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• (1530)

[English]

The Chair (Salma Zahid (Scarborough Centre—Don Valley East, Lib.)): I call this meeting to order.

Welcome to meeting number 32 of the Standing Committee on Science and Research. We are meeting today to resume our study on the implications of the Canada-China preliminary joint agreement on Canada's electric vehicle sector.

I would like to make a few comments for the benefit of the witnesses and all members.

Please wait until I recognize you by name before speaking. For those on Zoom, at the bottom of your screen, you can select the appropriate channel for interpretation—floor, English or French. I remind you that all comments should be addressed through the chair.

I would like to welcome our first panel.

We have Dr. Charles Burton, senior fellow, Synopsis. He is joining us by video conference. We are also joined by Brian Kingston, president and chief executive officer, Canadian Vehicle Manufacturers' Association. Our third witness, in person, is David Adams, president and chief executive officer, Global Automakers of Canada.

Welcome to all of you, and thanks a lot for appearing before the committee.

Witnesses will have five minutes for their opening remarks. Then we will go to our rounds of questioning. We will begin with Dr. Burton.

Please go ahead. You will have five minutes.

Wait one second, Mr. Burton. We can't hear you.

We will go to Mr. Kingston while the technicians figure out why we can't hear Mr. Burton.

Mr. Kingston, please go ahead. You will have five minutes for your opening remarks.

Brian Kingston (President and Chief Executive Officer, Canadian Vehicle Manufacturers' Association): Thank you.

Madam Chair, committee members, thank you for the invitation to appear today as part of the committee study on the Canada-China preliminary joint arrangement on Canada's electric vehicle sector.

The Canadian Vehicle Manufacturers' Association, CVMA, is the industry association representing Canada's leading manufacturers

of light and heavy-duty motor vehicles. Our membership includes Ford, General Motors and Stellantis.

CVMA members have been operating in Canada for over 100 years. They're responsible for most of the auto production in this country, having built over 100 million vehicles since 1945. Today, CVMA members are the largest employers, investors and innovators in the auto manufacturing sector in Canada.

Ford, General Motors and Stellantis are leading the transformation to electrification. General Motors and Ford are the top EV sellers in Canada, while Stellantis is the only manufacturer building PHEVs and EVs in this country.

The CVMA is concerned with the Canada-China agreement that reversed the China surtax order and allows 49,000 Chinese vehicles into the market. That's equivalent to 30% of the total number of EVs sold in Canada last year, a significant number.

The agreement has the potential to undermine Canada's auto sector and presents risks to the future of the integrated North American auto supply chain for the following four reasons.

Number one is the level playing field. China does not adhere to many of the rules-based trade and investment principles that have been fundamental to the success of the auto industry and the Canadian economy. China's state-directed industrial policy provided over \$230 billion U.S. in subsidies between 2009 and 2023. Today, domestic EV manufacturing capacity exceeds demand by three times, with the surplus product exported and in many instances dumped in markets abroad. China's vehicle exports have grown from one million units in 2020 to six million in 2024 and are on track to achieve nine million by 2030.

Chinese manufacturers have a cost advantage due to weak or non-existent labour rights that have suppressed wages and artificially lowered the cost of production. According to an analysis by Reuters, the estimated hourly wage paid at 30 Chinese auto companies is between 14 yuan—that's about \$1.93 U.S.—and 31 yuan, which is about \$4.50 U.S. In comparison, CVMA members are unionized, with production assemblers paid an average hourly wage of \$44.52 Canadian plus generous pensions and benefits.

Number two is security risks. In 2024, Canada committed to banning Chinese-connected vehicle software and hardware to protect Canadian drivers from foreign actors manipulating these technologies. The Canada-China agreement is incompatible with this commitment. Clarity is needed on the federal government's position on the risks posed by Chinese-connected vehicles to Canadian drivers.

Number three is the interaction with EV mandates. The federal government announced three months ago that the EV mandate would be repealed. In September of last year, the federal government announced that the 2026 model year targets would be paused. Despite these announcements, nothing has happened. The mandate remains in place today. Under the EV mandate, Chinese OEMs could earn up to \$980 million per year selling compliance credits. This is an incomprehensible outcome at a time when manufacturers are already under significant pressure from U.S. tariffs.

Finally, there is the importance of U.S. alignment. The CVMA strongly supported the federal government's China surtax order that levied a 100% tariff on Chinese manufactured EVs, because we must align ourselves with the U.S. approach to China. We cannot be out of step with our largest trading partner on China as we approach a very sensitive time with respect to the review of our CUSMA agreement. There is simply too much at stake for the auto industry and the broader Canadian economy if we are perceived by Washington as being out of step and misaligned on how to deal with China.

Thank you for the opportunity to address your committee. I look forward to answering any questions that you may have.

• (1535)

The Chair: Thank you, Mr. Kingston.

We will now go back to Mr. Burton.

Mr. Burton, please go ahead. You will have five minutes for your opening remarks.

Charles Burton (Senior Fellow, Synopsis, As an Individual): Thank you, Madam Chair.

There are profound scientific, research and national security implications to the Canadian government's recent concession allowing heavily subsidized Chinese electric vehicles into our market. In September 2024, I testified before the Commons international trade committee that Chinese EVs represent a critical security threat to Canada. The previous month, the U.S. national security adviser at the time, Jake Sullivan, speaking in Nova Scotia, urged Canada to exclude Chinese EVs from North America, citing “issues associated with data security, with critical infrastructure, and with the underlying questions of national security”.

Extensive research by Britain's Royal United Services Institute, the Australian Strategic Policy Institute and numerous allied government agencies has produced emphatic warnings. These vehicles are effectively spy machines on wheels. Their integrated cameras, sensors and GPS systems can easily camouflage sophisticated spyware and malware.

For example, in 2019 the United States moved the Transit Infrastructure Vehicle Security Act to ban the purchase of China Railway Rolling Stock Corporation subway cars because of technology in the cars that could allow for data harvesting, secret recording of conversations, surveillance of individuals and sabotage of critical U.S. transportation infrastructure. It was found that the opening and closing of railcar doors could be manipulated from Nanjing in China.

In late 2025, the United Kingdom Ministry of Defence issued a formal directive banning staff and troops from discussing sensitive information while inside Chinese-manufactured electric vehicles, citing credible fears of data harvesting via built-in cellular connections.

Canada previously recognized these risks by banning Huawei and ZTE from our 5G networks in 2022 to prevent Chinese regime infiltration of our telecommunications networks and by terminating a 2020 contract with the Chinese state firm Nuctech, known as the Huawei of airport security, for embassy X-ray scanners. We were going to put that equipment in 170 embassies and consulates.

Fundamentally, China does not have private sector commercial enterprises as we understand them. Chinese corporations are legally obligated to support state intelligence apparatuses. The regime can compel manufacturers to embed spyware into their vehicles and leverage massive state subsidies to flood western markets with EVs at prices below production costs. They sell these vehicles cheaply, because the primary return on investment for China's integrated regime is geostrategic, not financial.

In August 2024, the Government of Canada announced a 100% surtax on Chinese EVs, which was to “help level the playing field for Canadian industry and workers”. However, I argued then, and still believe now, that Canada should have implemented an outright ban of Chinese EVs on security grounds, as we did with Huawei, ZTE and Nuctech. Utilizing prohibitive tariffs to keep Chinese EVs out of Canada instead of a security-based ban inevitably invites diplomatic complications.

Shiny, affordable and high-tech, a cutting-edge \$30,000 Chinese BYD with superior battery technology is undeniably attractive to Canadian car buyers when compared with the pricier Canadian-produced competition. Consequently, I predict intense public pressure on the government to go beyond the 49,000 figure to allow in as many Chinese EVs as necessary to satisfy Canadian consumer demand.

● (1540)

The darker concern is how these EVs, governed by sophisticated software that can be manipulated remotely from China through updates, might be weaponized for destabilization. We must consider a scenario, for example, where cities and transportation arteries are suddenly paralyzed by legions of immobilized Chinese vehicles. Chinese EVs pose a security threat to Canada—maybe not today or tomorrow but certainly when the time is right. For example, when China goes to war with the U.S. or our allies—

The Chair: I'm sorry for interrupting, Mr. Burton. Could you quickly wind up, please?

Charles Burton: Thank you, Madam Chair, and thank you to the excellent interpreters of the committee.

The Chair: Thank you, Mr. Burton.

Now we will go to Mr. Adams for five minutes.

Mr. Adams, please go ahead. The floor is yours.

David Adams (President & Chief Executive Officer, Global Automakers of Canada): Madam Chair and committee members, thank you very much for the opportunity to appear before the committee today, on behalf of the 15 members of the Global Automakers of Canada, to discuss the important topic of Chinese electric vehicle entry into the Canadian marketplace.

For context, GAC member companies employ 110,500 people in Canadian dealerships, vehicle assembly plants, national and regional offices, captive finance companies, and transportation and logistics facilities. The activities of GAC member companies support an additional 107,000 jobs across the country and contribute more than \$24.9 billion annually to the Canadian GDP. These activities generate more than \$10.6 billion in government revenue annually.

At the outset, it's important to underscore that all auto distributors in Canada are importers. While five companies manufacture in Canada, the vast majority of their production—85% to 90%—is destined for the U.S. market. Most of the vehicles sold in Canada come from somewhere else. The U.S. supplies 18.3% of the vehicles GAC members sell here. Mexico supplies almost 24%. Vehicles from elsewhere around the globe come in at 43.4%. Canadian manufacturers, through Honda and Toyota, supply almost 15% of the vehicles sold here.

This reality underscores the importance of having a fair, transparent and rules-based environment for any new entrants—Chinese or otherwise—looking to distribute vehicles in Canada, in order to ensure a competitive marketplace for all. Some of the measures contributing to a fair, transparent and rules-based environment include adherence to Canadian motor vehicle safety standards and Canadian emissions standards; supporting consumers by ensuring that sold vehicles can be repaired and serviced at a physical service location; mandatory participation in industry MOUs—principally with Transport Canada—that existing vehicle manufacturers abide by as a means of achieving regulatory outcomes through alternative mechanisms; and mandatory participation in a myriad of industry programs and dispute resolution processes.

Committee members will recall that the 100% tariff on EVs, including conventional hybrids, battery electric vehicles and plug-in hybrids, came into effect on October 1, 2024, via an order in council referencing section 53 of the customs tariff in order to address unfair trade practices that adversely impact the trade of Canadian goods and services. The RIAS supporting the OIC at the time indicated concern that “China's non-market support for its electric vehicle (EV) sector could lead to an exponential surge of imports that could adversely affect the transformation and planned investments in Canada's vehicle sector.”

It is also worth noting, as others have mentioned, that Canada has not yet established any regulation similar to the information and connected technology and services for connected vehicles regulation that was implemented last year in the United States. This regulation bans vehicle connectivity systems and advanced driving system technologies linked to foreign adversaries, with a software ban coming into place for model year 2027 and hardware bans being implemented for model year 2029 and model year 2030. This would seem to be another area Canada should explore further to ensure that personal information and privacy, as well as cybersecurity and national security, can be safeguarded.

