



To: John Moffet
A/Director General, Systems and Priorities
Environment Canada
351 St. Joseph Blvd.
Gatineau, QC K1A 0H3

Re: Pollution Probe's Comments on Environment Canada's *Notice of intent to develop and implement regulations and other measures to reduce air emissions*, published in the Canada Gazette Part I, October 21, 2006, p. 3351

From: Pollution Probe

Date: December 19, 2006

Please accept this submission as Pollution Probe's formal comments regarding the commitment to regulate the fuel consumption of motor vehicles under the proposed notice cited above.

General Comments

Pollution Probe has been advocating for the development of a world-class automobile fuel efficiency standard for Canada and has conducted extensive research on this issue. The Pollution Probe report, *Greenhouse Gas and Fuel Efficiency Standards for Canada*, examines the structure of existing standards in North America and around the world, and identifies guiding principles on the development of a new standard. This report is available at: www.pollutionprobe.org/Reports/vehiclefuel.pdf.

One of the measures considered in this report is the implementation of regulations enabled by the Motor Vehicle Fuel Consumption Standards Act. Pollution Probe is pleased to see this measure proposed in **Section 5 — Scope of proposed regulatory actions** under the Notice of intent.

Pollution Probe also recognizes the intent to implement fuel efficiency standards after the expiry of the Memorandum of Understanding (MOU) between the auto industry and the Government of Canada. This closely matches one of the main recommendations in the report, *Driving Towards a Cleaner Environment — A Healthier Future*, co-written by Pollution Probe and the Canadian Automobile

Association (CAA). This report is available at:
www.pollutionprobe.org/Reports/CAA_Driving_Towards%20Nov-01-06.pdf.

Pollution Probe submits the following points for consideration in the development of a world-class automobile fuel efficiency standard:

1. *The development of a world-class automobile fuel efficiency standard for Canada should begin now as it will take time to conduct the necessary research and policy analysis.*

The UK Department for Transport (DfT) has already initiated its policy process to formulate options for replacing the current voluntary agreement between the European Commission and vehicle manufacturer associations. This agreement expires in 2008/09.¹ The European Environment Commissioner has said that regulation is required to ensure reductions in greenhouse gas emissions from automobiles.² The DfT has issued a stakeholder consultation paper that highlights the need for a long-term approach, since cars tend to remain in use for at least ten years, and thus “...any new policy introduced now will take many years to have full impact.” The paper also asserts that action is needed now since “*The process to then formulate and implement the final policy options, could take a number of years.*”³

Japan is also planning to raise fuel efficiency standards by approximately 23.5 per cent by 2015⁴. This is in addition to existing standards that effectively require a 23 per cent increase over 1995 levels by 2010 (although confirmation is pending, the Government of Japan anticipates that most automakers met this target in 2005). The Japanese Ministry of Economy, Trade and Industry and the Ministry of Transport are preparing to issue a draft proposal for public comment.

2. *Recognizing the opportunity for technology to improve the environmental performance of automobiles, the following groups from Canada and the US are calling upon their respective governments to implement fuel efficiency standards.*

- The Consumer Federation of America calls for a 50 mpg standard by 2030.
- The Civil Society Institute calls for a 40 mpg standard.
- The American Council for an Energy Efficient Economy calls for a 44 mpg standard for passenger cars and 33 mpg for light trucks by 2012.
- A coalition consisting of the Alliance to Save Energy, Center for Auto Safety, Friends of the Earth, National Environmental Trust, Natural Resources

¹ UK Department for Transport website,
www.dft.gov.uk/stellent/groups/dft_roads/documents/divisionhomepage/612500.hcsp

² Low Carbon Vehicle Partnership (lowC^{vp}) website,
www.lowcvp.org.uk/newsandevents/news.cfm?news_id=523

³ *Reducing New Car CO₂ Emissions: What Should Succeed the Voluntary Agreements*,
www.dft.gov.uk/stellent/groups/dft_roads/documents/page/dft_roads_612502.hcsp, pp. 5.

