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• (1540)

[*Translation*]

The Chair (Ben Carr (Winnipeg South Centre, Lib.)): Good afternoon, everyone.

I hope you all had a good weekend at home, or wherever you were in the country.

[*English*]

Welcome to the Standing Committee on Industry and Technology. It's nice to have everybody around the table this afternoon.

[*Translation*]

Some time ago, we invited Minister Joly to appear. She is joining us today. She is accompanied by Mr. Vincent, from the Department of Industry.

[*English*]

They are here to answer questions in relation to a study we've been undertaking.

Minister Joly and Monsieur Vincent will be here for the first hour, followed by the conclusion of witness testimony for the final meeting of our EV study.

[*Translation*]

Minister, you have the floor.

Hon. Mélanie Joly (Minister of Industry): Thank you, Mr. Chair.

Good afternoon, everyone.

I am happy to see you.

[*English*]

Canada has always been a nation of builders. For 158 years, our auto sector has done more than build cars. It has built communities, livelihoods and dreams. Behind every vehicle rolling off our assembly lines are Canadian workers with extraordinary skills, families whose futures are tied to good jobs, and towns that take pride in knowing the world relies on the quality of what we create.

Today, that sector faces challenges, but for 158 years, Canada's auto sector has met every challenge with determination and heart. We have stood strong, protecting our people, supporting our families and ensuring that our communities thrive. That is what makes us who we are. Make no mistake: We're fighting for Canadian workers.

This is a defining moment for our country. The question before us is clear: How do we protect what we have built while positioning ourselves to lead in what comes next? Our answer is simple. We are building Canada by standing up for Canadian workers, by investing in innovation and by ensuring that the vehicles of the future are designed, engineered and built right here at home. We're not just preserving a legacy. We're strengthening it for generations to come.

[*Translation*]

We believe in ambition. We believe that Canada can attract global investment, strengthen our industrial base, and assume a leading role in the transition to a stronger, more competitive economy.

Above all, we believe that Canada doesn't simply react to change—it shapes it. That is why we launched Canada's new automotive strategy earlier this year.

The strategy secures investments, strengthens supply chains, and ensures that Canada remains a global leader in advanced automotive manufacturing. Our automotive strategy is already delivering results.

[*English*]

Indeed, there are already results following our auto strategy.

In February, we announced almost \$85 million for 122 projects to install more than 8,000 electric vehicle chargers across Canada through the zero emission vehicle infrastructure program.

In March, Premier Ford and I opened the NextStar battery plant in Windsor, Ontario, a world-class facility that will create up to 2,500 good-paying jobs.

In April, we announced a \$23-million investment for Siemens Canada to scale up its global AI manufacturing technologies research and development centre for battery production right here in Oakville, in Canada. This investment will maintain 3,300 jobs in Canada and also create 90 new full-time jobs.

Today, Parliamentary Secretary Rochefort announced a \$20-million investment in Electra Battery Materials Corporation to expand the production capacity in its existing refinery in Temiskaming Shores, Ontario, to produce battery-grade cobalt sulphate. This facility will be North America's first cobalt sulphate refinery. It will deliver results under our auto strategy by strengthening Canada's critical minerals supply chain and by advancing our leadership in electric vehicle battery production. It will create and maintain more than 160 jobs, including 60 full-time jobs for Canadians in northern Ontario.

Together, these investments demonstrate that our auto strategy is not only theory. It is creating real jobs in communities across the country.

In this context, we must also be clear about the immediate challenges facing our workers and our communities, particularly those working for General Motors. GM's decision in October to end production in Ingersoll has created real uncertainty for auto workers and their families. Of course, we welcome GM's recent investment of \$691 million in its St. Catharines propulsion plant. This is a positive step for Canada's auto sector.

At the same time, our message has been clear: We want to see CAMI Assembly in Ingersoll return to full production. We're working closely with the union, the province and industry partners to ensure a clear path forward to bring production back to Ingersoll. We remain confident in a positive resolution.

In the meantime, we will preserve all available options, maintain a firm and principled approach, and continue to engage constructively. As part of this process, we have initiated a 30-day period under the formal dispute resolution mechanism.

• (1545)

[Translation]

Our domestic automotive industry is a cornerstone of our economy. It directly supports over 125,000 jobs, as well as hundreds of thousands more in its supply chain, which includes both large companies and small and medium-sized enterprises, or SMEs. It contributes nearly \$17 billion annually to our gross domestic product, or GDP.

[English]

We've been clear: If you invest in Canada and create good jobs here, our government will be your strongest partner. However, if you make promises and then walk away, you will be held accountable. It's about defending Canada's place as a leader in advanced auto manufacturing, not accepting a race to the bottom.

Workers' livelihoods are not bargaining chips for corporate leverage or political games. These are real families and real paycheques with real communities that depend on them.

Meanwhile, the process to protect auto workers in Brampton and hold Stellantis to account is under way. This is why we're working with the Government of Ontario and Unifor to defend all of these jobs and hold Stellantis to account.

To the auto workers across this country, we see you, we hear you and we are with you.

[Translation]

Mr. Chair, I am pleased to answer your questions.

The Chair: Thank you very much, Minister.

We will now begin the first round of questions.

[English]

Ms. Borrelli, the floor is yours for six minutes.

Kathy Borrelli (Windsor—Tecumseh—Lakeshore, CPC): Thank you for coming to committee, Minister Joly.

You mentioned families and workers and the supports that we need to give them in order for our automotive industry to be successful in the future. This morning, you talked about loans and programs that would help people and businesses impacted by the 232 tariffs.

In the last two weeks here at committee, we've had many witnesses from my area of Windsor—Tecumseh—Lakeshore, others from across Ontario and some from Quebec who talked about the problems they're having with these tariffs and the impacts on their companies. Their testimony made it very clear that the only thing that could help them would be a good tariff deal with the U.S.

I have many quotes here, if you'd like to hear them. Many of them testified that loans wouldn't help them. The tariffs make them totally unprofitable. If they took the loans, they would just be delaying the problem, because they wouldn't be able to pay them back.

Can you see in the future any other supports you can give them?

• (1550)

Hon. Mélanie Joly: First and foremost, I agree with you that we need to fight for our workers. Be they auto, steel, aluminum or copper workers, they're all affected by tariffs.

Indeed, we're engaging with the U.S. We will work on having a good deal for Canadians, but we won't just accept any deal. At the same time, we believe there are many things we can control. We can't control what is going on in the White House, but we can control what we're doing here at home.

That's why today we announced some new supports—1.5 billion dollars' worth of supports. These are loans from the \$1-billion program by the BDC. They're interest-free for the first year and have very low interest rates for years two and three. At the same time, throughout the three-year period, only the interest will have to be paid. It's actually a really good support for companies. It's for bigger companies, because these loans will be between \$5 million and \$50 million.

The smaller companies have the regional development agencies. Obviously, in your region there's FedDev, which is really important. These loans include up to \$1 million of non-unrepayable contributions. They're basically supporting smaller and medium-sized businesses.

We have to do both. We have to engage with the American administration, and we have to work with our Canadian automakers to make sure they advance our interests and Canada's interests in Washington. At the same time, we need to offer support to Canadian companies, which need to be able to adapt and pivot.

Kathy Borrelli: There is up to \$1 million in forgivable loans through FedDev.

Hon. Mélanie Joly: Yes. We can provide you with all the information in order for you to relay that information to your businesses.

Kathy Borrelli: Thank you. It's very new information, so it was hard to get all of the details.

If you look at some of our medium-sized companies for tool and mould.... Let's remember that tool and mould are foundational to the auto industry. Some of our companies that are considered medium-sized would blow through that \$1 million in forgivable loans in a month and a half to two months.

Would you commit to making all of these loans forgivable, as you did during the epidemic?

Hon. Mélanie Joly: When you look at what the regional development agencies are proposing, it's actually a similar type of program. The one we're proposing through the BDC has very favourable terms, which were used during the 232 tariffs at the time of the first Trump administration.

We'll adapt as events occur. I think this was well received today. I've been receiving a lot of different.... The steel association came out saying that it was very favourable, as were regional organizations in Ontario and Quebec and the chamber of commerce of Ontario. I also had different CEOs from small to bigger-sized businesses—

Kathy Borrelli: Thank you, Minister.

I've also talked to many of the company owners in my area. They really, honestly don't feel that this is going to benefit them in the short run or the long run. They're looking for some tariff relief. They feel it's their only solution.

The Chair: You have 15 seconds, Minister. I'll afford you the opportunity to respond.

Hon. Mélanie Joly: We can work together to explain to you the different conditions. That way, we can work together to make sure they are also very well aware, because obviously we need to have the information flow. I'm convinced that they will be convinced.

At the same time, we're also very open to different options. I'm looking forward to working with you on that.

The Chair: Thank you, Ms. Borrelli.

[*Translation*]

Mr. Ntumba, you have the floor.

Bienvenu-Olivier Ntumba (Mont-Saint-Bruno—L'Acadie, Lib.): Thank you, Mr. Chair.

Good afternoon, Minister.

The impact of U.S. tariffs is being felt in Quebec and elsewhere in Canada. Here in Quebec, the aluminum and metal processing sector is central to the economy in regions like mine, Mont-Saint-Bruno—L'Acadie.

In that context, how will the plan announced today take into account regional realities, particularly those in Quebec?

How does your department intend to collaborate with the Quebec government to maximize economic benefits in the most affected regions?

• (1555)

Hon. Mélanie Joly: We respond to the White House's measures as they are implemented. Today's announcement follows a series of measures that were already in place. First, we had already introduced 25% counter-tariffs on U.S. steel. Second, we had already tightened border rules for steel importers here in Canada who were not complying with the rules. We had also already assisted various companies through our regional economic development agencies. Then, we had already created a \$5 billion fund to help businesses. Today, we are adding \$1.5 billion to assist affected industries, such as steel, aluminum, and copper. We are also prepared to discuss anything related to forestry and softwood lumber.

In a nutshell, the funds are distributed by the Business Development Bank of Canada to small and medium-sized businesses—but these are extremely favourable loans ranging from \$5 million to \$50 million. They are essentially interest-free for the first year. Then, there is a very low interest rate for the second and third years. Over the term, only interest is payable, effectively. So there is nothing to pay in the first year, and then the interest rate is very low for the second and third years. Repayment is required at the end of the term, but in three years, we'll be in a different world. We'll see where we stand at that point.

We wanted to provide businesses with predictability so they can plan their operations, despite a world in constant flux. At the same time, regional economic development agencies will also receive funding. There will certainly be support in Mont-Saint-Bruno—L'Acadie, through Canada Economic Development for Quebec Regions, or CED—for which I am responsible. I look forward to working with you, colleague.

