



Legislative Committee on Bill C-30

Meeting No. 5

Tuesday, February 6, 2007

3:30 p.m. to 5:30 p.m.

Room 237-C, Centre Block

(613) 943-1496

## **Pollution Probe submission to the Committee**

Kenneth B. Ogilvie  
Executive Director  
Pollution Probe

On behalf of Pollution Probe, I welcome the opportunity to make a brief presentation to the Legislative Committee on Bill C-30.

Pollution Probe has focused much of its efforts related to the issue of transportation and climate change on vehicle fuel efficiency, which is the focus of my remarks today. Bob Oliver, Transportation Project Manager at Pollution Probe, is here to support me in today's deliberations. Bob's work is largely devoted to vehicle fuel efficiency and related greenhouse gas emission reductions. Bob is the author of several Pollution Probe reports on this subject.

### **Three Key Points**

I intend to make three key points during this presentation:

- Canada should join leading nations in the design and implementation of a mandatory vehicle fuel efficiency standard.
- A design process for this standard should begin immediately and should result in the Gazetting of a fuel efficiency regulation in 2008, to come into effect upon expiry of the existing Memorandum of Understanding between the Government of Canada and the Canadian Automotive Industry respecting greenhouse gas emissions.
- The Canadian public should be massively educated and engaged on the subject of vehicle fuel efficiency during the design process and following implementation of the standard.

### **The problems we face are unprecedented**

Climate change presents environmental and economic problems that governments must address with effective policy measures. The consequences of inaction on climate change policy are significant. I will not reiterate the findings and conclusions of the recent IPCC Summary for Policymakers<sup>i</sup> and the Stern report<sup>ii</sup>, both of which are authoritative sources

and substantiate the cause for great concern about climate change. Instead, I will focus my remarks on the opportunity that exists to improve vehicle fuel efficiency.

### **Improving motor vehicle fuel efficiency – an opportunity for action**

Pollution Probe has conducted extensive research and consulted widely on issues related to vehicle fuel efficiency. We believe without any doubt that the technology exists to significantly improve upon fuel efficiency levels while maintaining the essential vehicle attributes that people value. Moreover, vehicle technology is constantly improving and will present even greater opportunities in the future.

- **There are no technical barriers to improving motor vehicle fuel efficiency**
  - As our 2005 report on *Greenhouse Gas Emissions and Vehicle Fuel Efficiency Standards for Canada* illustrates, there are no technical barriers to improving fuel efficiency. This report was reviewed by international experts and by Canadian government and industry representatives. A range of technology options to improve fuel efficiency are identified in the report, and studies are included that assess the potential contribution that each of these technologies can make.
  
- **The public is ready for fuel efficiency standards**
  - On January 17<sup>th</sup> of this year, a Strategic Counsel survey<sup>iii</sup> for The Globe and Mail found that higher fuel economy standards ranked number one in terms of what Canadians are most likely to support to counter global warming. Eighty-six per cent of Canadians polled supported fuel economy standards and 72 per cent were willing to pay more for a fuel efficient car. Furthermore, 62 per cent of those polled said Canadians would be willing to have the economy grow at a “significantly slower rate” to reduce global warming.
  - On January 4<sup>th</sup>, a Decima Research poll<sup>iv</sup> showed that the environment has eclipsed health care, the war in Afghanistan, taxes, the economy and other issues to become the most frequently mentioned preoccupation of Canadians. Nineteen per cent say it is the issue that concerns them the most personally, followed by health care at 13 per cent.
  - A 2005 Ledger Marketing Poll<sup>v</sup> found that 90 per cent of Canadians believe government regulations are needed to increase vehicle fuel efficiency levels.
  
- **Past fuel efficiency experience in the U.S. and Canada can be drawn upon, as well as the experience of other nations**
  - Following the oil price shocks of 1973-74, the U.S. Government implemented corporate average fuel economy (CAFE) standards that required a doubling of passenger car fuel economy levels by 1985. A 2002 report by the National Academy of Sciences estimated that 2.8 million barrels of gasoline per day are saved due to the CAFE standards<sup>vi</sup>, translating into roughly 100 megatonnes of carbon dioxide annually, or a seven per cent decrease in total GHG emissions in the absence of the standards.<sup>vii</sup> The Academy calculated the cumulative benefits of CAFE to be in the range of \$40 billion to \$80 billion (US).<sup>viii</sup> Moreover, the

Academy found no evidence that CAFE standards had a significant impact on employment levels in the industry.<sup>ix</sup>

- In the United States, fuel economy levels failed to increase significantly when passenger car CAFE standards effectively “topped out” in 1985. The U.S. Environmental Protection Agency has projected that the 2006 model year fleet of cars and trucks combined will be the heaviest, fastest and most powerful on record, but no improvement in fuel economy levels is expected over the 2005 model year, despite rising gasoline prices. The 2006 fleet is projected to be four per cent less fuel efficient than the fleet of 20 years earlier.<sup>x</sup>
- In Canada, fuel efficiency standards are not regulated. Instead, there is a voluntary commitment by industry to meet U.S.-equivalent targets in Canada, measured in company average fuel consumption (CAFC) levels. The efficiency trends in Canada closely track those in the U.S., albeit on a slightly more fuel efficient basis.<sup>xi</sup>
- Outside of North America, other nations are taking significant steps to improve fuel efficiency levels and reduce greenhouse gas emissions.
  - In Europe, there is a voluntary commitment by automakers to reduce GHG emissions by approximately 25 per cent to 140g/km by 2008. While some automakers are on track to meet this target, the industry as a whole is expected to fall short of the voluntary commitment.<sup>xii</sup> The European Commission is seriously considering a mandatory target for 2012 of 120-130 g/km.
  - In Japan, automakers are ahead of schedule in meeting a 2010 commitment to reduce fuel consumption by approximately 23 per cent.<sup>xiii</sup> A second round of reduction targets is being finalized that is expected to require an additional 23.5 per cent reduction by 2015.
  - China is implementing a range of fuel efficiency<sup>xiv</sup> and engine size policies<sup>xv</sup>, and Australia continues progress towards a 24 per cent reduction in fuel consumption levels by 2015.<sup>xvi</sup>
  - In California, greenhouse gas emissions standards have been set to reduce new vehicle fleet emissions by approximately 30 per cent by 2016.<sup>xvii</sup> Ten states are preparing to adopt the California regulations, including New York, New Jersey, Massachusetts and Washington. Together, these states comprise more than 30 per cent of the new vehicle market in the U.S.
- The actual costs of vehicle emissions regulations, once they are in effect, have been less than initially estimated by both automakers and regulators. Based on a review of previous cost analyses, the U.S. Natural Resources Defense Council<sup>xviii</sup> found that the auto industry has “historically overestimated the actual costs by a factor of about 2 to 10 times” while regulators have historically overestimated costs by as much as 2 times.