The announcement in mid-January of the government's intention to allow 49,000 EVs into the Canadian marketplace, a quota that will increase each year, seems to discount the initial rationale for imposing the tariff in the first place. It also represents an initial irritant, as others have commented on, to the U.S. administration at a time when we are heading into a sensitive first review of the USMCA. While the quota represents a small portion of overall Canadian sales, as Brian mentioned, it represents 30% of EV sales.

It remains unclear whether this action will achieve the policy goal of providing Canadians with more affordable EVs and encouraging joint-venture production of vehicles in Canada, which would presumably be reviewed under the Investment Canada Act. Clearly, the greatest value added for Canada would arise from utilizing the Canadian supply chain for parts and components, as well as Canadian labour. All issues are linked in the automotive industry, and this decision has ramifications for environmental policy, trade policy, industrial policy and national security.

• (1545)

From the perspective of the members of the Global Automakers of Canada, it is important that Canada establish the appropriate guardrails now with respect to any new entrants coming to Canada in order to ensure a level playing field for competition and for the privacy and security of consumers purchasing their vehicles.

Thank you. I look forward to answering your questions.

The Chair: Thank you, Mr. Adams.

With that, we will begin our first round of questioning with six minutes each.

We will start with MP Baldinelli for six minutes.

Please go ahead.

Tony Baldinelli (Niagara Falls—Niagara-on-the-Lake, CPC): Thank you, Madam Chair.

Thank you to the witnesses for being with us today.

I'm going to begin with you, Mr. Kingston.

Last week, you were quoted in the National Post, calling it “a massive risk” to allow Chinese EVs access to Canada's market. You also said, “Canada's auto industry depends on our integration with North America and the U.S. specifically, that's been the foundation of the sector, going all the way back to the auto pact.”

Is it a mistake for Canada's Liberal government to be veering the country off course from this foundation?

Brian Kingston: Yes, it's a major mistake.

My colleague Mr. Adams referenced the fact that approximately 90% of Canadian automotive production is destined for the United States. That is how the sector has been designed, that is how it has worked and that is why we've been so successful building the industry that we have. By taking a different approach to China, we put that integrated supply chain at risk.

I've just come back from a week in D.C., and every conversation started and ended with China and a question for me about why

Canada has taken the actions it has. It is a significant risk, and it's an unforced error at a very sensitive time.

Tony Baldinelli: Following up on that, based on the conversations you've had, what are the potential consequences of the Liberals taking Canada down this road from the U.S. towards China?

Brian Kingston: The U.S. is moving to seal off the U.S. market from Chinese product making it into the States or Chinese manufacturers incurring and gaining market share. As the U.S. goes down that road, because of our integration, we need to work with them in that effort.

By taking a different approach, we've now presented a risk, which I am assured will end up being an irritant in the discussions around the renewal of CUSMA. Typically, when you head into a review of a trade deal, you're trying to reduce irritants. We've introduced a vehicle-sized irritant onto the table.

• (1550)

Tony Baldinelli: To follow up again, the success of the Canadian and North American auto sector has always been based on the regulatory harmony that's existed between both countries, from the auto pact to the free trade agreement to CUSMA. In fact, the Japanese ambassador to Canada recently indicated, when he was interviewed by CTV, that continued access to the U.S. market under CUSMA was essential for companies considering expanding vehicle production in Canada. Honda and Toyota are two of the biggest auto manufacturers in Canada.

Brian or David, can you comment on that? What are the risks?

David Adams: Part of the risk is that, this action, as you say, could potentially stifle other investments by existing players in the marketplace. The other reality is that the aspiration of making Chinese manufacturing happen here is not likely unless we get our borders sorted out.

This has to be a triaged exercise where we have our focus and attention on the U.S. and then look elsewhere. It's always good to have a backup plan, but we shouldn't be throwing the baby out with the bathwater.

Tony Baldinelli: Thank you.

Mr. Burton, it's good to see you again.

I was on that international trade committee in 2024 when you first appeared. In that meeting, you said the following:

My judgment is that the potential security threat trumps all of the other factors in our consideration of Chinese EVs. Just as we've banned Huawei telecommunications technologies from Canadian infrastructure, on the same basis we should ban all import of Chinese electric vehicles.

Do you still believe that?

Charles Burton: Yes, I do, and I think advances in technology make this reality even more terrifying and a greater threat to Canadian security.

I think a lot of Canadians really don't take this as seriously as they should. We are getting constant warnings from our own security agencies and security agencies around the world that the Chinese are using Internet-connected devices, whether they're EVs, Chinese software in water filtration systems or any number of elements of what's referred to as the Internet of things, to try to engage in what is effectively a hybrid war that could cause us grave difficulties if there were to be a kinetic war between China and the west.

I think Canadians believe war consists of blowing up buildings in countries far away, but when we find that our banking system no longer works, cars don't run and the water is undrinkable, I think we'll realize we're in a very different scenario in this modern age than in previous wars.

Tony Baldinelli: Some nations have looked to ban the use of Chinese-made EVs for their military members and have denied access to military installations. Do you agree with these moves?

Charles Burton: Yes, I think it's the right move. I think we should be doing the same.

We already have some partial bans. Government employees can't use TikTok, because TikTok is one of these Internet-of-things devices that gathers up data and tries to shape people's perceptions of China. I think the same thing has to apply to EVs.

As we know from other testimony, there are also concerns about forced labour in their manufacturing of aluminum. We got that from Margaret McCuaig-Johnston when she testified, and we've had them—

Tony Baldinelli: I have just a couple of seconds left. I want to ask you one last question.

Last week, the U.S. ambassador to Canada suggested that Canadians who buy Chinese-made EVs will not be allowed to drive them into the U.S. What are your thoughts on that?

Charles Burton: I think that's the direction they're going. You'll appear at the border with your EV, and you'll be allowed to enter the U.S., but the car won't be. It's not just the ambassador. A number of people out of Washington are suggesting that this is what will happen. They would only be for Canadian domestic use.

Tony Baldinelli: Thank you, Madam Chair.

The Chair: Thank you, MP Baldinelli.

Now we'll proceed to MP Rana for six minutes.

Please go ahead.

Aslam Rana (Hamilton Centre, Lib.): Thank you, Madam Chair.

Thank you to all of the witnesses for your valuable time.

I will start with you, Dr. Burton.

The government has described this arrangement as an opportunity to attract Chinese venture investment in Canada's EV supply chain. In your view, what does Canada need to get right for that to work?

Charles Burton: There are concerns that the Chinese EVs coming into Canada will be coming in as kits and will not be providing employment opportunities to Canadian auto workers. I know that my former superior in the Canadian embassy in Beijing, Guy Saint-Jacques, suggested that we could have them come in under Canadian rules and that perhaps by year 10 we could have the Chinese EV manufacturers using Canadian-produced parts.

Frankly, based on my experience in China, I don't think China will abide by our rules fairly. We've seen time and time again where China has not done that. The idea that China would agree to BYD manufacturing EVs in Canada using entirely Canadian-sourced products is extremely unlikely.

I'm not optimistic about this or how we can make it work.

• (1555)

Aslam Rana: Dr. Burton, China's own industrial priorities around EVs have been shifting recently. How should Canada be factoring that into how it thinks about this arrangement going forward?

Charles Burton: I'm concerned about Chinese EVs coming into Canada under any conditions. They are grossly subsidized by the Chinese government. I think the estimate for the past 10 years is something on the order of 300 billion dollars' worth of Chinese subsidies, which makes them very competitive.

There are concerns about the labour and environmental practices of lithium extraction in the Tibetan regions, as the executive director of the Canada Tibet Committee, Sherap Therchin, testified to the House of Commons international trade committee. I think there are also concerns about the use of forced labour in bauxite extraction in the Uyghur regions.

These things are quite serious barriers in terms of other aspects of Canadian law. Can we accept products of forced labour or products of environmental and labour practices that are unacceptable under international practice and Canadian law? This is a matter that I think is a barrier to fulfilling our commitment to the Chinese government to allow the 49,000 EVs to enter Canada in the initial phase, followed by more in subsequent years.

Aslam Rana: Thank you.

Mr. Kingston, the government has put forward several measures to support the automotive sector alongside this arrangement. From your members' perspective, what are the most pressing needs the sector has right now?

Brian Kingston: The biggest challenge facing the automotive sector and auto manufacturers in Canada remains access to the U.S. market. As I noted at the outset, the industry that exists has grown because we have free trade with the United States. As long as those tariffs remain in place, there will be significant costs driven to auto manufacturers.

At a time when the industry is under such pressure, introducing new market entrants from China, who do not compete on a level playing field, adds a whole new risk to the sector. We're looking for government to level the playing field and make sure that if manufacturers are going to compete with new market entrants, there's a set of rules that everybody abides by. China does not play by those rules. Therefore, that's a huge risk to the sector.

Aslam Rana: Where do you see Canadian vehicle manufacturers being most competitive in the EV transition, and what role does this arrangement play in that?

Brian Kingston: Manufacturers have already invested billions of dollars in the EV supply chain in Canada. As I noted, Ford and GM are the EV sales leaders in Canada. Stellantis is the only manufacturer currently building EVs here and, of course, has recently finalized major construction of Canada's first large-scale EV battery plant. We have the ground being laid for an emerging EV sector.

The challenge we're facing right now is a lack of demand from consumers, but we still believe that the future is electric and you'll see more and more manufacturers shifting into that space. We have to work with government to try to make the supports available to help consumers switch. Charging infrastructure, the recently announced incentive and the EVAP will help, and we'll see higher adoption levels over time.

Aslam Rana: Thank you very much.

Mr. Adams, the automakers you represent are making long-term investment decisions right now. What are the factors weighing most heavily on where they choose to locate EV production?

David Adams: I would look at it and reframe it as electrified production. One of the keys, as Mr. Kingston mentioned, is obviously having unfettered access to the United States market.

The other reality is the fact that we do share the same integrated auto environment, but the U.S. administration is basically undermining all of its environmental and EV-related goals and objectives with respect to battery production, investments, and so on and so forth. When we're trying to sell vehicles or build vehicles in Canada with 80% or more of those going to the United States, we need to be building vehicles that Americans want to buy.

That's why our members Honda and Toyota have taken that approach. American consumers are quite interested in hybrids, but they haven't developed the building of fully electric vehicles yet. They need the market.

• (1600)

The Chair: Thank you. Your time is up, MP Rana.

Aslam Rana: Thank you.

The Chair: We will now proceed to MP Blanchette-Joncas for six minutes.

Please go ahead.

[*Translation*]

Maxime Blanchette-Joncas (Rimouski—La Matapédia, BQ): Thank you, Madam Chair.

I'd like to welcome the witnesses who are with us today.

My first questions are for Mr. Burton.

In your opinion, is Canada making a strategic mistake by treating this arrangement as a mere trade agreement?