Bienvenu-Olivier Ntumba: I'd like to ask one last question before yielding the floor to my colleague, Ms. Acan.

How do you plan to allocate that across Canada, outside of metal processing companies?

Hon. Mélanie Joly: BDC operates throughout the country, but primarily in urban centres, as we know. That is why we work with all regional economic development agencies: Canada Economic Development for Quebec Regions, or CED; the Federal Economic Development Agency for Southern Ontario, or FedDev Ontario; the Atlantic Canada Opportunities Agency, or ACOA; Canada Economic Development for the Prairies, or PrairiesCan; Canada Economic Development for the Pacific, or PacifiCan; and the Canadian Northern Economic Development Agency, or CanNor.

Funding allocations will be announced shortly.

Bienvenu-Olivier Ntumba: Thank you.

[English]

Sima Acan (Oakville West, Lib.): Minister, thank you very much for your ongoing support to our industries, including Siemens in Oakville. It was great to see you this morning when you announced the \$1-billion loan program through BDC for steel, aluminum and copper industries to support our businesses amid tariff disruptions.

I'm a member of the auto caucus along with my colleague MP O'Rourke. We have had many opportunities to meet with industry organizations, unions and major OEMs operating in Canada. What I keep hearing is consistent: They are praising the direction this government is going in with the repeal of the EV mandate, the return of the purchase incentives, and the investment signals. They are pretty happy.

My riding of Oakville West is home to a significant number of auto workers at Ford Oakville and at the automotive suppliers who wake up every morning knowing that what happens at the federal level affects their families directly. The stakes are high.

Recently, GM announced \$691 million for St. Catharines on top of their recent announcement of an investment of \$50 million in Oshawa for stamping operations. Statistics Canada reported a 47% surge in zero-emission vehicle sales in February alone. Toyota and Honda continue to operate and invest in their operations.

Minister, in a global environment of unprecedented trade pressure and uncertainty, how has the auto strategy managed to hold the confidence of an industry that has so much at stake? What does its success tell us about where Canada is heading?

Hon. Mélanie Joly: There are two phenomena to understand when looking at the auto sector not only in Canada but also worldwide. First and foremost, it's really about the impacts of tariffs. In Canada, we're in a trade war. We have 25% tariffs against our auto

sector, but because of the rules of origin, basically, the effective tariff is around 12.5%. That's something we have to reckon with. The other thing is that there have been a lot of investments made across the world in electrification. Capital is going towards electrification. There's an entire industrial revolution happening in the auto sector. For a long time, North America was leading these new technologies. We need to make sure that this continues to be the case.

That's why our auto strategy has two objectives. The first is to support auto production in Canada. The second is to make sure we're able to double down on electrification and adopt these new technologies in order to make sure that the plant in your riding, in Oakville, which is undergoing an important retooling, is developing the best cars in the world for the world.

We're able to see that with Honda and Toyota, which recently increased their production. They're now at more than 75% of all auto production in Canada. Premier Ford and I were in Windsor, in Ms. Borrelli's riding, opening a new NextStar battery plant facility. I was in Germany two weeks ago meeting with Volkswagen. They are opening an important plant in St. Thomas, which will create thousands of jobs.

We need to make sure we do both. We need to defend our auto workers and advocate for them in Washington. At the same time, we need to be clear-eyed and to be adopting new technologies that we're seeing across the world.

• (1600)

Sima Acan: Thank you very much.

The Chair: Thank you very much, Ms. Acan.

[Translation]

Mr. Ste-Marie, you have six minutes.

Gabriel Ste-Marie (Joliette—Manawan, BQ): Thank you, Mr. Chair.

Minister, Deputy Minister, good afternoon.

I'd like to begin with two requests for Mr. Vincent.

First, would you please provide the committee with the total amount disbursed to date for the battery sector? We would appreciate it.

My second request relates to the order we discussed here. Can you provide us with the number of SMEs and jobs, by region and by sector, that are affected by this new order? How many companies will be paying these 25% tariffs?

Let me explain. We based our assessment on a University of Calgary study—which even Ms. Karina Gould cited—in stating that 55% of Quebec's exports were affected by this measure. However, over the weekend, *Le Devoir* reported that Desjardins had conducted an unpublished study indicating that only a quarter of Quebec's exports would actually be targeted.

I would therefore appreciate it if you could provide us with figures we can rely on.

Hon. Mélanie Joly: Allow me to respond.

It will be no problem for us to provide you with those figures, of course. That said, I would note that various studies were also conducted by the government, and we are working with Statistics Canada. We will provide you with what we currently have, but we are still assessing the tariffs' impact under this new interpretation, because it is primarily based on companies coming forward themselves to say they are affected.

Mr. Vincent, is there anything you would like to add?

[English]

Charles Vincent (Senior Assistant Deputy Minister, Industry Sector, Department of Industry): No, but we'll happily follow up.

[Translation]

We have figures to share with you on that. As the minister said, it is important to have figures, but we will ensure that they are accurate.

Gabriel Ste-Marie: Thank you very much.

I have a question about the order's impact.

We conducted an emergency study over the course of several meetings, to hear from representatives of small and medium-sized enterprises and understand the situation they are facing. Most of them were not affected by the 50% tariffs on steel and aluminum components. However, the executive order that took effect on April 6 imposes tariffs of 25% on the total value. They're telling us that, as a result, they can no longer export to the United States.

All the business associations told us that offering loans as a form of assistance wasn't an option, because companies are already heavily in debt, particularly due to the pandemic and inflation. Even the Regional Tariff Response Initiative is insufficient. It's a great program for boosting productivity, but the SMEs that signed up for it had to go into debt themselves to buy new machinery. Furthermore, they told us they couldn't use it once it was up and running, since they could no longer export to the United States.

During question period, your colleague Mr. LeBlanc said that he wasn't closing the door and that more would be done if needed.

Do you agree with that position?

• (1605)

Hon. Mélanie Joly: Yes, absolutely.

First, various business groups across the country, such as chambers of commerce, asked us to revive the Regional Tariff Response Initiative, or RTRI. We expanded it to include softwood lumber, everything related to forestry, and everything related to copper. Obviously, it still covers steel and aluminum. Under this program, we offer non-repayable loans—grants, in other words—to businesses making investments to acquire equipment, which are known as capital expenditures.

We're trying to help businesses by reducing that dependence on the United States. I understand this isn't an easy approach. I know it's difficult and that it involves changing business models for many entrepreneurs. It certainly comes with risks, but our goal is to help them take that risk, because we cannot allow ourselves to become dependent on the U.S. market again. We are developing new markets. Our goal is to create a domestic market, including across the various provinces, to increase demand.

That said, for larger companies, we are offering a program—through BDC—similar to the one offered during the pandemic. The program was very well received at the time. We are bringing it back because we believe it's the way to help businesses, given the extraordinary circumstances. Extraordinary times call for extraordinary measures.

Gabriel Ste-Marie: Thank you for your answer.

Many of the companies exporting to the US are SMEs. They're worried about how long it will take to secure contracts in the domestic market or find other partners. Right now, there's a shortage of skilled labour—whether it's welders, operators, or machinists. So, if companies stop paying them, these people will go elsewhere, and then they won't be able to go back.

The support program for modernizing equipment and so on is great for boosting business productivity, but the urgency is very short-term. We're talking about next week and next month. Some businesses are afraid they won't be able to make it until July, for example, because they've just lost 60% of their revenue.

Hon. Mélanie Joly: I understand, and that's why the BDC program also provides liquidity. So it's money for—

Gabriel Ste-Marie: But that's geared towards large companies.

Hon. Mélanie Joly: Actually, it does range from \$5 million to—

Gabriel Ste-Marie: I believe it's closer to \$2 million.

Hon. Mélanie Joly: You're correct, it is \$2 million. My apologies. It ranges from \$2 million to \$50 million, but the company must have at least \$5 million in revenues. Given that level of earnings, we're not talking about a very large company either. The company must also have lost approximately 20% of its revenue because of the tariffs.

We will see how things unfold. This is the first time we've gone this far. The conditions were different for the softwood lumber sector, but we're prepared to work to ensure the same conditions apply to that sector. As you can see, the government is taking its tariff response a step further, because we know this is a series of events, including the increase in tariffs, the fact that there is a new interpretation, and so on.

We have also worked very hard to provide predictability. This is a three-year loan. In the first year, there are no payments due. In three years, a number of things will have occurred in the United States, and we'll see what happens. Until then, we're buying time, but businesses really need to work on reducing their dependence, because we can't just sit and wait. That's a strategy that relies on nostalgia, and nostalgia is not a strategy.

Gabriel Ste-Marie: Thank you.

The Chair: Thank you, Mr. Ste-Marie.

[English]

Madame Dancho, the floor is yours for five minutes.

Raquel Dancho (Kildonan—St. Paul, CPC): Thank you, Mr. Chair.

Thank you, Minister, for being with us today.

In September 2024, when you were foreign affairs minister, you imposed a 100% tariff on Chinese EVs. You called it an EV surtax order because “increasing Chinese EV imports [is] expected to undermine the growth and development of the Canadian EV industry” and other comparable vehicles. That's what you said in the Gazette.

As you know, 15 months later, in January 2026, you struck a deal with China to allow 49,000 Chinese EVs into Canada at a much lower tariff rate. I'm reading this and thinking that you've made a deal with China that directly undermines the Canadian auto industry. That's in your own words based on your assessment from September 2024.

I'm deeply concerned about this. I'm trying to figure out why you aren't.

• (1610)

Hon. Mélanie Joly: Things have happened since the trade war started. Our North American market was disrupted by 25% tariffs. In these circumstances, what did we do? We made sure that we were able to get a good deal—

Raquel Dancho: I'll just ask a follow-up there. I'm not clear how—

Hon. Mélanie Joly: I'll finish my answer.

The Chair: Colleagues, this happened last time, so I'm going to suggest that we take the same route, which I think worked. I'm not going to hold the clock against you, Madame Dancho, to allow the minister to reply at a length similar to your question. The same will

be true the other way around. We don't need to fight the clock here. The purpose is for us to have a thorough discussion.

I'm going to give you about 20 seconds to reply.

Madame Dancho, I pressed pause, and I won't resume the clock until the minister is finished.

Hon. Mélanie Joly: To finish my answer, we were able to get to a deal [*Inaudible—Editor*] with China in order to make sure that our farmers, including those in Mr. Falk's riding, will be able to continue to export their canola to China. Also, our fishers in Atlantic Canada will be able to export their product to China in exchange for a small—2.6%—quota of EVs coming from China. That is similar to the 2023 contingent of cars.