⁴ Japan Ministry of Economy, Trade and Industry news release,
www.meti.go.jp/press/20061215009/kouhyou-set.pdf

- Defense Council, Public Citizen, Sierra Club, Union of Concerned Scientists, US PIRG and others calls for a 40 mpg fuel efficiency standard by 2017.
- The National Commission on Energy Policy — a bipartisan US commission — recommends significantly strengthening US fuel efficiency standards immediately.
 - The Energy Security Leadership Council — a coalition of US business leaders and military professionals — call for significant reform and annually strengthened fuel efficiency standards for passenger cars and light-duty trucks.
 - The Canadian Auto Workers (CAW) support improvement in new vehicle fuel efficiency levels.⁵
 - The Canadian Automobile Association and Pollution Probe have called on the federal government to establish fuel efficiency standards in Canada.⁶

3. *There is overwhelming support for fuel efficiency standards from many sectors of society.*

- 2005 Ledger Marketing Poll — 90 per cent of Canadians believe government regulations are needed to increase vehicle fuel efficiency levels.
- 2005 Opinion Research Corp. Poll — 89 per cent of Americans agree on the importance of government action needed to reach a fuel efficiency level of 40 mpg in the US.
- 2006 Harris Interactive Poll — 74 per cent of Americans say that American car companies are not moving as quickly as they should to build automobiles that consume less gasoline.
- 2006 Opinion Research Corp. Poll — 78 per cent of Americans want the government to impose a 40 mpg fuel efficiency standard for American vehicles.

Even among automakers there is support. For example, Jim Press, President of Toyota Motor North America, called upon governments to set new fuel economy standards in a speech made to the National Press Club in Washington, DC on July 18, 2006:⁷

“And I think it starts with the auto industry being more proactive. It's time for us to stop being the “against” industry... and to come out strong “for” something important ... like a better earth and a better quality of life.

Automakers need to work with government to set reasonable goals to improve fuel economy standards and reduce greenhouse gases in a way that doesn't severely damage the health of one of America's most vital industries. Reasonable people may disagree, but they can also compromise...find common ground...and move forward.”

⁵ 2002 CAW Council policy discussion paper.

⁶ CAA 2003/04 Statement of Policy.

⁷ <http://pressroom.toyota.com/Releases/View?id=TYT2006071879732>

Furthermore, Merrill Lynch (one of the world's leading financial services companies) recently produced a report on investment strategies for "*the clean car evolution*"⁸ outlining the financial opportunities presented by the global demand for more fuel efficient automobiles. The report criticized the lack of regulatory clarity on the part of governments, particularly in North America:

"The auto industry is not well served by these weak and vacillating regulations, which only perpetuate regulatory uncertainty. Moreover, this dynamic encourages short term strategies, specifically on the part of US automakers as they exploit policy loopholes or develop marketing campaigns around en vogue technologies. This is not a strategy that creates long term shareholder value. We believe it is better for the industry, and for investors, for Washington to develop a clear, coherent and long term regulatory path for the industry to reduce oil consumption."

The Merrill Lynch report also showcases Canada-based Magna International as a potential benefactor of the drive toward higher fuel economy as it is a market leader in critical technologies for lighter, stronger vehicles.

In Conclusion

Pollution Probe stresses the need for the Government of Canada to make a clear public commitment to implement world-class motor vehicle fuel efficiency standards. Furthermore, the detailed policy work and regulatory analysis required to set world-class standards for the reduction of greenhouse gas emissions from new automobile fleets should begin immediately. This analysis should identify the opportunities for maximizing Canada's global competitiveness and job creation in the auto sector, as well as the various measures that will complement a fuel efficiency standard. By taking the lead on this issue now, Canada can take part in the global shift to a far more fuel efficient automobile regime. If, on the other hand, the Government of Canada waits for other jurisdictions to take the lead on fuel efficiency policy, then there is a risk that Canada will be subjected to standards to which we have had no input or influence. This would be an unfortunate lapse of leadership on an issue that is important to Canadians and the planet.

Sincerely,



Ken Ogilvie
Executive Director
Pollution Probe

⁸ Low Carbon Vehicle Partnership (lowC^{VP}) website, www.lowcvp.org.uk/newsandevents/news.cfm?news_id=523