[*English*]

Charles Burton: Yes, I think it is a strategic error to agree to this. On the terms, it seems the idea was that we would accept the 49,000 EVs and more in subsequent years in exchange for relief on the canola seed tariffs that China had imposed. The canola seed tariff relief only runs from March 1 until the end of the year, so we've made a permanent commitment to allowing in the Chinese EVs in exchange for a highly temporary one.

The canola producers do not necessarily support our making this kind of deal. For them, as I've spoken to some of the officials involved in the canola industry, they'd really prefer not to be dependent on the Chinese market and to make as much as 75% of the canola seeds into biofuel so that they're not subject to these vagaries over and over.

They had it when we held Huawei CFO Meng Wanzhou on a U.S. extradition request, and then they had it again when we imposed 100% tariffs on EVs. They have enough trouble looking after the climate and the soil conditions without having to deal with arbitrary and punitive actions as China weaponizes trade to serve China's geostrategic interests.

[*Translation*]

Maxime Blanchette-Joncas: Thank you, Mr. Burton.

Given that Chinese companies are subject to Chinese national security laws, can we really rule out the risk of the Chinese government accessing or exploiting the data?

[*English*]

Charles Burton: No, I do not think we can. More and more of the Chinese algorithms are very specific, so the concerns that were just raised in the question with regard to the military would be highly valid. I do think that the concern is over software updates and putting backdoor routines into these vehicles. When you're looking at millions and millions of lines of code, it would be very difficult for the Communications Security Establishment to keep on top of whether these EVs are presenting a security threat.

I just despair about this. China is an integrated regime where businesses are expected to respond to the Chinese Communist Party, which has a state military-business integrated approach with an overall geostrategic plan to become the dominant power on the planet by the year 2050 under Xi Jinping's community of common destiny for mankind. I cannot think that its strong desire to have EVs running in Canada is not part of its overall foreign policy and defence agenda.

[Translation]

Maxime Blanchette-Joncas: Thank you, Mr. Burton.

We know that electric vehicles collect sensitive data, such as location and travel habits.

Should we consider these vehicles as potential vectors for collecting strategic information?

[English]

Charles Burton: The EVs would be able to pick up the licence plates of EVs and vehicles round about. In other words, they know where you've been going and what you've been parking next to. They also can gather information about infrastructure. China doesn't allow Teslas, for example, to enter into military and government spaces for the same reason. They provide extensive information about the driver. We have concerns about whether they can be used for listening in on communications through the Bluetooth applications in those EVs.

I think there are any number of reasons to be concerned about them. They are like cellphones or spy machines on wheels. There's no question about this. The idea that the Chinese state would not fully exploit the possibility of that advantage strikes me as extremely unlikely.

Whether we're able to solve it through installing, let's say, BlackBerry software into the cars, I don't have the technical expertise to speculate on that. However, I really feel that this is a mistake from a security point of view, and it could have very serious consequences for Canada's security in years ahead.

• (1605)

[Translation]

Maxime Blanchette-Joncas: Mr. Burton, we cannot guarantee data security. Nor, of course, can we guarantee the absence of forced labour in the supply chain.

In your opinion, is there a major strategic risk for Canada?

[English]

Charles Burton: Yes, I think we are. The Chinese government—I think just last week—initiated legislation that makes it illegal to transfer information abroad about supply chains. Also, they have legislation that punishes companies that are withdrawing from China under foreign pressure because of supply chain concerns. For example, they're not allowing the executives of the companies to exit China until the legal issues are resolved with regard to whether they are doing it for foreign reasons.

I don't think there is a good solution to this. The best solution is to ban Chinese EVs from entering the Canadian market for security reasons. I agree fully with what the other witnesses have said about

these other significant factors. It's unfortunate that the Carney government has made this decision.

It appears that we are giving up on our previous concerns about security, foreign influence, transnational repression and defence of Canadian diaspora communities with a view that we can gain significant trade advantages. Let's face it. Our total external commodity trade to China is 4%. Even if we are able to raise it to 6% by 2030, as the government proposes, it will not make a significant difference in the concerns we have about what the U.S. may do to our economy.

The Chair: Thank you.

We will start our second round with MP Ho for five minutes.

Please go ahead.

Vincent Ho (Richmond Hill South, CPC): Thank you, Madam Chair.

My first set of questions is for Mr. Kingston.

Just last week, the Prime Minister said that our historically close U.S. ties have now become “weaknesses” and suggested that Canada should look elsewhere. From the standpoint of Canadian auto jobs and supply chains, is importing Chinese-made EVs a credible substitute for the North American auto market?

Brian Kingston: No, absolutely not. I'm an economist by training. Our trade relationship is always going to be with the largest economy that is geographically closest to us. We happen to sit beside the largest, wealthiest, most dynamic economy in the world, which is in the United States. Our relationship with the United States will never be a weakness. It is our biggest strength.

There's no doubt that we're going through a difficult time right now, as we deal with this administration, but to suggest that we could somehow diversify away from the biggest economy that we sit right beside...? That is not economically feasible. China will absolutely not be a replacement for our auto industry or for the access we have to the U.S.

Vincent Ho: It's great to hear from an economist.

Previously, it was said that Canada should be the best destination in the world for auto investment. Does the Liberal government's decision to import more Chinese-made EVs make Canada a better place to build or an easier place to dump product at the expense of Canadian auto jobs and supply chains?

Brian Kingston: It makes Canada a worse market for automotive investment. We are very fortunate to have five companies that have invested in this country and employ hundreds of thousands of Canadians throughout their supply chains and dealer networks.

By allowing Chinese companies that have no footprint, no investment and don't play by the rules into the market, it undermines the manufacturers that have invested in this country. This agreement makes it far worse. It threatens our access to the U.S., so there could be very little justification for any new investment in Canada if you can't guarantee that you can get your product into the U.S. market.

Vincent Ho: Thank you.

My next set of questions is for Mr. Burton.

Mr. Burton, last week the Prime Minister said that Canada's "close ties to [the United States] have become weaknesses...that we must correct." In your view, is replacing dependence on the U.S. with deeper exposure to Beijing-linked EV technology actually a correction or just swapping one vulnerability for another vulnerability, one which this government is not adequately prepared to address?

Charles Burton: I think one has to look at the difference in the nature of the two governments.

The Chinese government has an agenda that is hostile to us. It routinely violates the norms of the international rules-based order and presents a security threat in the South China Sea and to democratic Taiwan, as well as to Canada through the weaponization of trade relations.

The United States is a country that is based on the rule of law and democratic legislature. We have recourse in the U.S. courts if we feel the United States has not been abiding by trade agreements fairly, whereas China does not deal fairly or reciprocally in any way.

I believe that Canada should be strengthening our relations with the trans-Pacific partnership, with the Nordic nations and with Europe. Our total external commodity trade to Europe, plus the rest of the U.K., is I think almost three times as much as we deal in with China.

• (1610)

Vincent Ho: I have another follow-up question for you, Dr. Burton.

Previously, we were warned that Beijing "will continually try to buy our silence". If Canada banned Huawei from key infrastructure because of security risks, why would any government that wants to protect Canadians invite Chinese-made connected vehicles onto Canadian roads, into Canadian neighbourhoods and potentially near our sensitive infrastructure?

What does this say about the Liberal government's judgment that it would still cede and negotiate away access for our EV market in the name of so-called trade diversification?

Charles Burton: Yes, I'm not seeing a lot of trade diversification. It looks to me as if, in terms of what the government is doing in exchange for agreeing to Xi Jinping's demand to Mr. Carney earlier that Canada not engage China openly on our non-trade concerns—these are violations of human rights, influence operations, espionage and so on—the main advantage is to certain Canadian businesses that have close commercial relations with Chinese Communist business networks.

You're looking at the recent visit to China by Minister of Finance Champagne—that's the Minister of Finance, not the Minister of International Trade—and he brings a number of insurance companies and banks, including Brookfield Asset Management. After all those days of meetings, we haven't received any information from the minister about how this benefits Canada as a whole, so I—

The Chair: I'm sorry for interrupting. Your time is up. Maybe you can answer in the second round.

Charles Burton: Yes, I'm happy to talk about this extensively later.

The Chair: Okay.

We will now go to MP Noormohamed for five minutes.

Please go ahead.

Taleeb Noormohamed (Vancouver Granville, Lib.): Thank you to our witnesses for being here.

You know, I remember a time when my Conservative colleagues across the way were cheering when Stephen Harper oversaw and in fact stood with glee as Huawei signed an agreement to provide telecommunications integrated services in Canada. I remember when the Harper government signed a customs agreement in 2014. I don't hear those concerns.

In fact, I also remember the 31-year FIPA deal that the Harper government signed in 2014, so it's interesting to see my friends opposite now all upset that we are trying to do the best we can to help create opportunities for Canadian workers.

Mr. Kingston, it's good to see you again, as always. How many jobs has the auto sector lost since Trump started imposing tariffs on Canada?

Brian Kingston: Total auto-manufacturing jobs are flat. Most of the job losses that have occurred are in the supply chain in auto parts and components.

Taleeb Noormohamed: How many would you say that is?

Brian Kingston: How many?

Taleeb Noormohamed: Yes.

Brian Kingston: I'm going off a recent RBC report. I believe auto supply chain jobs were down about 5%.

Taleeb Noormohamed: It's down 5%. How much investment has been made by U.S. automakers in Canada in the last two years?

Brian Kingston: In the last two years—

Taleeb Noormohamed: Yes.

Brian Kingston: —the total amount is \$10 billion. That's a combination of the investment going into Oakville, where Ford is re-tooling that plant, and of course finishing the battery plant in Windsor and recent upgrades to the line by General Motors in Oshawa.

Taleeb Noormohamed: Ford is a member of your organization. Is that right?

Brian Kingston: That's correct.

Taleeb Noormohamed: Are you concerned about their partnership with Changan?

Brian Kingston: I'm sorry. Changan...?

Taleeb Noormohamed: Are you concerned about their JV with Changan in China?

Brian Kingston: In China or their partnership...?

Taleeb Noormohamed: Yes, their partnership with Changan, or the GM partnership with SAIC or the Stellantis-Leapmotor partnership... Do you have the same concerns about the fact that your members are entering into JVs with the very same types of manufacturers that we are concerned about bringing to Canada?

Brian Kingston: Every manufacturer that wanted to gain access to the Chinese market has had to enter into a JV. China has secured access to technology by making sure that they have JVs with these companies. I don't have a concern with that.

What I have a concern with is that, if you're going to cut a deal with China, why is there no reciprocity in any of the agreements we have done? We're opening our market without any conditions or conditionality on—

• (1615)

Taleeb Noormohamed: Mr. Kingston, there are conditions, and you know there are conditions. In fact, there are conditions around a whole variety of different parts of this, including around ensuring that the same types of security frameworks that were put in place by the Europeans are put in place in Canada. There are agreements to procure Canadian goods. How do we think about the auto sector in this country if we are entirely dependent on U.S. manufacturers alone?

