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**Subject:** EV Consultation

WaterPower Canada is pleased to have an opportunity to participate in the Department of Finance's consultation on Chinese Electric Vehicles (EVs). WaterPower Canada (WPC) is the national industry association representing the Canadian hydroelectricity sector. Our members include both public and private hydropower producers, equipment manufacturers, engineering and construction firms and other suppliers of goods and services for the hydropower industry.

It is appropriate that the federal government is carrying out a consultation on trade fairness in respect of electric vehicles (EVs) and lithium-ion batteries, as well as cybersecurity concerns in relation to trade imports from China. The automotive and automotive parts industry is one of the cornerstones of Canada's economy. The electrical power system is also one of Canada's key strategic assets – providing reliable power to Canadian residents, businesses and industry, and to United States markets. It is incumbent on the Government of Canada to protect its critical infrastructure and its key industries.

We recommend that the Government of Canada take the following actions:

- Stop rewarding unfairly supported Chinese EVs and Lithium-ion batteries with Canadian incentives that erode Canada's economy
- Apply duties to unfairly supported Chinese EVs and Lithium-ion batteries
- Support Canada's critical automotive and electricity industries
- Ensure the Security of Canada's critical infrastructure
- Ensure labour practices are in keeping with Canada's standards

Our recommendations are discussed in greater detail on the following pages.

**Recommendation 1: Stop Rewarding Chinese products with Canadian Incentives.**

We find it unconscionable that in the face of unfair trade practices the Government of Canada is rewarding Chinese EV exporters with the *Incentives for Zero-Emission Vehicles (iZEV) Program* and *Incentives for Medium- and Heavy-Duty Zero-Emission Vehicles (iMHZEV) Program*, and Canada is rewarding Chinese exporters of lithium ion batteries destined for grid-scale storage by subsidizing their purchase with the *Clean Technology Investment Tax Credit*.

This situation is further exacerbated by the ongoing delays in the implementation of the *Clean Electricity Investment Tax Credit*, which would help level the playing field for Canadian developers of alternate technologies, such as pumped-storage hydropower.

**Recommendation 2: Apply Duties and Align with Canada’s Trading Partners.**

In addition to a 100% tariff on electric vehicles imported from China, the US has levied tariffs on batteries, battery components and critical minerals, with a tariff on non-EV batteries increasing from 7.5% currently to 25% in 2026, and on battery parts increasing from 7.5% currently to 25% in 2024.

The United States is Canada’s largest trading partner, and as an exporting nation Canada relies on the US market for the strength of its manufacturers and exporters. Canada risks adverse trade consequences if we are not aligned with the US, on such a sensitive trade matter as this. Applying a tariff to all Chinese batteries and sub-components would ensure alignment with our primary trading partner.

**Recommendation 3: Address Dual-Use Products in addition to EVs.**

We are also concerned that individual lithium-ion battery cells are dual-use products that can be packaged for either transportation or grid storage, creating the potential for leakage of product from one category to the other if the same treatment is not applied to both. For example, there is the potential for Chinese-manufactured battery cells and/or other battery components imported for grid use to be diverted for use in transportation applications, either via packaging within Canada or via packaging outside of Canada in third countries.

#### **Recommendation 4: Continue Support of Made-In-Canada EV's**

Canada's automotive sector has been at the forefront of building capacity for Electric Vehicles and the lithium-ion batteries that power them. Manufacturers are investing in Canada for the long term, building factories that will supply products as well as good-paying jobs long into the future.

Canada should continue to provide support to ensure the continued growth of this critical sector.

#### **Recommendation 5: Support Made-In-Canada Electricity Solutions**

There are made-in-Canada energy storage projects whose primary cost input is Canadian labour along with Canadian or trade partner-manufactured equipment and inputs (concrete, rebar, controls).

Hydropower, including both conventional and pumped-storage hydropower, represent the largest form of energy storage both in Canada and worldwide. Both are prime examples of mature and reliable energy storage using Canadian-made inputs.

These made-in-Canada solutions are disadvantaged today with the delays in implementing the Clean Electricity Investment Tax Credits and by our existing domestic environment assessment and permitting processes. While our federal government has committed to improving this situation, delivery of promised programs and process improvements is urgently needed to put our domestic industry on an equal footing.

A growing made-in-Canada supply chain for critical minerals and battery manufacturing will also in due course be able to supply grid-scale batteries once high-priority needs for EV manufacturing have been satisfied. In the meantime we can import these items from countries with whom we share free trade agreements.

#### **Recommendation 6: Ensure the Security of Canada's Critical Infrastructure**

Canada's economy requires secure and stable supplies of energy as well as secure communications and information technology infrastructure. Interruptions in supply of electricity and communications can cause health and safety issues, damage to other critical infrastructure and equipment, and can cause significant economic losses. We share Canada's concern about the potential for cybersecurity attacks and believe that our critical electricity infrastructure (not only but including storage) and communications infrastructure should be sourced from countries with whom we share trade agreements or from Canada itself.

We also believe that Canada's security framework should protect Canadians' privacy and data under all circumstances – domestic or international, corporate or government. The potential for misuse of Canadians' data extends far beyond known bad actors.

#### **Recommendation 7: Enforce higher labour standards**

Canada and Canada's corporations uphold high standards for safety and working conditions, and environmental performance. The Government of Canada has also insisted on strict labour and

environmental standards in our free trade agreements. This promotes decent conditions for our fellow workers abroad and prevents foreign jurisdictions from undercutting Canadian enterprises by using lower standards to compete unfairly on price, a practice which punishes Canadian businesses for upholding the standards that secure our collective quality of life.

There are significant concerns relating to environmental performance and labour conditions in relation to China-controlled supply chains for lithium-ion battery mineral inputs and components. These are common to fully assembled electric vehicles, grid-scale electrical storage modules, and unpackaged battery cells. Similarly, the cobalt mineral supply chain has been associated with environmental degradation and armed conflicts in a variety of jurisdictions, and the processing and mineral and battery manufacturing steps have been associated with forced labour.

The Government of Canada has taken some steps against forced labour with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (formerly known as Bill S-211). However, the legislation does not actually ban the actual presence of inputs derived from forced labour, it only mandates the disclosure of steps that companies are taking to investigate and deal with the potential presence of forced labour in the supply chain. As such the legislation is only a symbolic first step which is inadequate on its own without additional measures. In the United States, a stronger stance which requires proof of provenance and restrictions on banned inputs is exemplified by the *Uyghur Forced Labor Protection Act*. The Government of Canada could consider taking a similar and aligned approach both on the environment and on forced labour.

We thank the International Trade Policy Division for the opportunity to comment on these important matters and look forward to discussing the above more fully should this be helpful to your analysis.

Kind regards,



**Lorena Patterson**  
President and CEO