Raquel Dancho: Thank you, Minister.

That's actually not small when compared to how many EVs overall were sold in 2023. It's not small at all. In fact, it represents quite a large percentage of EVs sold in Canada before you put that tariff on them.

You mentioned that bringing them in would put “unwarranted downward pressure on pricing, challenging the profitability of Canadian producers” and would reduce choice by crowding out other imports. Again, I'm not clear on how this is good for competition in Canada when you're importing a heavily subsidized car that we can't hope to compete with. How does this help our auto sector?

Hon. Mélanie Joly: When you look at them, the cars that have been coming in are mainly Teslas, Polestars made by Volvo, and Fords. That's the reality, because western OEMs, western carmakers, also have joint ventures and have been producing in China as well. That's the case across the world.

We were able to limit the number of cars in exchange for support to our farmers and fishers. At the same time—

Raquel Dancho: Thank you, Minister.

Hon. Mélanie Joly: I'll finish my sentence.

We've made clear conditions in order for Chinese car companies to do joint ventures with Canadian car companies here at home to basically build in Canada.

Raquel Dancho: Again, a year and a half ago, you said, in black and white, that this was going to undermine the Canadian auto sector, and now here we are and you're bringing in almost 50,000 annually.

I also want to talk about how the Americans recently launched a section 301 investigation into Canada and other countries over the failure to enforce forced labour. I'm sure you're very familiar with the forced labour concerns. It was, in fact, your government that passed a law to stop forced labour, but of course, we've heard testimony at this committee and others that aluminum, for example, is using the forced labour of the Uyghurs. I'm quite concerned, as I know others are, that this could jeopardize our trade negotiation with the Americans. Are you concerned?

Hon. Mélanie Joly: We have applicable laws regarding forced labour. We have an entire regulatory process. We have a private member's bill that passed a couple of years ago that is applicable, and we'll follow it.

Raquel Dancho: It seems to be that Uyghurs are being forced. It's forced labour for those who are making these automobiles that you're willingly importing into Canada. Actually, that was one of the issues you cited 15 months ago as to why you didn't want to do this.

I'll just quote Margaret McCuaig-Johnston, who said, "Canadians don't want to be driving cars made by slaves." Would you agree?

Hon. Mélanie Joly: Of course.

Raquel Dancho: Then why is it that you're allowing the import of 49,000 cars that may in part be made by modern slave labour?

Hon. Mélanie Joly: First and foremost, when it comes to forced labour, we will address that through legislation, period. My colleague who is in charge of public safety is in charge of the CBSA, and they need to do their job first.

Second, when it comes to protecting our auto workers—because I think that's your point—our auto workers are protected in this deal, because there are three conditions for any joint ventures with Chinese auto companies: first, labour standards; second, making sure that we protect our localized supply chains; and third, the entire security of the software.

We have an entire approach that is very holistic that will protect our auto workers while bringing in really good technologies. At the same time, what we want is affordability. I know that the Conservative Party, like the Liberal Party and like the Bloc Québécois.... We're all in favour of affordability. These cars will be affordable.

• (1615)

Raquel Dancho: I hope you're right, because as you know, the Americans have threatened a 25% tariff on all goods if they find that a country such as ours is importing with slave labour—

Hon. Mélanie Joly: No, I think that when it comes to the Americans, dear colleague, we don't need to—

Raquel Dancho: We're quite concerned that these actions are going to allow it to get worse, but I'll go to my last question, if I may.

Regarding security concerns, I know that you're also familiar with how electric vehicles, like other vehicles, are able to have a lot of our data, like our GPS location. They sync with our phones. Are you comfortable with the Chinese government having access to that information from, say, you, if you drove one of these?

Hon. Mélanie Joly: As for the security of software, my colleague, the Minister of Transport is working on a regulatory framework when it comes to protecting people's data in their cars. I'll make sure that I work with him to improve that regulatory framework and also protect Canadians, and—

Raquel Dancho: That needs to be done before we've brought them in, though.

Hon. Mélanie Joly: I just wanted to answer the question regarding the threats by the Americans to our auto workers. We won't accept them and we won't be threatened, period.

Raquel Dancho: It's not just our auto workers. It's all of our goods.

The Chair: Thank you, Madam Dancho.

Mr. Bains, the floor is yours for five minutes, sir.

Parm Bains (Richmond East—Steveston, Lib.): Thank you, Mr. Chair.

Thank you, Minister, for joining us today and for all your hard work in navigating this difficult time of the trade war.

My question is around aluminum. As you know, it's very important to British Columbia, my home province, and to manufacturing companies. It's a critical input for aerospace, shipbuilding and, of course, the drone program that's soon going to be assembled in Richmond, British Columbia, and is coming up in the next month.

Can you expand on how our new buy Canada policy can support B.C. aluminum integration, not just for major projects, but for the critical sectors I've mentioned?

Hon. Mélanie Joly: I think we can be extremely proud of the work that is being done by aluminum workers in Kitimat, B.C. The Rio Tinto infrastructure is iconic and, I must say, extremely important for the entire west coast of North America.

We've been working with—and I've been in close touch with—the CEO of Rio Tinto, as he's in charge of the Kitimat and Saguenay-Lac-Saint-Jean investments. As a Quebecker, I'm fond of aluminum products because they come from my province, and I'm also happy to know that Quebec and B.C. share this in common.

That being said, you're indeed right. Our investments in defence will be helpful for the aerospace sector. When I was in your province, I went to Cascade, which is an important IMP-owned company that is key for our country, and particularly for western Canada. I went also to the De Havilland facility on Vancouver Island, which is quite something, and we're seeing that their book of business is going to be increased because of our investments.

We need to land good investments in B.C. for the defence sector, and I'm convinced that by really increasing the demand for air-planes—planes made in Canada—we will be able to support our aluminum workers even more, because we know that aluminum is key to the aerospace sector. Our buy Canada policy, as you were mentioning, is going to be at work.

Parm Bains: We are seeing some resilience. I know that Statistics Canada data showed Canada's GDP grew by 0.2% in quarter one, led by the manufacturing sector. It expanded to 1.8%, the largest gain since January 2023.

While we work towards a renewed CUSMA deal, and we had an announcement today, could you maybe talk a bit about the support for Canadian manufacturers as they adapt and seek new markets?

Hon. Mélanie Joly: I referred to that a bit earlier in my answers. It was a \$1.5-billion announcement: \$1 billion for the BDC and \$500 million for the regional development agencies. Obviously, in your part of the world in B.C., it's PacifiCan.

We will be announcing later this week the allocation across the sector and across the country. Of course, PrairiesCan and PacifiCan will get their fair share. I'm looking forward to working with my colleague Gregor Robertson, who is in charge of PacifiCan, and with you, to make sure that we protect the aluminum workers in B.C.

• (1620)

Parm Bains: I'm going to shift very quickly to EVs for a bit. In my city, we have the largest auto mall. I've met with car dealers, and they're interested in having some stability in what they can sell. They're really excited about some of the announcements about the EVs.

One in four new cars sold worldwide is an EV. British Columbia is probably one of the leaders for EVs, as you know. Why is Canada well positioned to take advantage of this global trend?

Hon. Mélanie Joly: It's because we have the best auto workers in the world. When you look at Honda and Toyota, their plants in Canada are at the same level of predictability as their plants in Japan. We can be proud of that. Because they've been extremely productive, Honda and Toyota have decided to invest even more. They've increased their production since the beginning of the trade war, and they're more than 75% of our entire auto production. That's good.

At the same time, we believe that we need to invest even more in electrification. We know that we have to increase our grid. That's why we're working on an electricity strategy.

We also know that we need to have more charging stations across the country. We've been working with some players in the U.S. and Europe to make major investments here in Canada. When I say

“players”, I mean private players, private companies”. Of course, we've put in our auto strategy \$1.5 billion, through the Canada Infrastructure Bank, to invest in EV charging stations. That's going to be good news for people in B.C., who are very fond of EVs.

Parm Bains: Thank you so much.

The Chair: Thanks, Mr. Bains.

[*Translation*]

Mr. Ste-Marie, you have the floor for two and a half minutes.

Gabriel Ste-Marie: Thank you.

Minister, this morning's announcements concern direct exporters. My question is about indirect exporters.

We learned during committee meetings that exporters' suppliers are often the ones affected by the 25% tariffs. If exports decline, exporters buy fewer products from their suppliers. Are there any support measures for those suppliers?

If you don't have the answer right now, that's fine. You can send it to us later.

Is the Business Development Bank of Canada's loan program available now?

As for the forestry industry loan program announced in August, we asked you about it all fall, before the program became available. Access isn't expected until December, even though the situation is urgent.

Hon. Mélanie Joly: First, in order for companies to be eligible for financing, we require that at least 20% of their revenue come from sectors related to metals—specifically steel, aluminum, and copper. Twenty per cent of their revenue must be related to this type of activity. In addition, there must be a 10% impact from tariffs. There are therefore two conditions to be met.

Second, I would say that we learned lessons from what happened last fall. At that time, we worked with the Business Development Bank of Canada. BDC provided loan guarantees to banks, and banks then offered the loans. The process was long—too long—arduous, and frustrating. Furthermore, collaborating with the banking system proved difficult. That is why we decided to change the approach and deal directly with the Business Development Bank of Canada. We wanted things to move faster, because the government wanted to be able to provide assistance quickly.

These aren't loan guarantees; they're interest-free loans, which are quite favourable. They can be deployed quickly, which will be done through regional economic development agencies. Last fall, we honestly saw that the Regional Tariff Response Initiative for regional economic development agencies was very popular. That is why we have rolled out the program again.

• (1625)

Gabriel Ste-Marie: Thank you very much.

The Chair: Thank you, Mr. Ste-Marie.

[English]

Mr. Falk, the floor is yours for five minutes.

Ted Falk (Provencher, CPC): Thank you very much, Chair.

Thank you, Minister. It's always good to have you here at committee.

I have a few fairly easy questions.

Back in February, you indicated that the EV mandate had been paused and would be repealed. On what day will it be repealed?

Hon. Mélanie Joly: The EV mandate....

Ted Falk: Yes.

Hon. Mélanie Joly: We said that we were not continuing with the EV mandate. That's part of the auto strategy. There is no EV mandate.

Ted Falk: There is no EV mandate. Thank you. That's good.

Moving on, here at committee, we listened to Margaret McCuaig-Johnston. She said, "It's illegal to import products into Canada made in whole or in part with forced labour, but the staff positions at ESDC and GAC related to forced labour are being wound up". A question was put to her, and this was her response:

I would not trade off the torture and armed surveillance of Uyghurs in Xinjiang for a marginal added number of cheap cars in Canada....

