



# Automotive: Impending Changes to Fuel Consumption Regulations in Canada

Madellon Lopes  
(2008)

## Summary

On January 17, 2008, the Honorable Lawrence Canon, Minister of Transport, Infrastructure and Communities announced that for the first time the Government of Canada will regulate fuel consumption of new cars and light trucks, beginning with the 2011 model year. Consultations on the development of the fuel consumption regulations are underway, and will include the automotive industry, environmental and non-environmental organizations, provinces and territories, and other stakeholders. Following consultations, the Government of Canada will publish draft regulations in the *Canada Gazette*, Part I. This will be followed by a 90-day comment and review period to provide a formal opportunity for response. The government will review the comments in order to develop final regulations. These final regulations will be published in the *Canada Gazette*, Part II, by the end of 2008, and come into force for the 2011 model year.

The level of the standard will be determined through the normal regulatory process. No decision has been made on the format of the Canadian standard. In general, however, the standard will be specified for fuel consumption, retaining established test procedures, and will be compatible with the U.S. federal approach to fuel economy standards. The Canadian standard will be prescribed under the *Motor Vehicle Fuel Consumption Standards Act*, through which current regulations are applied, and will pertain to each manufacturer or importer of vehicles sold in Canada.

In April 2007, Transport Canada signed a *Memorandum of Understanding* with the United States Department of Transportation under which they will work closely to develop a North American regulatory standard consistent with the spirit of the *Security and Prosperity Partnership of North America*. However, Transport Canada was careful to point out that they are committed to developing a “made-in-Canada” standard, suggesting the regulations will, at least in-part, address Canada-specific concerns.

In 2006, the combined (car and light truck) new vehicle fleet average fuel consumption in Canada was approximately 8.6 L/100 kilometers, or 27 miles per gallon. Early indications suggest the Canadian Government plans to, at minimum, reach the reduction target set by the United States Congress of 6.7 L/100 kilometers, or 35 miles per gallon. By 2020, Transport Canada predicts the average new vehicle sold in Canada will have fuel consumption better than some of today’s hybrid cars, and produce fewer Green House Gas (GHG) emissions than approximately 93 percent of all vehicle entries listed in the 2008 Fuel Consumption Guide. Presently, the Canadian transport sector accounts for 25 percent of the country’s GHG emissions.

## Implications for U.S. Companies

Given the inevitable shift in fuel consumption standards, alterations to vehicles imported from the United States will be a likely consequence. Subsequently, the trickle-down effect from any new regulations will impact several facets of the automotive industry in Canada, and certainly

manufacturers and exporters from the United States. As industry requirements change, manufacturers will need to shift as a parallel. Thus, manufacturers, exporters, importers and distributors of cars and light trucks, as well as component parts, engines, electrical systems, computer technologies, hybrid or “alternative” technologies, aftermarket parts, assembly equipment and any other stakeholder currently within, or expressing interest in the Canadian market should monitor the legislative developments, or contact U.S. Commercial Services in order to remain up to date on these regulations.

Additionally, new fuel consumption regulations could provide interesting opportunities for American businesses to engage the Canadian market insofar as changes to the aforementioned regulations will consequently require adjustments to the vehicles themselves. New product requirements mean new opportunities, particularly in the market sectors listed above. To remain apprised of the latest developments, or to inquire about trade prospects in Canada, please do not hesitate to contact the U.S. Commercial Service.

## **EXPORT SERVICES IN CANADA**

The U.S. Commercial Service provides U.S. firms with a wide range of cost effective business development services in Canada, including market research, corporate matchmaking and assistance with finding agents and distributors. With professionally staffed offices throughout Canada, we help U.S. firms promote their products and services and realize their full export potential. Call us today and find out how we can bring you into the largest trading relationship in the world or visit us at <http://www.buyusa.gov/canada>.

For further information on this report contact Madellon Lopes, Senior Trade Specialist at (416) 595 5412, ext. 227 or email: [Madellon.Lopes@mail.doc.gov](mailto:Madellon.Lopes@mail.doc.gov)

Drafted by: MLopes/Mjoubarne, February 19, 2008.

*To obtain similar reports on a variety of industry sectors/topics – Send us an e-mail/give us a call! The U.S. Commercial Service in Canada, with six offices and numerous Sector Specialists, regularly publishes similar reports on business opportunities, product analysis, regulatory requirements, industry market analysis and research on a variety of industry sectors and topics that highlight/identify export opportunities for U.S. companies. Call us for an updated list of our pre-packaged analysis on your industry sector or let us know your needs. We will be happy to customize reports for your products and services based on your goals and objectives.*

*To access CS Canada’s list of industry specialist with responsibility for other major sectors, visit <http://www.buyusa.gov/canada/en/3.html>.*

*When you think of exporting, **Think Canada First!**  
Visit our website at [www.BuyUSA.gov/Canada](http://www.BuyUSA.gov/Canada)*

## **The U.S. Commercial Service — Your Global Business Partner**

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/>.

*Disclaimer: The information provided in this report is intended to be of assistance to U.S. exporters. While we make every effort to ensure its accuracy, neither the United States government nor any of its employees make any representation as to the accuracy or completeness of information in this or any other United States government document. Readers are advised to independently verify any information prior to reliance thereon. The information provided in this report does not constitute legal advice.*

*International copyright, U.S. Department of Commerce, 2008. All rights reserved outside of the United States.*

## **References**

EcoAction. *Regulatory Framework on Air Emissions*. Government of Canada. April 26, 2007. <http://www.ecoaction.gc.ca/index-eng.cfm>.

*Security and Prosperity Partnership of North America*. Government of Canada. October 4, 2007. <http://spp-ppsp.gc.ca/menu-en.aspx>.

Transport Canada. *A Better Canada – A Cleaner Environment: Development of Motor Vehicle Fuel Consumption Regulations*. January 18, 2008. <http://www.tc.gc.ca/en/menu.htm>.

Transport Canada. *Canada's First Motor Vehicle Fuel Consumption Regulations: Consultations Begin*. January 17, 2008. <http://www.tc.gc.ca/en/menu.htm>.

Transport Canada. *Consultations Begin For Canada's First Motor vehicle Fuel Consumption Regulations*. January 23, 2008. <http://www.tc.gc.ca/en/menu.htm>.

Transport Canada. *Motor Vehicle Fuel Consumption Standards Act*. November 2, 2007. <http://www.tc.gc.ca/programs/environment/fuelpgm/prog/page3.htm>.

U.S. Commercial Service. United States Department of Commerce. <http://www.buyusa.gov/home/>.