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Developing a Green Commercial Vehicle Program

Environmental Defence Submission 2017

The following submission provides Environmental Defence's response to the draft Green Commercial Vehicle Program (GCVP): 2017-2018 Program Guide for Consultation released by the Ministry of Transportation.

Since 1984, Environmental Defence has been working to protect Canadians' environment and human health. We challenge and inspire change in government, business and people to ensure a greener, healthier and more prosperous life for all. Environmental Defence supports the Ontario government's commitments to develop and implement a climate change strategy. We recognize that reducing greenhouse gas emissions (GHGs) will bring many benefits, including cleaner air, improved public health, and more jobs and business opportunities in the clean economy.

At 35%, the transportation sector is the largest contributor to Ontario's emissions. Given this fact, the transition to electric vehicles is an essential component of Ontario's efforts to fight climate change. The Ministry of Transportation (MTO) must play a central role in helping the province meet its legislated climate change targets of reducing greenhouse gas emissions (GHG) to 15 per cent below 1990 levels by 2020, 37 per cent by 2030 and 80 per cent by 2050.

Environmental Defence recognizes the strong role Ontario's Climate Change Action Plan has already played in reducing GHG emissions from personal vehicles through promoting and providing generous incentives to encourage uptake. However, with the commercial transportation sector representing the second largest source of transportation emissions in the province, MTO must also play a central role in shifting Ontario to a North American leader in the deployment of low-carbon and zero emission commercial transportation.



A proactive approach to reducing emissions from commercial vehicles by encouraging a shift towards low-carbon fuels and technologies will help to reduce the province's vulnerability to a changing climate and assist in achieving significant greenhouse gas emission reductions. Moreover, as GHG emissions from passenger vehicles slowly decline and GHG emissions from freight trucks are projected to riseⁱ, without intervention the commercial vehicle sector is on track to take over as the largest source of transportation emissions in the province.

While ED supports the principles and many aspects of the draft program, we provide the following responses to select program design discussion questions in order to enhance the program's effectiveness.

Program Design Discussion Questions

Will the incentive values proposed support and promote adoption? How appropriate are the percentages and funding caps proposed for the incremental costs for each supported vehicle fuel type or fuel saving device?

Electric Vehicles

The proposal notes that electric vehicles "are often used on short-haul city and urban delivery routes that involve multiple drop- and pick-up operations." However it is important to note that many companies are now developing heavy electric semi-trucks in class 7 and 8, and the technology is evolving quickly. Any new incentive programs should assume that these heavier vehicles will eventually hit the market, and should be appropriately incentivized.

As proposed, class 3-5 electric trucks would be eligible for a rebate equal to 50% of the incremental cost of purchase relative to an equivalent diesel vehicle to a maximum of \$75,000 CAD. Class 6-8 natural gas trucks would be eligible for a rebate equal to 30% of the incremental cost of purchase relative to an equivalent diesel vehicle to a maximum of \$30,000 CAD.

Of concern, the current proposal appears to **exclude class 6-8 heavy duty electric trucks from rebates.**

This is inconsistent with the stated program design principle that "a higher proportion of incremental cost support is available to vehicles that have higher GHG reduction potential when compared to conventional diesel vehicles" and the specific reference to electric vehicles stating "as they offer the greatest GHG reductions when compared to conventional diesel vehicles, they will have the greatest potential incentive amounts available."



Electric vehicles offer much more significant GHG emissions reductions potential, and should therefore receive a greater incentive compared with natural gas vehicles in all categories. A 2010 working group report on natural gas transport prepared for Natural Resources Canada cites that natural gas reduces GHGs in heavy duty trucks, relative to diesel, by between only 4% and at most 30%ⁱⁱ. Furthermore, other studies, including from the International Council on Clean Transportationⁱⁱⁱ, have noted that GHG emissions from natural gas trucks can be higher than diesel on a lifecycle basis depending on the quality of the fuel distribution system and its associated leakage.

Excluding class 6-8 heavy duty electric trucks from rebates offered to higher-emissions vehicles will in effect incentivize polluting class 6-8 trucks over zero emission alternatives. For this reason, **ED strongly suggests adding rebates for class 6-8 heavy duty electric trucks equal to 50% of the incremental cost of purchase relative to an equivalent diesel vehicle to a maximum of \$75,000 CAD**, in line with the rebates offered for class 3-5 electric trucks.

Given the context of the [Climate Change Action Plan](#), the government should prioritize technologies that can best reduce greenhouse gas emissions, not current capacity or availability. Considering the rapid advancement in low carbon technology we're seeing around the world, supply and demand may change drastically in the near future.

Are there any potential barriers to successful uptake of the program as designed?

1. Cost

Incentives provided upon proof of purchase always present a potential cost barrier, as any participant would have to have capital for the entire up-front cost of purchase. However, the proposal for program funding to be provided to eligible applicants through discounts provided at the point of sale by approved vendors, manufacturers or dealers is one potential solution to this barrier.

2. Lack of awareness

We would like to stress the importance of not just allowing dealers to provide discounts at point of sale, but working with dealers and automakers to promote and support this important opportunity. Dealers could be an important source of information and engagement with potential purchasers who may not be aware of the potential incentives or benefits of low carbon commercial vehicles. At the moment, due to lower profit margins on both sale and maintenance of electric vehicles, dealers are not motivated to promote their sale. However, with the



introduction of a Zero-Emissions Vehicle Strategy mandating a set portion of all the vehicles sold in Canada to be electric, this could change.

More broadly, the government should undertake actions and allot funding to promote green commercial vehicle incentives through a variety of communications methods targeted specifically to the commercial trucking sector.

3. Lack of vehicle choice

Many potential consumers of personal electric vehicles in Ontario have found that these vehicles are available in very limited quantities. Wait lists are common. Dealers are not always supportive of making these vehicles available for a variety of reasons, and the risk of vehicle sales being undermined at point of sale is real. In some jurisdictions such as Quebec and California, laws require auto companies to sell a minimum percentage of zero-emissions vehicles, which therefore creates more choice in the market. Similar strategies to promote a diversity of commercial electric vehicle choices could also help drive increased sales.

Conclusion

The GCVP provides a key opportunity to reduce GHG emissions from the movement of goods and non-passenger related services. To date, relatively little policy attention has been paid to this area, which is surprising considering the growing proportion of these emissions compared to passenger vehicle emissions, and the potential benefits of reductions in the form of cleaner air, reduced climate impacts, better health, and long-term cost savings for businesses.

We recommend that the commercial vehicle sector become a growing source of focus for GHG emission reduction policies and programs in Ontario, as well as an expanded focus on rolling out strategies to reduce emissions from large passenger vehicles such as school buses, shuttle buses, and public transit buses. The GCVP's proposed incentives and actions are promising step in the right direction, paving the way for a cleaner economy, and a cleaner future.

ⁱ Pembina Institute. (2017). – The State of Freight . Retrieved from <http://www.pembina.org/reports/state-of-freight-report.pdf>.

ⁱⁱ Canadian Natural Gas Resource Alliance. (2010).

ⁱⁱⁱ International Council on Clean Transportation. (2015).