I think it's therefore up to the government now to reassure Canadians that there will be no EVs entering Canada from China unless they are entirely free of components produced by forced labour.

Minister, do you believe there's forced labour in China?

Hon. Mélanie Joly: Listen, that's a question you should ask the Minister of Foreign Affairs.

At the same time, we've always been clear: We work with the UN, and their human rights commissioner has already stated in a report that there are concerns.

All of that is to say that we're looking at cars from China that are being produced by Tesla—

Ted Falk: I asked about your opinion, Minister.

Hon. Mélanie Joly: —as well as GM, Ford, Volvo—

Ted Falk: Minister, you were the Minister of Foreign Affairs.

Hon. Mélanie Joly: Yes.

Ted Falk: You are the Minister of Industry.

Hon. Mélanie Joly: Yes.

Ted Falk: Do you believe there is forced labour happening in China?

Hon. Mélanie Joly: I have already stated my point of view on that. What I'm telling you now—

Ted Falk: What is your point of view?

Hon. Mélanie Joly: My point of view is that we will always follow what the UN is saying. The UN was unequivocal.

I'm not the Minister of—

Ted Falk: You would agree that there is forced labour in China.

Hon. Mélanie Joly: I'm not the Minister of Foreign Affairs anymore. I'm convinced that Minister Anand can answer all your questions.

What I can tell you is that Canada will never accept any foreign—

Ted Falk: As the Minister of Industry, you are responsible for imports, so—

The Chair: Mr. Falk, could you give the minister a couple of seconds to reply? Then we will go back to you.

Hon. Mélanie Joly: Canada will never accept any form of forced labour, and we have legislation on that. We all voted in favour of it.

Ted Falk: It was from a Liberal member.

Hon. Mélanie Joly: It was from a Liberal member, and we're very proud of it because we don't accept forced labour, period. That is why—

Ted Falk: Do you believe there's forced labour in China?

Hon. Mélanie Joly: —we will make sure the legislation applies. Meanwhile, we will work with those who want to export to Canada in order to make sure they apply these conditions, period.

Ted Falk: Minister, you have been Minister of Foreign Affairs. You're the Minister of Industry today. You say that you agree with the UN position. The UN position is that there is forced labour happening in China, especially among the Uyghur people. Are you saying that you agree with this statement?

Hon. Mélanie Joly: Listen, I agree with everything I've said in the past tense.

Ted Falk: It's yes or no.

Hon. Mélanie Joly: Now I'm before you as Minister of Industry. As Minister of Industry, my job is to protect all workers here. My job is internally focused.

Regarding everything linked to what is going on in China, my colleagues can answer.

Ted Falk: Minister, I'm just asking you a very—

Hon. Mélanie Joly: I'm very proud of my record as foreign minister, and I'm very proud of my record as industry minister. We're in a trade war now, and we need to make sure we protect our auto workers. That's exactly what we're doing.

Ted Falk: Minister, I asked you a simple question. Do you believe there's a forced labour practice—

Hon. Mélanie Joly: That's why we're following the auto strategy. The support from the sector was great.

Ted Falk: —happening in China?

Hon. Mélanie Joly: I've answered your question.

Ted Falk: It's yes or no.

Hon. Mélanie Joly: You can continue to present your question, but—

Ted Falk: I would like you to answer it, Minister.

Hon. Mélanie Joly: —my answer will always be the same.

Ted Falk: Is your answer yes or no?

Hon. Mélanie Joly: Everything I've said stands.

Ted Falk: Did you say yes?

Hon. Mélanie Joly: I've answered your question.

Ted Falk: Can you articulate it one more time? I'm very hard of understanding.

Hon. Mélanie Joly: No, I'm convinced that you're very good at understanding. You know exactly what I mean right now.

What I said is that our auto strategy follows the deal we did with China—which is also good for your riding because canola workers are finally able to get a deal.

Ted Falk: I understand all about canola, and I understand all about my farmers' concerns.

Hon. Mélanie Joly: They have been wanting that deal for a long time.

Our relationship with China is multi-faceted.

Ted Falk: Margaret McCuaig-Johnston testified before this committee that because they don't want anyone to know... Canada's forced labour import ban is only as strong as our ability to verify compliance. Right after this government issued its first import permits to China, Beijing passed a national security regulation explicitly prohibiting anyone in China from disclosing information about their supply chains.

How will you be certain that we are able to determine whether or not the components in Chinese-manufactured EVs are not being sourced from factories that employ forced labour?

• (1630)

Hon. Mélanie Joly: Scott Moe, the Conservative Premier of Saskatchewan, following the deal we made with China, said that there was finally relief for canola farmers and that it was long overdue.

We needed to make sure that we got a deal. Is it perfect? We can always work on making it better, but fundamentally, Chinese EVs are across the world now, including in our closest ally countries in

Europe. They present the latest technology. They're very popular across the country.

We need to make sure that we offer Canadians choice. I know the Conservative Party is in favour of choice. We're in favour of choice. We also need to protect our auto production. That's why the conditions for Chinese automakers to come to Canada are clear.

The Chair: Thanks very much, Mr. Falk.

Madame O'Rourke, you have five minutes, and that will end the hour.

Dominique O'Rourke (Guelph, Lib.): Thank you very much, Mr. Chair.

Minister Joly and Mr. Vincent, welcome, and thank you very much for being here.

I want to ask a couple of quick questions about today's announcement and then move to a broader approach on the auto strategy.

MP Borrelli said that there was a feeling around the table that the only thing that would help mould-makers or others was a trade deal. The Associated Press reported on Friday that President Trump said he's going to increase the tariffs charged on cars and trucks from the EU, despite having a trade deal with them. Does anyone have a safe trade deal? Why is Canada so insistent about getting a good deal, rather than any deal, to ultimately help our auto sector, all of our manufacturers and every Canadian business?

Hon. Mélanie Joly: We're following very closely the different deals struck by the White House, the deals with Japan and Korea, which were very much linked to the auto sector, and the deal with the EU, which was very important for the EU. At the same time, we followed what the U.S. Supreme Court said regarding the different tariffs. We know there will continue to be unpredictability.

The Prime Minister is engaged in negotiations with the U.S. We know that the auto sector is key to that deal. Meanwhile, we're trying to continue to have investments, notwithstanding the uncertainty.

When you look at the different investments that have been made since the beginning of the trade war, there has been increased production by Honda and Toyota, which is 75% of our production at this point. At the NextStar facility, there are 2,500 new jobs. A third shift was also opened at Stellantis, in Ms. Borrelli's riding. A new investment of \$690 million was announced last week by GM. This is good news, notwithstanding. We're also working with Ford as it finalizes its retooling and the biggest investments in Ford's history in Canada. That's also good news.

We learn from history. When you look at what happened in the 1980s, you see that car plants were being shut down across the country. It was mainly the D3 closing, shutting down car plants in my home province and in Ontario. We brought in Japanese automakers, and we worked. The Liberal government under Pierre Elliott Trudeau did that, and eventually, it was activated and put into place by the Conservative government of Brian Mulroney.

Forty years later, we're inspired by what happened. We diversify. We change our ways of doing things. We don't take anything for granted. Being able to bring new players here, not only from Europe but also from China, to work with our auto parts companies—Linamar, Magna and Martinrea—is something that we think can be inspired by what we did in the 1980s. This is the ethos of our strategy. This is what we've been able to work with.

We won't sit idle while decisions made south of the border affect our auto workers. We'll not only fight for different ways to protect their jobs, but also make sure that we're attracting new investments.

• (1635)

Dominique O'Rourke: Minister, I have less than a minute.

We all understand that many of these businesses are looking for tariff relief. The government, in the past year, has introduced a suite of tools for that tariff relief. I'm just wondering if you want to walk us through them from the last year. They range from the strategic response fund to regional tariffs and work sharing, should it come to that. Can you remind people of how the auto strategy consolidated that and how today's announcement adds to it to give businesses some of that certainty we're giving ourselves?

Hon. Mélanie Joly: There are a couple of things there. The entire steel sector in Canada, before the trade war, was dependent on the automakers in Detroit. They were selling steel on the other side of the border, and that is now impossible because there's basically a wall of 50% tariffs.

What we've done is work with them to develop not only a domestic market, but also different types of steel. We're working with Algoma, we're working with Dofasco and we're working with Orion in Saskatchewan. We're working on the steel front. While we're helping them through the strategic response fund, which is the \$5 billion that you alluded to, we're also working with the supply chain, and that's why the regional development agencies are important.

While that is happening in the steel sector, we're working with the aluminum sector. The price of aluminum has increased since the beginning of the trade war, so the profitability of the big players is actually very high. The thing is, because of the uncertainty, they're not making the investments in their infrastructure. That's why we're providing capex money to support investments in the long run.

Those who are really affected in Canada are the smaller players that are part of the supply chain, because we don't have the transformation capacity in the aluminum sector. We don't have a rolling mill or a plant in Canada. It is a problem, and that is why we're working to support even more of the small players in supply chain management on the aluminum side.

When you look at the auto sector, it is affected, of course, and it's obviously because of the tariffs. We've made sure that through the strategic response fund of \$5 billion, we're helping Honda, Toyota and Ford. Meanwhile, GM and Stellantis took decisions in Ingersoll and Brampton that were contrary to their obligations. Either they'll bring production back or we'll get our money back.

The Chair: Minister, I'm going to ask you to wrap it up in about 20 seconds.

Hon. Mélanie Joly: What we're doing with them is trying to attract more investments. We want the Germans to invest, we want the Koreans to invest and we want the Chinese to invest, but when they do so, the rules must be clear. They need to respect labour standards in Canada, they need to support our localized supply chains—basically, auto parts—and they need to buy them from here. Finally, they need to have secure software. That is what we're doing in the country.

Meanwhile, I'm working with the EU right now to align our industrial policies to create a common market to ultimately defend our auto workers together and to export more cars to the EU.

The Chair: Thank you very much.

Colleagues, that brings us to the end of the first hour.

Thank you very much to the assistant deputy minister and the minister for being here. I believe we're going to see you again at this committee in a couple of weeks' time to have a broader conversation about the estimates.

Hon. Mélanie Joly: It will be my great pleasure.

The Chair: Colleagues, I'm going to gavel us back in right at 4:45, which is in about six minutes, because we have four witnesses in the next panel. It's going to take us a bit of time.

The meeting is suspended.

• (1635)

(Pause)

• (1645)

[Translation]

The Chair: We're resuming our meeting.

[English]

This is the last discussion we're going to have in relation to the EV study that we have been engaged in for a few months now. There are four witnesses joining us today—three joining us virtually and one here in the room.