Should we not be looking at the world and bringing people here to manufacture, as an opportunity for Canada and Canadians?

Brian Kingston: With all due respect, there are no conditions on security. We've been trying to work with the government, since the 2024 announcement, to put in place a connected vehicle hardware and software ban. There has been no progress on that, so there are no conditions there.

When it comes to bringing investment into Canada, of course the government should try to diversify and attract investment. However, without access to the U.S. market, there is no business case for a manufacturer to come to Canada right now. A Chinese manufacturer would never put a plant in Canada that cannot access the U.S. market. We're too small.

Taleeb Noormohamed: You've heard Trump say he doesn't want the U.S. to buy cars made in Canada. You've already heard this directly from the President of the United States. Should we not be looking at options for Canadian auto workers and Canadian supply chains?

Brian Kingston: No, it doesn't make sense to build cars in Canada and send them to other markets around the world. You would never build a vehicle here and send mass volume to Europe or Asia. We need the U.S. market, so we had better get a deal or our auto industry will simply not be the size it is today.

Taleeb Noormohamed: The question I would ask you, then, is this: How do you negotiate in good faith with a U.S. administration that keeps changing the rules of the game on Canada?

You represent the auto sector, auto manufacturers in this country. How do you negotiate in an environment where, day to day, the

rules change, if you don't also look at ways to bring investment and to create opportunities for Canada and Canadians at the same time as increasing affordability for Canadians?

Brian Kingston: I remain the eternal optimist on this. I think there is a deal to be had. I don't deny that this is going to be extremely challenging, but we have to remember that Canada is the largest export market for U.S. auto, and it's not even close. The U.S. sends more vehicles to Canada than Germany, Mexico and China combined. We have something to offer the Americans. We just need to get to the negotiating table and start focusing on that bilateral relationship. I believe there's a deal to be had.

Taleeb Noormohamed: Let's just be clear on one thing. You mentioned that there were no security requirements.

Every car that comes in has to meet Canadian standards of security. Bill C-8 and PIPEDA both give us those tools. Do they not?

Brian Kingston: Absolutely. There are existing rules around vehicle safety, and we have existing privacy rules. What I'm saying is that we've yet to actually follow through on the commitment to match U.S. connected vehicle bans.

The Chair: Thank you.

Now we will proceed to MP Blanchette-Joncas for two and a half minutes. Go ahead, MP Blanchette-Joncas.

[Translation]

Maxime Blanchette-Joncas: Thank you, Madam Chair.

I will continue with Mr. Burton.

On April 17, 2025, the Prime Ministersaid that China was the main threat to Canada's security.

In your opinion, are we contradicting our own assessments by opening our market to a sector as strategic as that of electric vehicles?

[English]

Charles Burton: Yes, I agree with the idea that China is the greatest threat to Canada. I don't think they are a strategic partner. I think they're a strategic competitor, or a strategic adversary, probably more correctly. On that basis, I think we have to be looking at the larger picture of the future and the increasing infiltration of the Chinese state into Canada, which could have very negative impacts for our own security position.

[Translation]

Maxime Blanchette-Joncas: Thank you, Mr. Burton.

What message do you think we are sending to our allies?

We acknowledge that there is a risk, but we are acting in the opposite way anyway. Ultimately, are we truly protecting our interests, or are we compromising them in the name of short-term gain?

[English]

Charles Burton: I believe we are compromising our interests quite severely.

I was concerned when Mr. Carney, last January, in the Great Hall of the People, referred to a strategic partnership with the party's General Secretary Xi Jinping present, then referred to a "new world order". I think that sends a signal to the Chinese that we support their overall foreign policy agenda.

While we in Canada may feel this strategic partnership is just a fine way of saying that we want to recalibrate our relations with China, China takes strategic partnerships very seriously and has expectations for Canada's collaboration with its overall strategic purposes and goals.

• (1620)

[Translation]

Maxime Blanchette-Joncas: Thank you.

Have there been other experiences in the past? We've talked about Huawei and Nuctech, for example.

Right now, do you feel that we're not learning from past mistakes and that we're taking a poorly calculated risk?

[English]

Charles Burton: Yes, I agree that it appears the risk has not been calculated properly.

I'm similarly concerned about the police deal—the agreement between China's public security ministry and the Royal Canadian Mounted Police. Up to now, to the best of my knowledge, it has not been made public. I'd really like to know what sort of concessions we have made in that security area.

The Chair: Thank you. The time is up.

We will now proceed with MP DeRidder for four minutes. Then we will end this panel with MP Rana for four minutes.

MP DeRidder.

Kelly DeRidder (Kitchener Centre, CPC): Mr. Kingston, can the Canadian auto ecosystem survive a future with 25% tariffs while importing Chinese government-subsidized EVs?

Brian Kingston: No. If the status quo maintains with no agreement with the U.S. on persistent tariffs while China gains increasing access to the market, the manufacturing sector, at its current size, will be very difficult to maintain.

Kelly DeRidder: Thank you very much for that.

I'm giving the rest of my time to Kurt.

Kurt Holman (London—Fanshawe, CPC): Thank you, MP DeRidder.

There are concerns about the Canada-China agreement on 49,000 Chinese EVs entering the Canadian automotive market and how it will affect the automotive market itself.

I'm the member of Parliament representing London—Fanshawe. In London—Fanshawe, there are small and medium-sized businesses that are part of the automotive supply chain. Close to the Lon-

don—Fanshawe riding is the General Motors CAMI plant in Ingersoll and the current construction of a battery plant for EV vehicles in St. Thomas. Prior to being elected as a member of Parliament, I worked in the information technology sector, especially on the onus of IT security—maintaining data security and preventing data security breaches.

Mr. Burton, you appeared at the international trade committee in 2024. In that meeting, you said, "Chinese EVs are potential spy machines on wheels". What did you mean by this? Can you please elaborate on the technical capabilities and the risks this exposes Canadians to?

Charles Burton: These EVs, like all EVs, have sensors, GPS and Internet connectivity. As they travel around, they are able to detect what licence plate numbers are nearby, understand infrastructure and gather information on the driver, particularly where they're going, who they're going to see and that sort of thing. There is an enormous data-gathering bonanza available to the Chinese regime through these EVs.

There's also a concern about software updates. The EVs could be updated with malware or spyware that could cause their operability to be affected if the Chinese regime, in a time of tension with Canada, sought to do so.

Really, it's one thing to get EVs from a nation that doesn't have hostile intent towards Canada and is a like-minded partner—say, Japan or Germany. Sourcing EVs from the Chinese regime poses an enormous security threat to us in terms of data gathering and subversion potential.

Kurt Holman: Are you surprised that the U.S. administration is not considering allowing Chinese automakers to open up joint ventures in the U.S., or that Canadians who buy Chinese EVs won't be allowed to enter the U.S. with those vehicles?

Charles Burton: I'm not surprised because the United States government seems to pay much more attention to the concerns raised by their security agencies, and there's much more information available to legislatures in the United States about this. I think the U.S. is doing the right thing in this regard. It's unfortunate that Canada is not abiding by the same concerns that are expressed by the people who understand this kind of technology and the threat that it poses to Canada.

Kurt Holman: We often hear about the data and privacy concerns Chinese EVs pose to Canadians, but are there greater security risks to western society? What are they?

• (1625)

Charles Burton: We would be concerned about the potential of EVs to understand critical infrastructure through their data gathering. One issue is the privacy and targeting of people who are in critical positions—the military and intelligence—if they make what I would regard as the error of sitting down in one of these things, but there's also the gathering of infrastructural information and potential military information. They really are remote spy machines that facilitate intelligence gathering much more efficiently than human intelligence could.

The Chair: Your time is up. Thank you.

We will end this panel with MP Rana for four minutes.

MP Rana, please go ahead.

Aslam Rana: Thank you, Madam Chair.

Mr. Adams, why are you fully against this policy on Chinese EVs, while most of your members are pursuing partnerships with Chinese companies?

David Adams: I didn't say I that was against the.... What I did say was that we need to cultivate a fair, rules-based environment by which any new entrant, Chinese or otherwise, comes to the Canadian market. Right now, as I think the other witnesses and I have outlined, we don't have that. In terms of other importers, everybody who is distributing vehicles in Canada is an importer, per se, as I outlined in my testimony. I think we are all unafraid to compete, but we need to compete from a level playing field.

Aslam Rana: Could you please speak to the joint ventures and the partnerships that your member companies have with the Chinese car companies?

David Adams: As Mr. Kingston mentioned, pretty much every automaker has a joint venture established with the Chinese.

This is not to repeat Mr. Kingston's testimony, but the only way that the western auto companies were allowed into the Chinese market was to establish a joint venture with an existing Chinese automaker. That was the IP transfer, the technology transfer—all those things occurred. That's the way they entered the Chinese market. It was on the premise that it was going to be a growing and huge market, which it certainly is at this point.

Aslam Rana: Thank you.

The government has set fairly ambitious EV sales targets. What needs to be in place in terms of infrastructure, incentives and supply chains for those targets to be achievable?

David Adams: The initiative that the Prime Minister announced on February 5 about removing the EVAS, the zero-emission vehicle mandate, was important because it was challenging in terms of actually being able to achieve those targets, and that's been replaced by a greenhouse gas emissions target. That will allow automakers, regardless of who they are, to achieve emissions targets in a much more flexible way while still driving the same level of electrification. We do need more infrastructure. There's no question about that. The incentives have certainly helped as well.

Aslam Rana: Mr. Kingston, global EV adoption has been growing steadily. How are the manufacturers that you represent thinking about their positioning in Canada relative to that broader trend?

Brian Kingston: Thank you. I'm sorry. My Internet was cutting in and out there.

The manufacturers that CVMA represents are very well positioned. As I noted, they're the first and second EV sales leaders in Canada right now, and they're actually building EVs in this country. The challenge that we've had recently has been a lack of demand. Now we're hopeful that with the return of the EVAP program and more investments into infrastructure, you will start to see an increase in demand. The February sales figures looked encouraging.

That's been the fundamental challenge that we face. Canadians just aren't interested in large-scale electrification at this stage.

Aslam Rana: The uptake of EVs in Canada has been uneven. What do you think are the main factors driving that, and what would meaningfully move the needle?

Brian Kingston: The most important thing is charging infrastructure. We see it again and again in surveys of Canadians that they are concerned about their ability to charge their vehicle at home and to access fast charging infrastructure when they are taking road trips. As you see more EVs on the road, the throughput at these stations increases and actually can make the charging situation more problematic for drivers, so we need to address that. We have to give drivers the confidence that if you switch to an EV, it will be just as convenient if not more convenient than owning a gas-powered vehicle. We're not there yet.

Aslam Rana: Thank you very much.

Thank you, Madam Chair.

The Chair: Thank you.

With that, this panel comes to an end. I really want to thank all three witnesses for appearing before the committee.

I will suspend the committee for a few minutes so that the witnesses for the next panel can take their seats.

