are attractive and available where the demand exists.

What types of vehicles qualify for credits?

- » Light vehicles that are allowed on public roads, excluding motorcycles and electric bikes:
 - > Fully-electric vehicles, including hydrogen fuel-cell vehicles;
 - > Vehicles equipped with a hydrogen combustion engine;
 - > Rechargeable hybrid vehicles;
 - > Any other vehicle powered exclusively by another mode of propulsion that emits no pollutants or is powered in combination with such a mode of propulsion.

This includes new vehicles and, under certain conditions, vehicles reconditioned by their automaker and registered in Québec for the first time.

The inclusion of reconditioned vehicles will foster the import of less expensive ZEVs. This will give all Quebecers, especially lower-income households, the opportunity to participate in the greening of Québec's vehicle population by making purchases that correspond to their values while promoting responsible consumption.

This approach is also part of a much broader global movement that advocates going from a throwaway society to a sustainable society. Indeed, reusing, repairing and recycling help extend the lifespan of products. They are an important component of the circular economy since they reduce the waste of resources and prevent the production of waste, which ultimately leads to the development of truly responsible consumption.

When will the standard take effect?

Now that the bill has been adopted, the process of adopting the legislation has begun and automakers could be required to report their ZEV sales beginning September 2017.



A few figures

- » Québec's light vehicle fleet: nearly 5 million
- » New cars sold in 2015: nearly 445,000

Electric vehicles are gaining ground in Québec:

- » March 2014: 2,800 electric vehicles on Québec roads
- » On August 30, 2016: 11,619

The trend needs to continue! The adoption of the ZEV standard will accelerate the number of ZEVs on our roads!



What the ZEV standard means for consumers

- » More ZEVs available on the market, including reconditioned ZEVs at a lower cost
- » More ZEV model choices and higher-performance vehicles
- » Lower prices resulting from more competition and automaker compliance obligations
- » Fuel and maintenance savings
- » Less wait time for ZEV delivery



What the ZEV standard means for our innovative companies

- » Creates a dynamic transportation industry
- » Stimulates research
- » Fosters innovation and technological development
- » Leads to higher levels of expertise in this cutting-edge technology in mechanical workshops
- » Provides new opportunities for professional development in sustainable mobility
- » Creates jobs in sectors with a promising future



What the ZEV standard means for all Quebecers

- » A cleaner and higher performing automobile fleet
- » Reduced dependence on oil, which will translate into economic benefits in Québec
- » A boost to reaching Québec's GHG emission reduction targets and meeting international commitments
- » Improved air quality
- » Lower public health costs due to cleaner air
- » Improved living environments (noise reduction and fewer heat islands)
- » Smarter use of our clean electricity to benefit our economy



Implementing the ZEV standard is an essential measure that will help achieve the target of 100,000 plug-in vehicles registered in Québec by 2020, as set out in the 2015-2020 Transportation Electrification Action Plan. It is part of a set of measures that will help increase the number of ZEVs in Québec and make them more accessible, including:

- » Rebates on ZEV purchases (Drive Electric);
- » Refunds for installing charging stations at home and at work;
- » Reserved lanes.



The ZEV standard fosters the acquisition of ZEVs and encourages innovation

By building on Québec's assets:

- » Clean, renewable and abundant energy;
- » Internationally recognized know-how in electricity production and transportation and the development of related technologies (electric motorization, batteries, recharging systems, etc.);
- » A strong industrial ground transportation base consisting of 650 companies and some 30,000 jobs;
- » A skilled labour force;
- » Internationally recognized research centres.

The ZEV standard will strengthen Québec's electric transportation industry by:

- » Creating an additional demand for our businesses that:
 - > manufacture and install charging stations for networks and residential use;
 - > design and manufacture electric vehicle components;
 - > develop cutting-edge expertise in vehicle maintenance.
- » Incentivizing research and technological innovation;
- » Improving training for youth in cutting-edge technologies.

Consequently, the ZEV standard will help create good jobs in industries with a promising future in Québec.

The government is proposing a vision and targets that will fast track Québec into the innovative and low-carbon economy of the 21st century. This vision is set out in various policies that it has implemented:

- » 2013-2020 Climate Change Action Plan;
- » 2015-2020 Transportation Electrification Action Plan;
- » 2030 Energy Policy;
- » 2015-2020 Government Sustainable Development Strategy.



Investing in transportation electrification means investing in the future of our businesses and that of our children.

Let's do it for them!

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