Witnesses, I typically allow a bit of latitude on introductory remarks, but I'm going to have to be a bit tighter on time today because our first panel ran a fair bit over. At five minutes, I'm not going to cut you off entirely, but I'm certainly going to tell you that we're close to that window.

Here in the room, we have someone joining us whom we've heard from on several occasions. Welcome back to you, Brian Kingston. He is the president and chief executive officer of the Canadian Vehicle Manufacturers' Association.

Joining us virtually, from Dunskey Energy and Climate Advisors, we have Jeff Turner, who's the director of mobility; from Electro-Federation Canada, we have Cherith Sinasac, who's the director of government affairs; and from the Global Network for Strategic Effects, we have Michael Kovrig, who is the founder.

Welcome to all of you. Thank you for being here today.

Mr. Kovrig, I will start with you, sir. You'll have up to five minutes for your introductory remarks.

[*Translation*]

I'd like to confirm that the sound tests were completed successfully.

[*English*]

Go ahead, Mr. Kovrig.

Michael Kovrig (Founder, Global Network for Strategic Effects): Thank you for the opportunity to advise the committee.

Let's be clear: This is not the approach Canada wanted. The government was forced into it by American and Chinese trade barriers, and the challenge now is to make the best of a difficult situation regarding China's exports of electric vehicles to Canada.

In that context, I broadly support the government's defence, economic, industrial and trade-diversification strategies. The intentions behind the Prime Minister's January arrangement in Beijing appear legitimate, but importing PRC electric vehicles will at best complicate and at worst endanger those strategies.

My remarks today will focus on the implications of importing electric vehicles under a quota and will build on my testimonies to the Standing Committee on International Trade and the Standing Committee on Science and Research.

China's Communist Party has decided that manufacturing is the key to doubling economic output by 2035, deepening a second China shock that's already displacing industry in other countries. Its 15th five-year plan prioritizes building a modern industrial system, with new energy vehicles being a designated emerging industry. The PRC would rather upgrade overcapacity than eliminate it, but it also depends on exports to grow, which gives Canada leverage.

Further exposing Canada to China's distorted industrial gravity risks warping what remains of our advanced manufacturing. There is a trifecta of risks. First, structural dependence disrupts or co-opts key sectors such as automotive. Second, unfair competition erodes industrial capacity, technology and employment. Third, systemic pressure compels Canada's government to respond with major industrial and protectionist policies.

Batteries and electric vehicles are the thin end of the wedge. The 49,000 vehicles allowed in are less than 3% of the Canadian light vehicle market, that's true, but they're 40% of 2025 battery electric vehicle sales. State-supported Chinese electric vehicle companies sacrifice profit for market share, and squeeze suppliers with price cuts and delayed payments.

In Mexico, Chinese battery electric vehicles went from a quarter of the BEV market to nearly 90% in two years. Mexico ran the experiment, then reversed in January with a 50% tariff. Canada

should not repeat that mistake. Once Chinese electric vehicles arrive, networks form around them: dealers, servicing, financing, software and data. What begins as a capped quota becomes a ratchet that only expands.

Concentrated sectoral economic dependence also constricts federal policy-making autonomy. The PRC weaponizes technology, supply chains and market access to coerce acquiescence to its geopolitical agenda. China's ambassador just demonstrated this when he pressed Canada to weaken the long-standing policy on Taiwan. Importing Chinese EVs means importing predatory monopolistic behaviour that our companies can't survive, labour conditions that our workers won't tolerate and infringements of sovereignty that our nation shouldn't accept.

Our submission to Global Affairs Canada's consultation on the import quota recommends making it temporary, non-automatic and reversible. The quota is a tool to safeguard economic security, not a scheme for cheaper cars. It should function as a ceiling to be maintained, not a target to be met, and expand only if it builds Canadian capacity and reduces Canadian vulnerability. Balance it with faster access for EVs from trusted partners.

We propose six essential measures to manage the quota.

First, publish a threshold and exit strategy before further allocation. Define acceptable exposure, what triggers suspension and what happens if promised investment fails.

Second, tighten eligibility. Before allocating quota share, screen for ownership, subsidies, forced labour, supply chain traceability, connected vehicle security and risk of circumvention.

Third, reward verified Canadian capability, not announcements, sales offices or arrangements like the Stellantis-Leapmotor proposal at Brampton, where Chinese kits would be assembled with little domestic content.

Fourth, have annual allocations in quarterly tranches, with no automatic increases. Count vehicles assembled from complete knock-down kits or in Chinese-controlled, third-country factories toward the quota.

Fifth, align with the United States on connected vehicle security.

Sixth, snap back. If Beijing renews coercion, the quota suspends automatically. That's risk management, not retaliation.

In conclusion, arguments touting short-term consumer and environmental benefits are understandable, but the benefits of Chinese EVs are negated by broader harm to Canadian industry, employment, values and independence. The real question is not "Don't we want cheaper EVs?" It's whether Canada wants to be a producer in the future auto economy or merely a consumer market for vehicles produced by China's industrial system. The decision window is now.

• (1650)

Thank you.

The Chair: Thanks very much, Mr. Kovrig.

Ms. Sinasac, we'll turn to you now for up to five minutes.

Cherith Sinasac (Director, Government Affairs, Electro-Federation Canada): Thank you.

My name is Cherith Sinasac. I'm the director of government affairs at Electro-Federation Canada. EFC is a not-for-profit industry association representing the full electrical supply chain.

Canada needs a strong, long-term EV charging infrastructure strategy that invests in public charging infrastructure and charging for multi-unit residential buildings. This strategy must also go beyond deployment and ensure that residential chargers, vehicles and electrical grids all work together seamlessly.

First, let's discuss the need for public charging. Programs like the zero emission vehicle infrastructure program have helped build early momentum for public charging infrastructure, but the momentum must continue. Capitalizing ZEVIP to sustain private investment is essential. At the same time, expanding the clean technology investment tax credit to include on-road EV charging would unlock faster deployment of public and fleet infrastructure.

Second, we need to ensure that EV readiness is included in our building codes. Installing EV infrastructure during construction is three to four times more cost-effective than retrofitting later. For those living in multi-unit residential buildings, this is the biggest barrier.

The cost of retrofitting is preventing access to home charging. The federal government needs to act on two fronts. It needs to develop a national strategy, supported by targeted incentives, to retrofit multi-unit residential buildings and needs to stop the problem from getting worse by ensuring that all multi-unit residential buildings are constructed to be EV-ready.

Third, a national strategy must go beyond residential deployment targets. It must have consistent technical specifications to ensure that chargers, vehicles and the grid are all working together. EVs are seen as a source of electricity consumption, but I want you to rethink EVs as being national battery storage infrastructure. EVs and their battery storage have the potential to be a national energy asset for our grid.

A recent report by CSA Group called "Charging Ahead: Unlocking Vehicle-Grid Integration in Canada" outlines the scope of this opportunity. With vehicle-to-building communications, EV batter-

ies can power critical equipment in your home during a blackout, which could include medical equipment. EVs could reduce strain on the grid or dependency during high-cost times of use, saving Canadians money. With vehicle-to-grid integration, EVs could reduce demand on the grid during peak times, or return power to the grid or to your home, reducing system reliance on costly peaker plants. At scale, even small contributions from millions of batteries and vehicles can stabilize the grid to help prevent an outage. However, without alignment, chargers may not communicate with vehicles, vehicles may not integrate with buildings or the grid, and residential EVs and charging investments risk becoming fragmented and, frankly, underutilized.

Canada needs dedicated resources to convene industry, utilities, regulators and provincial stakeholders to develop and detail a technical framework, specifications and the regulatory constructs to make vehicle-to-grid work at scale. This group needs to identify code amendments in the national energy code and national building code. Canada currently lacks a nationally coordinated forum for this work. This work is urgent. From a manufacturer's perspective, we need certainty, we need direction and then we need time.

To conclude, Canada needs a strong, long-term EV charging infrastructure strategy that invests in public charging infrastructure and access to charging in multi-unit residential buildings. A national EV strategy must ensure that chargers, vehicles and the electrical grid are working together seamlessly to unlock an integrated energy future that all Canadians will benefit from.

Thank you. I look forward to your questions.

• (1655)

The Chair: Thank you very much, Ms. Sinasac.

Mr. Turner, we'll turn to you for five minutes.

Jeff Turner (Director, Mobility, Dunsky Energy and Climate Advisors): Thank you, Mr. Chair and members of the committee.

My name is Jeff Turner. I'm the director of mobility at Dunsky Energy and Climate Advisors. I'll begin by providing a bit of background on my own professional experience, followed by an overview of the type of work that Dunsky does in the EV space and some specific findings from recent projects as they relate to federal EV policies.

My career has been focused on transportation electrification for almost 20 years. I have degrees in mechanical engineering from McGill University, where my research involved designing prototype hybrid and electric vehicles and modelling battery performance in cold climates. I've worked for two different hybrid and electric vehicle manufacturers, and I spent four years at BC Hydro's Powertech Labs, where I focused on technologies that help integrate EVs into the grid and on deploying public charging infrastructure.

In 2017, I joined Dunsky, which is a Canadian firm with over 70 professionals who are focused on analysis and strategy development to support the energy transition. Since then, we've conducted projects with governments, utilities and corporations in all 10 provinces, helping them to understand and design policies to overcome barriers to the adoption of EVs, anticipate the pace of adoption and associated demand on the grid, and develop policies for effective deployment of charging infrastructure.

We've developed load forecasts for 15 Canadian electric utilities across eight provinces, as well as EV analysis and strategies for 22 Canadian cities, from Halifax to Victoria, Toronto and Calgary, and many in between. That's not to mention our work with provincial governments of all stripes, including B.C., Manitoba, Ontario, Quebec, New Brunswick, P.E.I. and Nova Scotia.

Through these projects, we've gained a deep understanding of how EVs work in these regions, what specific barriers are holding consumers back and how these barriers are evolving over time. This has given us the chance to continually refine our analysis and in particular our EV adoption forecasting model, which we first launched in 2018.

Last year, we had the opportunity to put this model to use in developing forecasts for EV adoption in each province and territory as part of the Powering Up project with Electric Mobility Canada. We forecasted EV adoption under a range of policy scenarios and quantified the associated electrical load growth in each region. This analysis found that EVs can bring significant benefits to Canadians, including almost \$2,000 per year in fuel savings per household and reductions of GHG emissions and other emissions that have significant health impacts for Canadians.

The technology progress we're seeing with EVs is global in nature, so our forecasts predict a significant trend toward EVs across all scenarios, but the right policy mix can bring these benefits to more Canadians sooner.