The meeting is suspended.

• (1630)

(Pause)

• (1630)

The Chair: I call this meeting back to order. Welcome back.

I would like to make a few comments for the benefit of the new witnesses and the members.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mic, and please mute yourself when you are not speaking. For those on Zoom, at the bottom of your screen, you can select the appropriate channel for interpretation: floor, English or French. As a reminder, all comments should be addressed through the chair.

With that, I would like to welcome our three witnesses for this panel.

We are joined by video conference by Andrew McKinnon, interim chief executive officer, representing Accelerate: Canada's ZEV Supply Chain Alliance. We are joined in person by Daniel Breton, president and chief executive officer of Electric Mobility Canada. Our third witness, also in person, is Moe Kabbara, chief executive officer of the Transition Accelerator.

Welcome to all three witnesses. Each of you will have five minutes for your opening remarks. After that, we will go to rounds of questioning.

We will begin with Mr. McKinnon.

Please go ahead. You have five minutes.

• (1635)

Andrew McKinnon (Interim Chief Executive Officer, Accelerate: Canada's ZEV Supply Chain Alliance): Thank you, Madam Chair.

Thank you to the members of the committee for inviting me to speak on this important study.

Accelerate is an industrial alliance of key actors in Canada's emerging zero-emission vehicle supply chain. Our network of partners and collaborators includes critical minerals miners, battery producers, battery materials producers, vehicle parts makers, vehicle manufacturers, researchers and labour interests. Since 2021, we have been working across traditional industrial segments in Canada to develop the strategies that will support more Canadian content in EVs built here in North America and sold around the world.

Our research shows that building an EV supply chain and industry requires supporting the production of critical minerals and materials, as well as supporting the EV market through demand-side measures like predictable adoption targets, infrastructure build-out and the EV affordability program.

Today, it is widely recognized in Canada and by our allies that highly concentrated global supply chains for critical materials, including battery materials used in EVs, present a significant economic and security risk. For some of the key material inputs used in an EV battery or motor, greater than 90% of the world's supply is produced in China. This means that even though Canada has the raw materials needed and the final manufacturing prowess, we are missing control over critical segments of this value chain.

The economic opportunity to develop our EV industry and create jobs for Canadians must be considered with this context. It is essential that a strong EV industry in Canada, including a strong EV market, drives the demand to produce and process critical minerals and materials here. These are the same minerals and materials used to support our defence needs in advanced applications like power storage and drones.

A limited allowance of Chinese EVs into the Canadian market must be paired with continued and effective supports for Canada's own EV industry. In particular, this means support for critical minerals and materials production. This approach would build the EV market, support public access to and understanding of EV technolo-

gy, and build up the materials supply side of our EV industry. Also, with the right instruments in place, it could facilitate technology transfer from the world's leading jurisdiction for EV and battery production.

We are pleased to see that the government, since the announcement of the new automotive strategy in February, has made multiple commitments to support key actors in Canada's emerging EV supply chains. This includes over \$162 million for 22 Canadian projects announced by the Minister of Energy and Natural Resources at this year's PDAC conference in Toronto on March 3. Other critical measures include guidance in the strategic response fund on preserving intellectual property ownership in Canada, and budget 2025's addition of \$22 million to renew support for the patent collective.

This diversified approach of trade and EV industry development must also continue to ensure that future deals to secure foreign direct investment from Canadian trading partners in the production of batteries and EVs include provisions that require investors to work with Canadian critical materials producers and clear timelines for the attainment of levels of Canadian content.

We want to see an assurance that future agreements on joint ventures in Canada for the production of batteries or EVs include safeguards that support the protection of Canadian IP, requirements for Canadian materials supplied at prices aligned with Canadian labour and environmental standards, and provisions to facilitate technology transfer to Canadian firms. Any future deal must aim to increase Canada's strategic independence and economic resilience.

We should develop a strategy to amplify and expand Canada's battery materials sector by coordinating with Canada's peers to share best practices, to co-develop IP and to create market access for Canadian battery materials.

We should deploy a national IP strategy for Canada's critical materials producers that would fast-track patents in this space, especially those related to battery materials and materials production.

Finally, this approach must continue to support Canadian firms in maintaining access to U.S. markets and consider long-term U.S. trading partnerships in the battery and EV supply chain.

Thank you for your time. I look forward to your questions.

• (1640)

The Chair: Thank you.

With that, we will proceed to Mr. Daniel Breton for five minutes.

Please go ahead.

[*Translation*]

Daniel Breton (President and Chief Executive Officer, Electric Mobility Canada): Thank you, Madam Chair.

Good morning, everyone.

My name is Daniel Breton. I am the president and CEO of Electric Mobility Canada. Our association has represented the transportation electrification industry in Canada for 20 years. We have nearly 200 members, ranging from small and medium-sized enterprises, SMEs, to multinational corporations.

Twenty years ago, only a few dozen people worked in the sector, and fewer than 20 electric vehicles were on the road across the country. Today, more than 130,000 Canadians work in the sector, and there are over 1 million electric vehicles. By 2035, between 360,000 and 600,000 people will be working in the sector. We therefore represent the future of Canada's transportation industry.

[*English*]

Here are some facts. The Trump administration is trying to kill the Canadian automotive industry. In January 2026, he said, "We don't need cars made in Canada." An auto plan that counts on Canada signing a free trade agreement where we will have no automotive tariff with the current U.S. administration is wishful thinking at best. No country in the world has no automotive tariff with the current U.S. administration.

I recently heard the CEO of CVMA say that diversification is not an option. Well, CVMA only represents three members, two of which would have been bankrupt without \$80 billion in Canadian and U.S. taxpayer support 15 years ago, yet these three carmakers have decreased their Canadian car production by more than 80% in the past 20 years. It has nothing to do with Trump. It has nothing to do with China. That's why industry diversification is not only an option; it's the only option.

While approximately 5,000 jobs have been recently lost in the Canadian automotive industry, 130,000 jobs have been created in the Canadian EV industry. OEMs such as Rivian, Lucid and Tesla now employ thousands of Canadians in manufacturing and/or supply chain sectors here in Canada, yet they pay countertariffs while other OEMs that are currently laying off workers still get tariff remission. This is unfair, especially since these OEMs are the North American OEMs of the future.

Because Canada followed very lax U.S. regulations for decades, Canada was ranked dead last in the world by the International Energy Agency in a 2019 report for the average fuel economy of its light-duty vehicle fleet. By rolling back regulations on EVs, GHG emissions, fuel economy and even science, the current administration in the U.S. is creating the perfect conditions to slowly but sure-

ly kill its own auto industry. Trying to stop innovation is not an option.

Forty years ago—that's how old I am—the automotive enemy was Japan. At that time the Reagan administration imposed quotas on Japanese imports. My uncle worked at Ford and GM, and I worked at GM. He didn't want any of us in the family to buy a Japanese or German car, saying we couldn't buy from a country we had gone to war against. Today, the auto enemy is China. I sometimes hear the same undertones now towards the Chinese that I heard towards the Japanese 40 years ago.

Just over a month ago, I went to China to see the Chinese EV world with my own eyes. Chinese electric cars are very technologically advanced cars, much more so than many cars from most traditional automakers. If Canada had decided to follow the U.S. in trying to go back in time with cars and trucks with old technology, our industry would have been doomed.

The most laughable thing that I recently heard from an auto industry representative was the fear that Chinese automakers would come and copy our technology. We have a lot of catching up to do. Canadians want affordable cars, yet according to AutoTrader, the average selling price of a new car has increased by a whopping 57% between 2019 and Q4 of 2025, making buying a new car or truck very costly for Canadians.

Traditional carmakers stopped offering Canadians subcompact entry-level gas cars years ago. I recently went to Mexico, France and China. Carmakers in these countries offer affordable electric cars, starting at a little more than \$20,000, some of them made in China, but also made in Europe, South Korea or even Mexico. Why can't Canadians get them? The most affordable EVs offered here start at around \$40,000.

Today, Ford and GM import Chinese-made gas cars in Canada. The Lincoln Nautilus used to be made in Ontario. It's now imported from China and it's price has increased.

• (1645)

[*Translation*]

Tomorrow is Earth Day. I'm taking the time to point this out because the Standing Committee on Science and Research should keep in mind that the science of climate change is clear. Indeed, we must significantly reduce our greenhouse gas emissions, and Canada has a lot of work to do. Chinese vehicles are a small part of the solution, but we must work with everyone to create jobs here while we reduce our greenhouse gas emissions.

[*English*]

The Chair: Thank you.

We will now go to Mr. Kabbara for five minutes.

Please go ahead.

Moe Kabbara (Chief Executive Officer, The Transition Accelerator): Thank you, Madam Chair and committee, for inviting me.

I'm with the Transition Accelerator. We are an independent, non-partisan organization focused on helping Canada win economically and geopolitically within the energy transition.

I'm going to start with a simple statistic that I actually found really difficult to believe at first. In 2020, China exported one million vehicles, and not just EVs but everything. Last year, they exported more than seven million vehicles. One-third of these were electric. That is the fastest automotive expansion in history. At that scale, I think the question is not whether Chinese autos reach North American consumers. It's a question of when and how they do it, how much Canada can control that direction and outcome, and how much it benefits us.

The auto sector has lost more than half of its production since 1999. We peaked at around three million vehicles. Last year, it was about 1.3 million vehicles, and the EV transition is the opportunity, I believe, to potentially reverse that trend. We probably won't make three million cars again, but we can capture value that's potentially equivalent to that economic activity because Canada has the assets to help us win and compete in this EV transition. We have the critical minerals. We have access to talent when it comes to battery technology and battery innovation. We also have access to trade agreements that go beyond the U.S., even though the U.S. has been an anchor for the auto sector.

When the tariff question on EVs came up in 2024, we generally wrestled with this question because, given how deeply integrated the Canadian and the American auto production has been for decades, Canada couldn't afford to diverge too far from the U.S. position. However, we were actually very clear. We released a paper on this, in September 2024, in which we said that staying behind tariff walls indefinitely wasn't a strategy either. Tariffs can buy you time, but they don't build competitive advantage. Something like the agreement we are here to discuss today was going to happen eventually, and the question that we now face is how to maximize the benefits and manage the risks.

Earlier this year, the CEO of Ford in the U.S. was in discussion with the Trump administration about joint ventures with Chinese manufacturers. This is the world's most protectionist automotive market, and it is also exploring its options. Canada's engaging now on this is a head start, and I think it's a smart thing to do because, otherwise, we're going to be left out of the conversation.

The model of a structured joint venture is not new. It's actually how China built its own auto sector. It went from producing almost no vehicles to now having the capacity to produce half of the world's total vehicle demand. China used that model deliberately to absorb that manufacturing knowledge and to build its own capability. That is how you go from almost nothing to where they are today. We're seeing that logic used by global automakers. We're seeing it from Volkswagen, Toyota, General Motors, Ford and Stellantis.

They are partnering and doing joint ventures with the Chinese automakers.

The question for Canada is whether we use that same arrangement, the same way China did, not just to let vehicles in but to actually get something durable in return. That is what we call "selective exposure". It means that you don't just let the floodgates open, but you have selective exposure so that you can actually build and control. You have to admit that—as Daniel was saying—they are the world-leading manufacturers of EVs. With conditions that ensure that learning and investment can stay here, Canada can actually benefit as well.

We've seen this with Thailand as well, where they opened their markets, they removed tariffs on Chinese EVs and they're now building vehicles and battery plants on their soil.

Preferential market access is potentially a way to have that real investment happen in Canada. However, we should be careful about what we are defining as "investment", because it's not just the assembly of the vehicle that can add value but also the batteries and the processing. Therefore, those joint ventures don't necessarily need to be at the assembly plant. They can be more upstream from that.

The second piece is that we're hearing a lot about the security concerns when it comes to Chinese vehicles. I don't think we should be completely dismissive. However, we should be really careful. It's not like you're going to plug a Chinese vehicle into the grid, and now China has access to a Canadian grid. Some of the things we were hearing are laughable, but we really should be careful as well.

There are solutions. There are models that the Europeans are using. Access to Canadian software on Chinese hardware made in Canada.... There are creative ways we can do this to make sure we're dealing with legitimate concerns because, obviously, China is not necessarily the best-faith actor or a good-faith actor, such that we shouldn't be careful on this.

• (1650)

Right now, with this opportunity, I think we can get the design of this agreement and the conditionality of the investment right. This is not just a trade concession, which is why I think this is very important for this committee to consider.

Thank you.

The Chair: Thank you.

Now we will start our first round of questioning with MP DeRidder for six minutes.

Please go ahead.

Kelly DeRidder: Mr. McKinnon, I'm going to start with you because you focused quite a bit on critical minerals.

It's a really critical time, knowing that the long-term value is either captured or lost with our critical minerals right now. In February, your letter to the industry minister emphasized the need for safeguards around IP and tech tied to Canada's critical minerals. If that IP, whether it's in processing, refining or battery innovation, is developed or controlled outside of Canada, do we risk losing long-term value of our own resources?

Andrew McKinnon: Yes, I believe we would lose some control over long-term value should we lose that IP control. It's important in all joint venture agreements or any new trade partnerships around critical minerals to ensure that we protect homegrown Canadian IP and reap the most commercial benefit here.

Kelly DeRidder: Last week we had a previous ambassador to China tell us that we need to allow Chinese investment into Canada for extracting our minerals. A part of that would be to then have the intellectual property to extract those minerals and, potentially, the ability to sell us back our own resources at retail. What are your thoughts on that?

Andrew McKinnon: That's a model we should avoid. We need to work with the production agreements to protect Canadian IP, to ensure that we are adding value to minerals here in these complex value chains for batteries and electric vehicles.

Kelly DeRidder: Thank you very much.

Mr. Breton, do you think that the Canadian manufacturers here in Canada are operating on a level playing field with Chinese EV producers?

Daniel Breton: Honestly, what I find concerning is when some people say that the Chinese manufacturers have been significantly subsidizing their auto manufacturing facilities and their capacities. The truth is that if you go back years ago, Japan was significantly subsidizing the auto manufacturing in Japan to help them come into Canada and the U.S. The U.S. has been significantly subsidizing its auto industry for decades. To me, when I see a country like China significantly subsidizing its auto industry, it's just doing what the Japanese, the Europeans, the South Koreans and the Americans have done.

Kelly DeRidder: I'm just going to ask you this again. Do you think they're playing on a level playing field, as the producers, considering that with our jobs we have great benefits and great wages, which is probably not the same as in Chinese manufacturing? I'm going to just ask again if you think it's a level playing field.

Daniel Breton: If you go to a manufacturing plant in China right now, most of it is automated. The truth is that the future of the industry is not going to be so much on wages. We are losing jobs in Canada, and it has nothing to do with Chinese cars or Chinese manufacturing.

As I said, 80% of carmakers from the U.S.—Ford, GM and Stellantis—have decreased their manufacturing by 80% in the past 20 years. Chinese cars were not part of that.

• (1655)

Kelly DeRidder: Most of it is automated, but there are still jobs remaining.

Daniel Breton: Yes.

Kelly DeRidder: What are the typical wages?

Daniel Breton: That's my point. While we have been losing jobs in the legacy auto industry, in the EV industry we've been creating tens of thousands of jobs in the past 15 years. This is a shift from, I would say, traditional jobs to new jobs, and infrastructure upstream and downstream—these are new kinds of jobs.

Kelly DeRidder: Typically, how it's been done is that the Chinese will create kits to bring into the European market, and then they assemble those kits. If that is to be done in Canada, then how would that create a downstream or an upstream environment with our local manufacturing in automotive?

Daniel Breton: That's why we have to make sure that joint ventures go beyond that. That's the first thing.

When we're talking about critical minerals and just extracting those minerals and sending them elsewhere, whether it's China, the U.S. or wherever, this is the type of mistake that we've been making for 300 years. We cut the wood and we get the furniture done. We get the oil and we refine it elsewhere. The aluminum...we've done. Canada has been making the same mistakes for 300 years. I hope we learn from our mistakes. The critical minerals sector, I think, is a very important opportunity for us to refine our critical minerals here.

Kelly DeRidder: I absolutely agree that we need to focus on being strong at home in our resources and resilient—

Daniel Breton: I would go beyond that, if you don't mind. Right now when we talk about a critical minerals strategy in Canada, we don't talk about battery recycling, which includes critical minerals. Right now most of these critical minerals, at the end of life of the batteries, are being exported to the U.S.

Kelly DeRidder: A key component of that, though, is ensuring that we have Canadian IP, Canadian tech and Canadian innovation as well. We're not only supporting our minerals and the refining of those. We're also supporting our own innovation at the same time. Do you agree?

Daniel Breton: Absolutely.

Kelly DeRidder: Thank you so much.

How much time do I have, Chair?

The Chair: You have 28 seconds.

Kelly DeRidder: Okay. I'll just leave it there.

Thank you so much, everybody.

The Chair: Thank you.

We will now proceed to MP McKelvie for six minutes.

Please go ahead, MP McKelvie.

Jennifer McKelvie (Ajax, Lib.): Thank you so much, Madam Chair.

I'll start with you, Mr. McKinnon. We know that the number of EVs being sold around the world has been increasing. Is it fair to say that this trend will continue and that a considerable opportunity can be seized here?

Andrew McKinnon: Yes. It is a considerable opportunity for the Canadian economy and Canadian workers.

Jennifer McKelvie: We just launched an EV affordability program that will create incentives for up to \$5,000 for battery-electric and fuel-cell vehicles, and up to \$2,500 for plug-ins. What can we anticipate will happen? Will that help the sales in Canada increase?

Andrew McKinnon: We're very supportive of the EV affordability program. We've already seen the impact since it opened up for intake in the last month. Critically, it is a predictable program with a predictable wind-down. This can't be understated. We're very supportive of having this program in place and of clearly signalling to the public, consumers at large, when it will be wound down. I think it's 2031.

Also, Accelerate had made comments regarding the EV affordability program in the fall around made-in-Canada provisions. We're very happy to see a provision for made-in-Canada vehicles not being subject to the MSRP cap. In the near future, hopefully, we'll see more vehicles get to come in under that provision and receive that incentive.

Jennifer McKelvie: Thank you.

Mr. Kabbara, we have a national charging infrastructure. This being earth month, how important is it that we are pushing for an effort to electrify so that we can move toward an EV future?

Moe Kabbara: It's important mainly, I would say, because it will save people money in the long run. EVs will save a lot on fuel costs. It's one of the examples where, if we imagine a universe where climate change did not exist and carbon was innate, we would still be driving electric vehicles. They're just a more efficient and superior technology. In Ethiopia, six out of 10 new vehicles are electric. Why is this? Ethiopia is one of the lowest-income countries in the world. They're doing it because they're saving \$4 billion on fuel imports with a foreign currency.

I think the charging infrastructure is a critical piece of the equation. You need it to be there for people to feel comfortable adopting the technology. They don't really make money unless enough people adopt the technology. You can break the cycle by having a stronger role for public funding to help it prime the market so that it can be self-sustaining.

• (1700)

Jennifer McKelvie: Thank you.

Mr. Breton, you spoke about the need to invest in transition. If the world wants to buy EVs, and we just heard great examples of the market and where the market is going, can you speak to the importance of our undergoing this shift and how, while right now we will be importing, we can transition into making them here as well? Can you talk about that transition?

You spoke to our being an early adopter. Can you tell us why it's important for us to be an early adopter and why, if we don't have the bulk of vehicles right now, this could help us get there?

Daniel Breton: One of our members is Unifor, so we have auto industry workers within EMC. We've always been very keen on the fact that we need to create jobs in the process of fighting climate change, so when we started seeing the federal government wanting to invest in the transition to electric vehicles.... What a lot of people talk about is exactly what you just said. They talk about auto assembly, but they forget about upstream—critical minerals mining, refining and then assembly, yes—and then downstream: charging infrastructure, electricity production, recycling, and research and development.

Some of the best researchers in the world come from Canada. You have Dalhousie University, which does great work in battery research and technology. Hydro-Québec does great work in Quebec as well. Some of the IP for some of the best battery technologies, like LFP and NMC batteries, comes from Canada.

There is great opportunity for Canada to become a leader, but the truth is that, right now, China is ahead of everybody. I would say South Korea is not far behind. I'm glad the Prime Minister decided not to follow the U.S. in killing everything related to the EV industry, because they're clearly going in the wrong direction. One thing I'm really concerned about is the fact that while some carmakers are really embracing the transition, some others are fighting it. They will have what we call a Kodak moment. We don't want to be a part of that.

Jennifer McKelvie: We are on the science and research committee. I know it doesn't always seem that way, based on the questions you get—I get it—but this is the science and research committee.

If we bring it back to science and research, given what you just said, Mr. Breton, what are the sorts of investments we should be looking to make with our academic institutions and our partners so that we're thinking not just about a year from now but about five or 10 years from now?

Daniel Breton: The National Research Council of Canada is also a member of Electric Mobility Canada. It invests significantly in battery research and battery technology. It works with partners around the world. Some of it is on safety, and some of it is on cold climates because, as you know, we live in a cold country.

If we can focus on what we are very good at, we can be a reliable partner around the world.

The Chair: Thank you.

We will now proceed to MP Blanchette-Joncas for six minutes.

Please go ahead.

[*Translation*]

Maxime Blanchette-Joncas: Thank you, Madam Chair.

I'd like to welcome the witnesses who are with us for the second hour of study.

Mr. Breton, these 40,000 vehicles could make up almost a quarter of the EV market.

In your opinion, will their arrival speed up the adoption of electric vehicles or will it undermine the industry in Quebec or Canada?