This February, the federal government announced a new automotive strategy that included tailpipe emissions standards, reduced tariffs on imported EVs and a temporary return of purchase rebates, with a clear plan for a gradual phase-out over the next five years. We've since had the chance to support our clients in updating our forecasts in response to these announcements. Our initial findings

suggest that Canada's EV market is about to see a significant rebound.

We've seen a lot of discussion and headlines over the past year fixated on the significant drop in EV sales in 2025. Our modelling saw this as a very predictable outcome of the pause in federal rebates and ensuing uncertainty. With the launch of the EV affordability program, including a gradual reduction in rebate levels over time as EV purchase prices continue to decline, we see a clear path toward the Prime Minister's stated target of 75% market share by 2035.

That said, we know there's still important work to do to support this transition. The build-out of public charging infrastructure will require ongoing investment for years to come as more EVs hit the road. We need to scale up our efforts to enable more Canadians to access charging at home, including retrofits of multi-unit residential buildings. Updating codes and standards will ensure that new buildings are built with EVs in mind and will avoid the cost of retrofits in the future. Electric utilities need to continue planning for load growth from EVs while ramping up policies and programs that can turn EVs into valuable flexibility assets for the grid through vehicle-grid integration.

The federal government can play an important role in coordinating and supporting these efforts across the country, while providing policy certainty that can help mobilize investments from other levels of government, utilities and the private sector.

I look forward to your questions. Thank you.

● (1700)

The Chair: Thank you very much, Mr. Turner.

Mr. Kingston, the floor is yours for up to five minutes.

Brian Kingston (President and Chief Executive Officer, Canadian Vehicle Manufacturers' Association): Thank you, Mr. Chair and committee members. I appreciate the invite.

The Canadian Vehicle Manufacturers' Association is the industry association that represents Canada's leading manufacturers of light and heavy-duty motor vehicles. The membership includes Ford, General Motors and Stellantis.

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

Ford, General Motors and Stellantis are at the forefront of the transformation to electrification. General Motors and Ford are the top sellers of electric vehicles, while Stellantis is the only manufacturer that is building plug-in hybrids and EVs right here in Canada today.

Given the leading role that CVMA members play in electrification, their success in Canada is fundamental to the government's EV ambitions. Addressing the immediate challenges facing auto manufacturers will ensure that Canada has a role in the emerging North American EV supply chain.

With that, I'm going to recommend the following actions to support EV adoption and to secure Canada's role in the automotive supply chain.

Number one is to bolster demand for EVs and EV adoption. We welcome the federal government's renewal of EV purchase incentives and the commitment to developing a robust charging infrastructure network. CVMA members are well positioned to support the shift to electrification through their diverse product offerings. That said, as we just heard from the previous witness, there's much work to do on the infrastructure side.

The charging gap in Canada continues to grow. There are 39,000 charging ports in Canada as of yesterday—those are public charging ports—of a required 450,000. To meet the government's 75% EV sales target, we need a credible charging strategy.

Number two, we need to secure access to the U.S. market. With over 90% of Canadian production destined for the U.S., there is no industry without U.S. access and North American integration. Diversification is not an option. Markets in Europe and Asia are better served by assembly plants in those regions. Our market alone is too small to justify large-scale manufacturing.

The future of our industry and our ability to play a role in electrification depend on securing our trade relationship with the United States. That means the removal of section 232 tariffs and the renewal of CUSMA.

Number three, we need to eliminate the Canada-China strategic partnership. The agreement negotiated with China to allow 49,000 EVs into Canada, equivalent to about one-third of the total number of EVs sold in this country, will undermine the auto sector and presents risk to the North American auto supply chain. China does not adhere to the rules-based trade and investment principles that have been fundamental to the success of the auto industry and the broader Canadian economy. There are also no guardrails in this agreement to ensure a level playing field for manufacturers that have invested in Canada or to protect Canadians from cybersecurity risks.

Number four, we need to make Canada more competitive. Canadian auto manufacturers are currently navigating an unprecedented period of volatility. Tariff costs through 2025 reached approximately \$5 billion, eroding the competitiveness of domestic production

and making Canada an increasingly difficult environment for investment.

We should strive to make Canada one of the most competitive jurisdictions in the world for automotive investment. This means reducing the regulatory burden on companies and lowering the cost of investing in plants, machinery and R and D. For example, the costly and redundant EV mandate remains in place today, three months after the Prime Minister announced it would be repealed.

While urgency is required to remove the EV mandate, the opposite holds true for the development of Canada's sovereign GHG regulations. Rushing the development of Canada-unique regulations creates serious risks for Canada. It will create market distortions and will produce a fundamentally flawed policy. CVMA members are ready to work collaboratively with government to develop thoughtful, well-designed regulations that reflect market realities while advancing Canada's climate objectives.

Thank you.

• (1705)

The Chair: Thank you very much, Mr. Kingston.

Colleagues, we'll enter our first round of questions.

Mr. Guglielmin, the floor is yours for six minutes, sir.

Michael Guglielmin (Vaughan—Woodbridge, CPC): Thank you, Chair, and thank you to the witnesses for your opening testimony.

Mr. Kingston, welcome back to the industry committee. I'm going to start with you because you just said that the EV mandate has not been repealed.

In the previous hour, we heard from the Minister of Industry, who informed us that the EV mandate has actually been repealed. What's the disconnect?

Brian Kingston: The mandate is still in force today, and it continues to create financial and legal compliance burdens for companies.

Michael Guglielmin: Thank you.

Mr. Kovrig, thank you for being here. I want to acknowledge at the onset that you spent 1,019 days detained by the People's Republic of China, so you understand the threat of the PRC first-hand. I believe truly that Canadians owe you a debt of gratitude for the clarity you've brought to this issue since then.

You've testified at other committees and in interviews. You've written publicly that deepening economic entanglement with China is "not a long-term route"; it's a "dead end". I think it's critical that Canadians understand what workers and the Canadian auto supply chain are facing right now.

I know you've looked closely at Europe in the past and their experience of letting BYD and other Chinese EV makers into the market. In the previous hour, we heard from the Minister of Industry that many Europeans are letting Chinese EVs into their market and that, in fact, it's a good thing. You've said it's led to "long-term structural industrial decline."

Canada has roughly 125,000 auto jobs, many of them concentrated in Ontario. If the government doesn't get Chinese EV policy right, what does the European example tell us could potentially happen to our workers and our plants in our communities in the long run?

Michael Kovrig: Thank you very much, first of all, for your very kind remarks. I deeply appreciate them.

Let me give you some numbers. Looking at comparative markets, including Europe, from 2022 to 2025, Chinese-built battery electric vehicles went from near zero to a dominant share in Indonesia—93%. Mexico went from 28% to 90% in two years. Brazil went to 85%. Israel went to 81%. Australia went to 78%.

In Europe, we've likewise seen tariffs being inadequate in constraining that increase. We've seen huge increases just over the last year of electric vehicle sales. It's not merely electric vehicles produced by western brands at joint venture factories in China, such as Tesla, but Chinese brand EVs made in China that have secured a dominant position in major global markets. Because they can't enter the United States, they are being deflected in many respects to Europe, which is a major purchase market for them. That has huge ramifications for European production, which we could get into in more detail if you like.

The quota alone doesn't solve the dependency problem. It manages volume, but not the structural dependency created through Chinese-origin software, dealer networks, brand loyalty and political constituencies that resist future restrictions. Tariffs are the only tool that has reliably worked. The EU put definitive countervailing duties on BYD of 17%, on Geely of 18.8% and on SAIC of 35%, on top of the standard 10% MFN duty as of October 2024.

Even so, Chinese automakers now hold 5% to 6% of the total European car market, rising fast through electric vehicles. Rhodium Group, for example, estimates that duties of 40% to 50% would be required to materially shift the trajectory. Otherwise, what you're going to see is the hollowing out of Europe's industrial base.

The U.K. offers a cautionary tale on a model. It has no tariffs. BYD, I'm told—

• (1710)

Michael Guglielmin: I'm sorry to interrupt you.

Basically, they gain access to the market. They're able to increase their quotas over time, and then, as you mentioned in your opening remarks, what they tend to do is use their market access for geopolitical leverage.

You appeared recently on *Power & Politics*. You were talking in the context of forced labour and said that Canada has a commitment to block components of vehicles that are built by forced labour, but we've only blocked two shipments under the forced labour import ban since it came into force in 2020, compared to thousands blocked by the United States.

Witnesses have testified before this committee saying that many components of Chinese EVs contain aluminum that's processed by Uyghur forced labour in Xinjiang, a fact that the government itself acknowledged in 2024. It had a surtax order that cited "concerning labour practices", including forced labour, as a driver of artificially low Chinese EV prices.

In your assessment, can Canada credibly assure that no Chinese EV vehicles are entering the country that have components produced by forced labour?

Michael Kovrig: Not currently, no.

Michael Guglielmin: Recently, China passed a national security regulation explicitly prohibiting any Chinese company from reporting information about their supply chains. We heard the minister say in the last hour that we're going to rely on CBSA for enforcement. If they're no longer reporting it, we have to rely on their word. I was wondering, in your opinion, if their word would be credible.

Michael Kovrig: Not even remotely.

Corporations sourcing anything from China need to be able to ensure that their supply chains are meeting their own due diligence and corporate social responsibility standards. Due diligence companies, including Mintz Group, for example, have had their Chinese staff arbitrarily detained. They've been put under severe pressure simply for suggesting that they might get involved in that kind of due diligence inspection in Xinjiang and other sensitive areas in China.

Forced labour is built directly into the EV supply chain. The evidence base is substantial. Sheffield Hallam University's report documents Uyghur labour transfers feeding automotive supply chains used by every major western and Chinese OEM. The U.S. Department of Labor has confirmed those findings and incorporated them into enforcement. Six UN special rapporteurs warned in 2023 that state-directed labour transfers in Tibet, where the lithium in BYD and CATL battery cells is predominantly sourced, may constitute forced labour. There are also recent examples from Brazil and Hungary of labour conditions that were described as analogous to slavery being used by contractors in those countries. That's just to give you a few examples.

Canada would not be maintaining our own labour standards if we were bringing these companies in. It would be importing supplier-based standards. That's the fundamental problem, unless you have a much more effective regime and prohibition on goods.

Michael Guglielmin: Thank you.

The Chair: Thank you, Mr. Guglielmin.

Mr. Bardeesy, the floor is yours for six minutes.

Karim Bardeesy (Taiaiko'n—Parkdale—High Park, Lib.): Thank you very much.