Daniel Breton: In my opinion, it will not undermine the industry in Quebec or Canada, because the first vehicles expected in Canada will not be from Chinese automakers. They will be vehicles made by Volvo, Tesla, General Motors, or GM, and Polestar. These vehicles have been on the market for years.

Right now, automakers like GM are selling electric cars in Mexico that are made in China. The Ford Motor Company is doing the same thing. The Chinese BYD electric cars that everybody is talking about will not be coming into the country right away.

Maxime Blanchette-Joncas: In your opinion, does that strengthen the industry in Quebec or Canada?

Daniel Breton: That's an odd question. If we're going to speed up the transition to EVs, it has to go beyond and upstream of the supply chain. The faster the transition to electric vehicles, the more electricity we take from Quebec. The more electricity we take from Quebec, the less oil we import. It doesn't matter where the vehicles come from, because we don't have car assembly plants in Quebec.

I would remind you that, across Canada, when we plug an electric car into a charging station, regardless of the station, most of the electricity consumed in Canada comes from Canada and from public utilities, particularly in Quebec.

That means we keep more money here than if we fill up our gas cars, because the oil from the oil sands, for example, is mostly not Canadian-owned. Therefore, the faster we transition to electric vehicles, the more jobs and money we'll keep at home.

• (1705)

Maxime Blanchette-Joncas: I completely agree with you on the transition. I think Quebec is showing the rest of Canada the way. We know that the percentage of electric vehicles purchased by Quebecers—

Daniel Breton: Quebec is home to about 46% of Canada's vehicles.

Maxime Blanchette-Joncas: Exactly.

My question is much more about the argument of low purchase prices. You're obviously talking about supply chains that aren't end-to-end in Quebec or Canada, but isn't having a lower price today likely to cost jobs in Quebec and Canada in the future?

Daniel Breton: It's hard to say. What I can tell you is that Canada has lost a lot of auto jobs, for all kinds of reasons that have

nothing to do with China. Jobs have been lost recently in Quebec supply chains. It had nothing to do with the Chinese and everything to do with Donald Trump.

People sometimes say that China is the enemy and that we should do business with the United States. Canada is stuck in the middle these days. That's the reality.

Maxime Blanchette-Joncas: I understand, but I wanted to know whether these vehicles were actually creating new demand or replacing cars that could have been produced on Quebec or Canadian soil.

Daniel Breton: I'll be honest with you. Chinese and South Korean technology is quite advanced. People forget, but South Koreans make excellent vehicles at extremely competitive prices. Look at the catalogues. It's clear that Korean vehicles are extremely competitive. They use competitive technology, which means that, for the time being, they are outperforming the Japanese and the Americans, for example.

The Chinese aren't going to change the game to the point where no more vehicles will be sold by American, Japanese, Korean or European automakers. That said, there will definitely have to be competition, because, for the time being, affordable electric vehicles sold in Mexico, Europe and China aren't available in Canada. For the consumer, this is a real problem.

The government says it's going to let Chinese vehicles in, but I'd like it to let affordable European vehicles in as well. When I was in France and saw that the Renault Twingo was selling for 19,000 euros, I wondered why we couldn't have that here.

Maxime Blanchette-Joncas: Exactly. I think that's a good question to ask the government.

We can agree that if Canada does business with the Chinese, security and other things may be at risk.

I'm wondering instead whether the agreement might make Canada even more dependent on foreign supply chains?

Daniel Breton: The reality is that we're always dependent on foreign supply chains.

Personally, I think the smart thing to do is not to put all our eggs in one basket. The government said it wanted to diversify its agreements with as many countries as possible. It wants to be less vulnerable. It wants to be less dependent on a single supplier, a single partner. It doesn't want to put all its eggs in one basket, so it talked about turning toward South Korea, Germany and China. Personally, I would like to see agreements with Europe, for example with France or other countries.

I said 18 years ago that Canada was too dependent on the United States for oil and the automotive sector. That has not improved over time. Therefore, we have to sign agreements with as many partners as possible.

Maxime Blanchette-Joncas: I agree with you.

You talked about diversification and Korea. Why do you think we are not doing business with Korea? Why are we taking a risk with the Chinese?

Daniel Breton: That's a question you should ask the government. I don't have the answer.

The government signed a co-operation agreement, potentially to open assembly plants here. I hope that it will materialize, because in today's world, you have to protect your butt, if I can put it that way.

Maxime Blanchette-Joncas: Protecting your butt means being autonomous, resilient and as independent as possible.

In your opinion, how can Canada put public policies in place to develop and protect a local industry?

Daniel Breton: The government has started to do that.

The first time I came here to talk about electric cars was 20 years ago. When I met with then-minister John Baird, I might as well have been speaking Mandarin. He didn't understand the first thing of what I was saying, because at the time it was a different technology and a different industry. Back then, I was already saying that there had to be partnerships between Quebec and Ontario.

• (1710)

[English]

The Chair: I'm sorry for interrupting. The time for MP Blanchette-Joncas is up.

Can you quickly wind up in the next 10 seconds?

[Translation]

Daniel Breton: I lost my train of thought. I can come back to it later.

[English]

The Chair: We will come back on the next one.

Now we will start our second round of questioning, with MP Ho for five minutes.

Please go ahead.

Vincent Ho: Thank you, Madam Chair.

My first set of questions is for Mr. McKinnon.

Previously, Mr. McKinnon, you said that Canada should pursue stability and reliability in its diplomatic partnerships. In your view, does importing nearly or fully assembled Chinese-made EVs make Canada's auto sector and auto supply chain more stable and reliable, or less so?

Andrew McKinnon: Thank you for the question.

The quota amount of imported Chinese EVs is, in my view, a selective exposure to Chinese production that will facilitate stability in the growing EV market in Canada.

Vincent Ho: You spoke about the need to reshore critical stages of the value chain within the EV auto sector. How does the Liberal government's current auto import policy, such as allowing the import of nearly or fully assembled Chinese-made EVs, help Canada reshore anything? Does it not just offshore more of the value chain?

Andrew McKinnon: In our research, looking at how Canadians understand emerging critical materials and battery value chains, we understand that we need demand for our critical materials and critical battery production here in Canada. In order to have that demand, we need to grow the EV market and grow the number of EVs on our roads.

A selective exposure to a small number of Chinese EVs will help continue to grow this market. I agree with our other panellists. There are a number of other trading partners that can provide EVs to the Canadian market, which will help grow this market. As we grow that market, we'll see more demand for our materials, and we can do the supports to build those materials and produce them here.

Vincent Ho: You said it's a small portion. How many EVs are being sold in Canada now?

Andrew McKinnon: I believe some of our other panellists today indicated that the 49,000 Chinese EVs would be about 3% of the total vehicle market. Based on last year, I think that's about 30% of the EV market.

Vincent Ho: It is 30% of the EV market. Do you consider that to be a small portion? It seems that 30% is a lot coming from just one country.

Andrew McKinnon: As I said, a selective exposure to Chinese EV production is going to help in the near term, as long as it's paired with support for EV production here.

Vincent Ho: Are you confident that the current deal would encourage EV production here?

Andrew McKinnon: No, I don't have an opinion on how the current deal encourages EV production here. What we see in this current deal, and in the auto strategy following it, is support for critical materials production in Canada. I'm happy to talk about that wider supply chain upstream and where the battery materials investments have come from in the last year.

Vincent Ho: Of course, the value chain of mines, materials, minerals and manufacturing—all things Canada is endowed with—is being blocked by federal government red tape.

How is importing Chinese-made EVs that are either fully assembled or nearly assembled...? Which parts of the value chain are Canadians really capturing of this 30% of the market?

Andrew McKinnon: In those imported vehicles, we're not capturing the value chain. They're not built here.

Having exposure to and availability of advanced technology is important for developing a market that we would like to see eventually filled with Canadian materials. That's taking time to get online. We need to build the market and support Canadians' access to EVs. This deal does that. At the same time, we can build the capacity to build those products, those batteries and battery materials, here.

Vincent Ho: The Liberals recently announced their costly EV rebate program. It subsidizes EV sales in Canada to the tune of billions of dollars, regardless of whether the vehicle is built here or abroad. As you know, most EVs sold in Canada are produced outside of Canada.

Do you think this policy effectively forces Canadian taxpayers to fund billions of dollars to foreign auto manufacturers and foreign jobs, while Canadian auto workers and industry pay the price? Is there a better way of doing this?

• (1715)

Andrew McKinnon: With the EV affordability program, I believe that this temporary measure, with a clear, visible wind-down, will help Canadians access the advanced technology that is an important demand for our critical materials value chains.

The Chair: The time is up.

We will now proceed to MP Deschênes-Thériault for five minutes.

Please go ahead.

[Translation]

Guillaume Deschênes-Thériault (Madawaska—Restigouche, Lib.): Thank you, Madam Chair.

I want to follow up on the last question from my colleague Ms. McKelvie. After all, this is the Standing Committee on Science and Research.

Mr. Breton, what do you think Canada's research priorities for the electric vehicle sector should be over the next five or 10 years?

Are there any blind spots that need further research?

Daniel Breton: I'm going to start with something that isn't given enough consideration, and that's the cold climate EV research sector. We live in a cold country. Back when I was in government, I signed an agreement between California and Quebec to work together on research and development. Obviously, California's climate is very different from Canada's. This is an extremely important aspect. Research is being done on off-grid charging infrastructure, and that's extremely important. Charging infrastructure, and even electricity, is not available everywhere. We need to look at that.

Of course, battery chemistry research has been going on for years in Canada. We have been among the world leaders. I would

say that we need to invest a lot more in battery recycling. I talked about that earlier.

Let's also talk about the critical minerals strategy of the governments of Canada, Ontario, Quebec and British Columbia. Right now, everyone seems to have forgotten an extremely important aspect, which is the critical minerals used in the batteries currently in circulation. We're talking about billions of dollars of investment in these batteries. I don't know if you're aware, but in Ontario, Li-Cycle went bankrupt. In Quebec, Lithion was dismantled. Right now, EV batteries that are at the end of their useful life are exported to the United States for recycling. Critical minerals have an extremely important geostrategic and geopolitical impact, and we give them to the Americans for a pittance. I think that's a mistake, and we need to fix it as soon as possible.

Guillaume Deschênes-Thériault: Thank you.

Mr. Kabbara, I'll ask you the same question about research.

[English]

Moe Kabbara: In 2024, we did a collaboration with Accelerate on their battery innovation road map, and we articulated their 50 action items as Canada doubles down on its leadership in battery innovation.

On research more specifically, the example to give is Dalhousie, where we have a potential opportunity. There was a battery research centre established there. We think there is an opportunity to do that in Waterloo, as well as in BC. We articulated specific universities where you could establish battery lab infrastructure that can be accessed by some smaller companies working on battery innovation.

I think that is one thing that would be very helpful to the ecosystem.

[Translation]

Guillaume Deschênes-Thériault: Do you have anything to add, Mr. McKinnon?

[English]

Andrew McKinnon: Thank you for the question.

Battery innovation is one of our strengths in Canada. Working to capture value from innovative researchers in battery and battery materials across the country is a significant and important next step in gaining benefits for an EV production industry here. Mr. Kabbara described this strategic approach effectively. Our battery innovation road map details some of the ways we can work to support the financial ecosystem around battery production, physical assets for R and D, skills and labour, and the scaling up of IP protection.

I've spoken a bit about IP protection today. Any deal with any trading partner related to EV or battery production here in Canada needs to consider IP protection.

Thank you.

• (1720)

[Translation]

Guillaume Deschênes-Thériault: Thank you.

Mr. Breton, at the Standing Committee on Science and Research, we have to be rigorous. In our discussions with the witnesses in the previous panel, there was some exaggeration and hyperbole. I'd like to give you an opportunity to correct a few things.

Do you want to comment on the previous testimony?

Daniel Breton: Okay.

People seemed to be saying that EVs are spy vehicles. In fact, not just electric vehicles are connected. Today, all vehicles are connected, whether gas-powered or electric. That's the first thing to mention. I got the feeling that people were saying that if you have a gas-powered vehicle, you don't have a problem and that no one will be able to track you. They seemed to be saying that in an electric vehicle, everyone can track you and know where you are. That is completely false.

I would also add that this is maybe beside the point. Perhaps we need to update our data protection and consumer protection policies to ensure that people have real protection.

I think our laws are outdated, given the technological innovations and advances in communication. That goes far beyond Chinese EVs.

[English]

The Chair: Thank you. Your time is up.

We will now go to MP Blanchette-Joncas for two and a half minutes.

Please go ahead.

[Translation]

Maxime Blanchette-Joncas: Thank you.

Mr. Breton, the zero-emission vehicle incentive program was suspended by the Liberals in January 2025, only to be reinstated in February 2026, but with a gradual reduction.

What effect has that had on the adoption of electric vehicles in Quebec, for example, or on investment decisions in the sector?

Daniel Breton: The watchword of 2025 was "chaos". Whether on the U.S. side, with President Trump, or on the Canadian side, automakers didn't know where they stood.

On January 10, 2025, the Canadian government said that it was running out of money for the rebate program, and on January 13, 2025, there was no more money. People had three days to turn around. It was very complicated for dealers, manufacturers and consumers.

What made things a little more complicated was that people said that the rebate was going to come back. There were people waiting for the rebate to come back to buy an electric vehicle. The market severely bottomed out for months because of disruptions from both Canada and Quebec, it must be said, that lasted a month.

I was asked what would happen if the rebate program came back. I said that it would have a kind of rebound effect. In other words, instead of having an adoption curve that gradually increased, it would end up being a roller coaster that would make it extremely hard for people to predict what was going to happen. Then add to that gas prices of \$1.70, \$1.80 and \$2.00 a litre, which has wreaked a lot of havoc in Canada and around the world.

I spoke with a car dealer this morning. He told me that he was soon going to run out of electric vehicles on his lot, because sales have greatly increased. A GM dealer told me he couldn't even order electric Chevrolet Silverados. Even though the demand is huge, GM refuses to process his orders and allocate some to him to sell.

Earlier, Brian Kingston said that the demand wasn't high enough yet. Actually, the demand is there, but GM doesn't want to deliver electric pickup trucks. I'm concerned about that.

Maxime Blanchette-Joncas: I am concerned about the instability of public policy. One year, the government agrees. Then Chinese vehicles are blocked by 100% tariffs. Another year, it loses political face and then removes the carbon tax. Ultimately, it is reinstating credits for electric vehicles.

I won't be fooled into thinking that it doesn't have an impact on inventories, on policies for adapting to new technologies and on investments in the electric vehicle sector.

[English]

The Chair: I'm sorry for interrupting, but—

[Translation]

Daniel Breton: The key word is predictability. People tell me that they would like to have certainty. Basically, only two things are certain: death and taxes.

That said, let's talk about predictability. If we can at least have predictability, whatever a government's public policies, and we know what's going to happen in advance, things will go better.

[English]

The Chair: The time is up.

We will now end this panel with four minutes each for Mr. Holman and MP McKelvie.

MP Holman, please go ahead. You will have four minutes.

Kurt Holman: Thank you, Madam Chair.

In London—Fanshawe, there are businesses that are part of the automotive supply chain. For the constituents of London—Fanshawe, the creation of jobs and opportunities for career advancement and better-paying new jobs in the riding are priorities. There are concerns about the Canada-Chinese agreement of 49,000 Chinese EVs entering the Canadian automotive market and how this will affect the market itself.

Mr. Breton, can the Canadian auto sector survive these high tariffs while importing a large number of subsidized Chinese EVs?

• (1725)

Daniel Breton: Yes, it can, but you have to look beyond the traditional auto market. When we're talking about upstream, mid-stream or downstream, as I said, our industry.... There was an EY report published last year stating that we should be between 360,000 to 600,000 jobs in the EV industry by 2035. The worst-case scenario is 260,000 jobs. We are currently at 130,000 jobs.

As I've said to people in the past, the jobs will change. There will be new jobs while some jobs disappear. We can't bring back Blockbuster. We can't bring back Kodak. The truth is, as technology evolves, new jobs are being created.

Kurt Holman: Is it fair to say that Canadian firms cannot compete indefinitely against state-backed losses?

Daniel Breton: Can you repeat that?

Kurt Holman: I'm asking about the possible loss of jobs with this new agreement.

Daniel Breton: As I said, thousands of jobs have been lost in the past few years when it comes to the automotive industry, but tens of thousands of jobs have been created in the EV industry.

I thought it took a bit of time for the federal government—I'm talking about both Conservatives and Liberals—to understand that the EV industry is something that is happening. The Chinese are so far ahead of us. I remember going to the U.S. 10 or 15 years ago to talk about critical minerals. They were not interested at all in what we were talking about until I started talking about national security. Critical minerals also go to defence, beyond electric cars or renewable energy.

Now they get it, but because of that lag, China has a lead of 10 to 15 years over us. We have a lot of catching up to do. That's why I think, now that we've accelerated investment and transitions in jobs.... We are working with colleges and universities to create these new jobs because, honestly, in our industry, people are looking for qualified workers. Right now, in some segments, we can't find enough of them.

Kurt Holman: In the last few years, the consumer demand for EVs actually has gone down—

Daniel Breton: Now it's back up.

Kurt Holman: In just this month, it's gone back up?

Daniel Breton: Between 2016 and 2026, there was a dip in 2025 exactly because of what he said, but for the rest of the period, it's always gone up. It's not because 2025 was a chaotic year that the trend is 2025. The odd year is 2025 because everywhere in the world the trend is going up, except when people try to put tooth-

paste back in the tube, as we say in French. Now, it will keep going up.

As I've said, I'm talking to car dealers these days, and they're running out of cars on the dealers' lots. To me, the issue is not about what happened in 2025. The issue is moving forward to where we're going.

Kurt Holman: Just to confirm, you're saying that for car dealerships the supply for EVs is not as much as the demand. Is that what you're saying?

Daniel Breton: Yes, exactly, but it depends on the carmakers. Some carmakers are more than willing to supply electric cars; some others not so much. Honestly, there are a few carmakers who do not want to do anything.

The Chair: Thank you. The time is up for MP Holman.

We will end this panel with MP McKelvie for four minutes.

Please go ahead.

Jennifer McKelvie: Thank you, Madam Chair.

On an interesting point, Mr. McKinnon said that we are building the market while we build the supply chain.

I'm paraphrasing a bit, but I think that's essentially what you said, Mr. McKinnon.

A good example of that is the NextStar battery plant in Windsor. I was there last summer before it opened. It was amazing. It was amazing innovation and amazing technology. They have now hired more than 1,100 workers towards their goal of 2,500.

Mr. Breton, I just want to confirm this. I think you said that there are roughly 130,000 jobs in the EV sector right now. You're estimating that to grow to 360,000 to 600,000 by 2035. Do we know roughly the breakdown in that number in terms of the jobs that are critical minerals sector versus supply chain versus batteries versus assembly versus infrastructure? Is that all included in there and roughly how does that break down?

Daniel Breton: I don't have the numbers off the top of my head, but we have a whole report that was published by EY last year specifically on that, which we could send you so that you can take a closer look at it. It goes through the whole supply chain: from mining to refining to assembly to R and D to charging infrastructure, electricity production and recycling. I mean, it's a whole ecosystem that's being created right now in Canada.

We have gaps. We have some catching up to do, but if we play our cards right, it could be a great industry for the future of the country.

• (1730)

Jennifer McKelvie: Thank you.

Mr. Kabbara, a lot of the argument right now on why people haven't adopted EVs has been cost. How is that changing? What is the delta now on the life cycle of a traditional fossil fuel-powered vehicle versus electric? Have we closed the gap? How far are we? Also, are people starting to purchase them now because it's becoming cost-effective?

Moe Kabbara: The other day I was in Ottawa. I took an Uber back to the train station and the driver was driving a Tesla. I asked him for how long he's been driving an EV. He told me that he's been driving it for eight years and said, "Trust me, I'm so happy right now that I'm driving an EV and not a regular car with what's happening with gas." Actually, it's interesting. Every Uber driver that is driving an EV is very happy. Why? It's because they drive a lot.

The variable that is going to determine whether you actually save money... If somebody comes to me and they say, "I actually drive 50 kilometres—maybe 30 kilometres—a day, and that's my commute", I'll tell them to maybe wait until prices are a bit lower, but for somebody who's driving 100 kilometres or 150 kilometres a day, they're going to save a lot of money. They're going to have a really good break. It depends on the jurisdiction. In Quebec, electricity costs are much lower. You're paying less than 10% of what it would take to fuel that car with gasoline. If your gas bill is \$200, your electricity bill is going to be less than \$20 a month to drive the same number of kilometres.

I think the idea there is that we're starting to see people moving to electric vehicles, especially with what's happening now with gas prices. There's a lot more predictability. You're using something

that is a regulated rate of electricity and has much more predictability in the longer term, whereas, as we've seen with gasoline, prices can go up by 100% because of what's happening somewhere very far away in the world.

Jennifer McKelvie: Mr. Breton, did you want to add anything to that or finish your story about what it was like 20 years ago versus now?

Daniel Breton: Honestly, there was a report published last week by AutoTrader. It estimated that in March 2026, the cost difference between a new gas car and a new battery electric car was less than \$2,000 now. If you add less cost in maintenance and less cost in energy, you catch up really quickly.

Jennifer McKelvie: That's without the rebate. On top of that, you can add the rebate savings.

Daniel Breton: Exactly.

Jennifer McKelvie: Thank you for coming.

The Chair: Thank you.

With this, this panel comes to an end. I want to take this opportunity to thank all the three witnesses. On behalf of all the members of Parliament, I want to thank you for appearing before the committee and for your important testimony.

Is it the will of the committee to adjourn the meeting?

Some hon. members: Agreed.

The Chair: The meeting is adjourned.

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