Mr. Kovrig, I want to thank you for some of the specific advice you gave in your opening statement. I note that you mentioned Stellantis. I also note that Minister Joly rolled out the use of that plant for knock-down kits in Brampton. I think you also spoke to the larger set of policy objectives that an EV policy should have. I want to ask some of the witnesses about that in a bit more depth.

I'll start with you, Ms. Sinasac. Can you speak to the demand you're hearing for electric vehicle connectivity in urban areas, which is informing your very strong perspective on an electric vehicle charging infrastructure plan focused on multi-use residential buildings?

• (1715)

Cherith Sinasac: I don't know if I'm going to answer your question directly, but we see it as a major barrier. We're an electrical industry, and when a customer is asking us to install an EV charger, one of the major barriers we keep seeing is the electrical infrastructure itself. This problem is absolutely massive. It's not going to solve itself without some government intervention.

We have existing multi-unit residential buildings that need to be retrofitted, but what we really need to stop doing is building multi-unit residential buildings that are not EV-ready. That's continuing to make that problem bigger. We're locking out a large proportion of Canadians from accessing EV charging at home.

Karim Bardeesy: Are there Canadian companies that are well-positioned to do this servicing and hookup?

Cherith Sinasac: Oh, yes. The electrical supply chain here in Canada is robust. We are highly integrated with the U.S., but definitely those services are here in Canada, as are the electrical contractors. EFC does not represent them, but we obviously work closely with them. There are electrical contractors here in Canada to do that work.

Karim Bardeesy: Mr. Kingston, I wanted to ask you about the role of EV rebates, which you mentioned in your statement. I know that you have a relationship with dealers. What are you hearing from dealers and the home office about the opportunities that rebates create?

Brian Kingston: Demand for EVs is directly related to rebates. We saw that when the previous federal government rebate went away and the demand for EVs declined quite significantly. It's the same thing at the provincial level. With the introduction of EVAP, there's been an immediate renewed interest in electric vehicles. This is fundamental. If we want more people to switch to EVs, we have to incentivize it in the early years.

Karim Bardeesy: Is it necessary, in your view, that those rebates be available for cars manufactured in Canada only?

Brian Kingston: No. We support the EV rebate being broadly applied—with the exception of China, which I'm happy to get into. The fact is that we don't build a full suite of electric vehicles in Canada. The only company that's building EVs is Stellantis. If you were to limit it to purely Canadian production, that would be helpful to the production that's occurring here, but we simply wouldn't see enough uptake to drive demand.

Karim Bardeesy: Thank you very much.

I have a couple of questions for Mr. Turner.

You mentioned the role of tailpipe emissions as a policy that not only drives innovation but also drives greenhouse gas emission reductions. Could you speak more to your observation around the policy instrument choice of more stringent tailpipe emissions standards?

Jeff Turner: The context here is that the previous policy, the EV availability standard, specified a market share of sales of specifically EVs, battery electric vehicles and plug-in hybrids that would increase over time. The shift to a GHG standard responds to requests for more flexibility in achieving emissions reductions.

In the near term, that opens the door to non-plug-in hybrid vehicles that are still powered by fossil fuels but that offer significant reductions in overall fuel consumption. That policy does create flexibility. The only question is, in the long term, how stringent do the targets become? After a certain point, you need to shift towards plug-in vehicles to attain more significant emissions reductions.

Karim Bardeesy: We know that the U.S. administration has recently abandoned tailpipe emission standards. Can you speak to other jurisdictions that have them and their effectiveness?

Jeff Turner: We've seen a significant push for emissions reductions in Europe. There's obviously a lot of debate over the timelines, as we've seen here as well.

As we've seen in other markets, at this point, EVs represent about one-quarter of new vehicle sales around the world. That's a reflection of policy issues like emissions targets and the significant technology progress as well.

At this point, it's frustrating for me, as a Canadian, to see us behind the global average, but I'm excited for this new policy to be defined over the coming years, along with the other supportive measures to push towards those longer-term targets.

• (1720)

Karim Bardeesy: Could you speak either broadly or specifically about how EV-friendly policies incent economic activity over a broader range of geographic areas rather than just in the manufacturing space?

Jeff Turner: Charging infrastructure is obviously a key ingredient. Most people do most of their charging at home if they have a driveway. Right away, there we have work for electricians to upgrade homes to enable that charging infrastructure.

I think most people right away think about the equivalent of a gas station. We need public charging infrastructure to enable longer trips. That's a significant investment that we need to make across the country, not concentrated in just one region for manufacturing. In every region across the country, we need electrical contractors, civil contractors and the companies that are producing this charging infrastructure as well.

Karim Bardeesy: Thank you.

The Chair: Thank you very much, Mr. Bardeesy.

[*Translation*]

Mr. Ste-Marie, the floor is yours for six minutes.

Gabriel Ste-Marie: Thank you, Mr. Chair.

My first questions are for Mr. Kingston, but first I'd like to take a moment to welcome all the witnesses. Once again, we have a lot to get through today. I thank them for joining us.

I, too, would like to extend a special welcome to Mr. Kovrig.

Mr. Kovrig, during your years of detention in China, we followed every news item about you throughout Quebec. We were very worried about you, given that you were detained under horrific conditions, and you were facing Kafkaesque accusations. I'm glad to see you're now out of those conditions. It's very moving for me to be able to say these words on behalf of my colleagues and friends.

Now back to the committee's work.

Mr. Kingston, you were in the room during the minister's presentation in the first hour.

Do you have any comments to make about the minister's remarks or on the exchanges you heard here, not just about the electric vehicle industry, but also about the auto industry as a whole?

[*English*]

Brian Kingston: Is there any specific element, or is it just more broadly?

[*Translation*]

Gabriel Ste-Marie: Generally speaking.

[*English*]

Brian Kingston: With respect to the whole concept that Canada is going to attract Chinese joint ventures, that is not feasible. That is not realistic. It's not going to happen. That's not how Chinese OEMs operate.

If you look at any of the JVs that they've done in other markets around the world, they're with knock-down kits. That's what they do. If they build a plant, they bring in labour from China. As we've seen in Hungary, the conditions have been characterized as slave-like conditions. This whole concept around creating JVs and attracting Chinese investment is really missing the point.

We need to focus on protecting what we have, which is an industry that is totally integrated with the United States. That is never going to change, so our priority must be on working with the Americans, not opening the market to China.

[*Translation*]

Gabriel Ste-Marie: Alright, thank you.

At the end of her appearance, the minister alluded to a possible partnership with the European Union to develop a common market for electric vehicles.

Does this idea have real potential, or should we really be targeting the U.S. market?

[*English*]

Brian Kingston: No, there's no world in which we're going to create an industry that exports large volumes to Europe. We've seen in the past some manufacturers send small volumes of particular cars to the EU, but if you're going to service Europe, you'll do it from Europe or somewhere close by.

This industry has been created over 60 years based on a North American supply chain. We just happen to sit beside the largest, most dynamic and wealthiest economy in the world. The gravity model of trade dictates that you're going to do the overwhelming share of your trade with the largest economy that is in closest proximity.

It's not only that, but the European Union is not what I would characterize as a high-growth market. I was just there a couple of weeks ago. There's a lot of hand-wringing about the future of Europe, demographic challenges and weak economic growth.

Our future lies in working with the American economy. That's where we have to focus our efforts.

[Translation]

Gabriel Ste-Marie: Thank you very much for your answers.

My next question is for Ms. Sinasac.

What you're suggesting is very interesting. You're saying that electric vehicle batteries should be seen as an asset that could help power the entire grid and manage peak demand. We could even use them during power outages.

To the best of your knowledge, are there cities, countries or regions where something like this is already in place, or are we still just at the proposal stage?

• (1725)

[English]

Cherith Sinasac: There are EV adoptions around the globe. The Netherlands, obviously, is the top European leader, with widespread vehicle-to-grid capabilities and charging infrastructure. Germany entered a commercial vehicle-to-grid phase in 2026, with a new framework for removing regulatory barriers. You'll see that Mercedes-Benz is now releasing a vehicle-to-grid-ready mass market car. Look no further than the U.S., in California, where they are currently piloting projects.

[Translation]

Gabriel Ste-Marie: Alright, thank you very much.

I would have liked to ask what's needed to start doing this in parts of Canada or in the provinces, but my colleague Mr. Bardeesy already asked you. So I already have my answer.

Mr. Turner, do you have any comments on integrating electric vehicle batteries into Quebec's grid, for example, or into a regional grid?

Jeff Turner: Yes, certainly. Thank you. I'll answer in English.

[English]

This is a new and exciting area for Canada. We have some exciting progress in different parts of the country. Nova Scotia Power conducted a bidirectional charging pilot a few years ago. Just last year, BC Hydro demonstrated a bus that was providing power back to the grid.

This is an important emerging area that's showing a lot of promise. The utilities that we work with across the country are paying a lot of attention to this and see EVs as an overall net benefit to

the grid. The increased demand during off-peak times, when there's spare capacity, increases revenue for the electric utility to help pay for all the fixed costs. Our analysis suggests that thanks to that, and with careful management of EV load growth, we can actually drive electricity costs down for all consumers.

There are important steps to be taken. We're helping to coordinate a nationwide effort to seek coordination on vehicle grid integration across the country. We'll be tackling such issues as the communications standards that are required to support this, cybersecurity issues and how to make the business case for these types of programs and policies.

[Translation]

Gabriel Ste-Marie: Thank you very much.

The Chair: Thank you, Mr. Ste-Marie.

[English]

Colleagues, because we're tracking quite significantly over time, I'm going to afford Madame Dancho five minutes. Mr. Ntumba and Madame O'Rourke are going to have two and a half minutes each.

I'm going to allow you a final, brief question, Monsieur Ste-Marie.

[Translation]

Five minutes isn't enough time for you, Mr. Ste-Marie, but I can give you another 30 seconds, then we'll conclude.

[English]

The floor is yours, Madame Dancho, for five minutes.

Raquel Dancho: Thank you.

Thank you very much to the witnesses for being here. I appreciate the testimony.

Some of my questions are for Mr. Kingston.

I want to talk a bit about the potential long-term impacts of allowing more Chinese EVs into Canada. I think about how 35 years ago, we blew open the North American market to cheap goods from China. Now anything you turn over in this room is probably made in China. I'm concerned that 30 years from now, there may not be any North American auto manufacturers if we start letting Chinese EVs in, because we really can't compete with how cheaply they can make their cars.

Do you have any thoughts on this? Am I off the mark? Are you concerned about this?

Brian Kingston: Yes, I'm deeply concerned. China subsidizes their industry massively. The estimate is about \$230 billion U.S., which eclipses anything that we've seen in North America. Of course, they have depressed wages. There's no organized labour or unions at Chinese auto plants, so they're paying, on average, two dollars U.S. an hour. At a Canadian plant, Unifor-unionized, it's \$45 an hour.

They have massive overcapacity. They have enough capacity in China to satisfy domestic demand two or three times over. What they're doing now is trying to dump this excess product into markets around the world that are naive enough to open up and accept said product.

We know where this goes. You just have to look at markets that have opened to China. China is a coercive trade partner. Once the door is open, they will seek additional market access until your industry is eliminated, and then you become totally dependent on them for said product. That is the road we're going down with this agreement.

Raquel Dancho: I think that really sums up a lot of the concerns we've heard from a lot of other witnesses.

You can add in the security implications of some of this. We know that all new vehicles today are quite electric. They have a lot of electronic systems. They're almost like smart phones on wheels, whether they're EVs or not. My understanding is that all of the auto companies have a lot of the data we have, like GPS. We sync our phones with them.

You represent major North American auto manufacturers. From what you know of what your companies have data-wise, are you comfortable with China having access to that data on a big scale in Canada?

• (1730)

Brian Kingston: Absolutely not. The cyber-risks have been well documented. Other countries that have allowed Chinese EVs into the market—Israel, Poland and the U.K.—have now put bans in place on the operation of these vehicles around government facilities and military facilities. Even China has put bans on American-owned Teslas driving in China. If China is doing that, it must be because they believe there is a cyber-risk. The idea that we could allow these vehicles to drive on our roads without any sort of conditions or guardrails around what is done with the data and where it goes is deeply concerning.

Just to be clear on this point, the government committed in 2024 to putting in place rules with respect to connected vehicle hardware and software, to align with the United States. That has not happened and this agreement has already been struck.

Raquel Dancho: Mr. Kovrig, would you mind answering the same question? Do you have concerns similar to Mr. Kingston's?

Michael Kovrig: Yes, absolutely. Chinese EVs are connected, state-linked data platforms. A modern Chinese EV is a rolling computer with cameras, microphones and so on. All modern autonomous vehicles or EVs can do that, but China's 2017 National Intelligence Law compels any Chinese firm, including from overseas operations, to share data with Beijing on demand. There's no judicial review and no challenge mechanism.

The U.S. Department of Homeland Security has been blunt. PRC firms have limited to no recourse. That's why the U.S. bureau of industry and security calls connected vehicles an "undue and unacceptable risk" and why the Five Eyes have already restricted Huawei, TikTok, Hikvision and DJI on the same logic. Connected vehicles are next on that list.

Raquel Dancho: When you were answering some questions from my colleague Mr. Guglielmin earlier, you were going to talk about the impact that Chinese EVs have had on the U.K. I just want to give you an opportunity to finish your thought on that.

Michael Kovrig: Sure. Essentially, the U.K. is not a particularly effective model for Canada, because it has opened its market entirely. The result has been that Chinese vehicles have made rapid gains in that market. The U.K. is in a critically different position. It doesn't try to have the same scale of domestic auto industry.

From a connected vehicle perspective, it's an illustrative model that Canada wants to be careful with. The problem is similar to the Huawei problem. A lot of these countries initially let in Huawei to build critical infrastructure and network backbones because it was cheap, only to later discover that from a security perspective, this created problems. It allowed a potentially hostile, great power to not only commit espionage but also potentially shut down major aspects of the grid or allow them to degrade. European countries, including the U.K., are now having to apply security concerns after electric vehicles have already been let in, and that's likely to, if anything, impose even greater costs and restrictions.

This notion of opening trade and then assessing the security risks is ultimately going to be penny-wise and pound foolish, and it will end up costing more, both in dollars and in security.

Raquel Dancho: Mr. Kovrig, it's an honour to have you here. We really appreciate your testimony based on your very real experience, which we all acknowledge. Thank you for being here.

Michael Kovrig: Thank you.

The Chair: Thanks very much, Madame Dancho.

[Translation]

Mr. Ntumba, you have the floor for two and a half minutes.

Bienvenu-Olivier Ntumba: Thank you, Mr. Chair.

Mr. Turner, in 2026, your firm has focused on modernizing and expanding Canada's electricity and energy grids. You said that demand for electricity is set to rise by between 62% and 112% by 2050.

With electric vehicles becoming increasingly popular, what advice would you give the Canadian government, which has a significant battery supply chain?

How should it prepare for that?

[English]

Jeff Turner: The low growth of EVs is significant. We work with utilities across the country to grapple with this and understand how quickly it's going to materialize. Fortunately, it's happening gradually. Not everybody will replace their vehicle overnight.

On top of that, as I mentioned, it's a fundamentally flexible load on the grid. Most people only drive about 50 kilometres a day. Their battery can hold about 400 to 500 kilometres of range. There's a lot of flexibility in terms of when car charging can happen, and it can be done in such a way that there's a lot of benefit to the grid.

Given that context and the overall opportunity here in terms of the EV supply chain, it's a really important piece of the puzzle to build out opportunities for vehicle grid integration. We can serve the dual purpose of supplying Canadians with clean, affordable transportation modes and reinforcing the grid with flexible storage assets that can help accommodate the varying supply and demand of electricity.

• (1735)

[Translation]

Bienvenu-Olivier Ntumba: Ms. Sinasac, in your introduction, you said Canada doesn't have an internationally coordinated forum.

Can you expand on that?

[English]

Cherith Sinasac: Yes. Right now, we don't have dedicated resources. We need dedicated resources in the federal government to convene industry. We need utilities, regulators, provincial stakeholders, manufacturers, automakers and everyone else to come together. What we really need to look at are three pillars, which need to happen in parallel. We need to harmonize the technical frameworks, make business cases and structure a pilot through evidence gathering. All three pillars will require funding and national coordination to unlock this opportunity.

Related to the last question you asked, we just released a new study here at Electro-Federation Canada. It's about building Canada's electricity system. It's a supply chain and policy road map.

How much we need to expand the grid is directly correlated to how successful we are in modernizing the grid. This includes smart-grid technology such as vehicle-to-grid. If we modernize the grid to be more efficient and to utilize and extract more value from the current system we have, we'll need to build less of that grid. This is why it's such urgent work. As EVs come online, we need to ensure that we are modernizing the grid. The more modernized our

grid, the less we need to build and the less money we need to spend.

Right now, the biggest problem is that we can't deploy these technologies at the speed we need to. That's what needs to be done by convening industry at a federal level.

[Translation]

The Chair: Thank you, Mr. Ntumba.

[English]

Madame O'Rourke, the floor is yours for two and a half minutes.

Dominique O'Rourke: Thank you, Mr. Chair.

Mr. Kovrig, thank you very much for a number of your recommendations. I think all Canadians are appreciative and thankful that you're here with us today.

I will direct my questions to Mr. Kingston, because I chair the Liberal auto caucus and I'm all about auto manufacturing.

You said that the JVs are knock-down kits that bring in Chinese labour. The minister was really clear that we could set the conditions in Canada for domestic labour, security and standards, so it was curious to hear you say that.

Wouldn't the limit of 49,000 vehicles prohibit dumping? It would bring us back to thresholds from 2023. In 2023, did you have the same concerns?

Because I have a follow-up question for you, could you answer this first one really quickly?

Brian Kingston: With respect to the permissions the minister laid out, my point was that that's not how China operates. If you say that you have to have a local supply chain and use local unionized labour, the response from a Chinese OEM is, "Thanks, but no thanks", and BYD has already said that. The point is that it is fantasy that this is even going to happen, because if you want to actually protect the Canadian industry and put in real rules, those rules are not compatible with the Chinese economic model.

With respect to dumping, there is a limit of 49,000, but as I said in my last response, China is a coercive trade partner. The moment it wants more access, it will restrict our exports of canola. It will come up with other reasons to leverage more access to the market. This is the Chinese trade playbook. You can see it in sector after sector in different countries. It is 49,000 now, but the door is open.

Dominique O'Rourke: We can cross that bridge when we get to it, while we strengthen our domestic manufacturing.

I am thrilled to see that GM is the number one EV seller in Canada this year. That is great news. We are really excited to see developments at Ford very shortly. We all want to see a strong Canadian manufacturing presence for auto.

Can you help me understand what the joint ventures and partnerships look like for your member companies? We understand that global automakers have a number of joint ventures, many of them with Chinese companies. What do they look like for the big three?

• (1740)

Brian Kingston: The way China works that if you want to access the Chinese market, you have to strike a JV in China. We have seen this practice in many sectors: aerospace, rail and of course automotive. All of the companies that have sales and operations in China and have built out networks there have had to do so through a JV network, so virtually every global OEM has a joint venture in China.

What happens is they do these JVs, China learns from the company that is invested there and then, of course, it turns around and exports some of its product around the world. That is the structure of the Chinese market. You have to have a JV to be in there.

Dominique O'Rourke: The last one is about your concern around some of the—

The Chair: I am sorry, Madame O'Rourke. I was looking at the calendar and lost track of time, and you almost snuck one past me.

Dominique O'Rourke: All right. I always sneak one in.

[*Translation*]

The Chair: Mr. Ste-Marie, you have the floor. Please be brief.

Gabriel Ste-Marie: Mr. Kingston, you represent American manufacturers, including GM, Ford and Stellantis. You're in favour of free trade and against tariffs.

Are parent companies in the U.S. making similar representations to the U.S. government?

Does the American government seem open to the idea of removing tariffs?

Are parent companies considering legal action in relation to these illegitimate, even illegal, tariffs?

[*English*]

Brian Kingston: That's an excellent question.

Absolutely, the industry has been opposed to U.S. tariff policy. Just to give you a sense of how damaging it's been, manufacturers in the U.S. have already paid \$35 billion U.S. in tariffs. North American auto production has declined by 2%, while production in China was up by 10% last year, and U.S.-manufactured vehicles lost market share in Canada, with a 12% decline in 2025.

U.S. protectionism is doing serious damage to the U.S. industry, and auto manufacturers have been making the case constantly to try to get rid of these tariffs. Obviously we are not there yet, but the objective is to get back to duty-free North American automotive trade.

[*Translation*]

Gabriel Ste-Marie: Thank you.

The Chair: Thank you very much.

[*English*]

Thank you very much to the witnesses who joined us here today. We very much appreciate you availing yourselves to the committee. You have the great honour of being the final contributors to the EV study we have undertaken.

We look forward, as a committee, to reviewing all of the testimony we have received from a variety of different experts over the course of the past number of months and reporting that back to the House of Commons and, by extension, to Canadians.

Thank you very much for being here with us today.

Colleagues, thank you, as always, for a productive conversation. I look forward to picking up our AI study on Thursday.

The meeting is adjourned.

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