### **What Pollution Probe recommends**

Pollution Probe recommends that over the next 12-18 months a world class fuel efficiency standard should be designed for Canada. The standard should be benchmarked against leading jurisdictions around the world. The standard should be announced in the

2008 Gazette and come into legal effect upon expiry of the existing auto sector Memorandum of Understanding (i.e., in 2010, applying to the 2011 model year).

In parallel, a suite of complementary measures should be developed to help Canada achieve the standard and provide for further reductions in fuel consumption levels.

Examples of complementary measures include:

- Fuel efficiency labeling
- Consumer information and awareness programs
- A retirement program to accelerate the replacement of older, more polluting vehicles
- Incentives and measures to “pull” cleaner technologies into the market
- Support for Research and Development on new, cleaner automotive technologies.

### Closing comments

Canada has an opportunity, and an obligation, to do its share to reduce the threat of global climate change. The time for leadership by governments is now. The public is looking for leadership on climate change and related issues, such as air quality. Pollution Probe believes the public will respond to reasoned and resolute action on vehicle fuel efficiency. We urge all parties to come to agreement on the need for a world class vehicle fuel efficiency standard for Canada.

Thank you for inviting Pollution Probe to speak to you today.

---

<sup>i</sup> Intergovernmental Panel on Climate Change (2007). *Climate Change 2007: The Physical Science Basis – Summary for Policymakers*.

<sup>ii</sup> HM Treasury (2006). *Stern Review on the Economics of Climate Change*.  
[www.hm-treasury.gov.uk/newsroom\\_and\\_speeches/press/2006/press\\_stern\\_06.cfm](http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2006/press_stern_06.cfm)

<sup>iii</sup> Gregg, Kelly, Sullivan and Woolstencroft. (2007). *A Report To The Globe and Mail and CTV State of Canadian Public Opinion: The Greening of Canada*, The Strategic Council.

<sup>iv</sup> Decima Research Inc. (2007). *Environment on the Agenda*.

<sup>v</sup> Martin Redfern. (2005). *Public Views on Vehicle Fuel Efficiency Standards*, Leger Marketing.

<sup>vi</sup> Committee on the Effectiveness and Impact of Corporate Average Fuel Economy (CAFE) Standards, National Research Council. (2002). *The Impact and Effectiveness of Corporate Average Fuel Economy (CAFE) Standards*, National Academies Press. pp.3.

<sup>vii</sup> Ibid. pp.20.

<sup>viii</sup> Ibid. pp.20.

<sup>ix</sup> Ibid. pp.22-24.

<sup>x</sup> Heavenrich, R.M. (2006). *Light-Duty Automotive Technology and Fuel Economy Trends: 1975 through 2006*, EPA420-R-06-011, Environmental Protection Agency, Ann Arbor, Michigan.

<sup>xi</sup> Oliver. (2005). *Greenhouse Gas Emissions and Vehicle Fuel Efficiency Standards for Canada*, Pollution Probe. pp.73.

<sup>xii</sup> European Federation for Transport and Environment. (2007). *T&E Bulletin*,  
[www.transportenvironment.org](http://www.transportenvironment.org).

<sup>xiii</sup> Ministry of Economy, Trade and Industry (METI) announcement, December 15, 2006..  
[www.meti.go.jp/press/20061215009/kouhyou-set.pdf](http://www.meti.go.jp/press/20061215009/kouhyou-set.pdf)

<sup>xiv</sup> Sauer, A., Wellington, F. (2004). *Taking the High (Fuel Economy) Road: What Do the New Chinese Fuel Economy Standards Mean for Foreign Automakers?*, World Resources Institute.

<sup>xv</sup> Statement by Katharine A. Fredriksen, Principal Deputy Assistant Secretary Office of Policy and International Affairs United States Department of Energy Before U.S.China Economic and

- 
- Security Review Commission August 4, 2006, *China's Role in the World: Is China a Responsible Stakeholder?* [www.pi.energy.gov/pdf/library/hearing\\_draft5.pdf](http://www.pi.energy.gov/pdf/library/hearing_draft5.pdf)
- <sup>xvi</sup> Federal Chamber of Automotive Industries. (2003). *Voluntary Code of Practice - Reducing the Fuel Consumption of New Light Vehicles*.  
[www.autoindustries.com.au/media/2003/04/00000012.html](http://www.autoindustries.com.au/media/2003/04/00000012.html)
- <sup>xvii</sup> California Environmental Protection Agency, Air Resources Board. (2004). *Staff proposal regarding the maximum feasible and cost-effective reduction of greenhouse gas emissions from motor vehicles*.
- <sup>xviii</sup> Hwang, R., Peak, M. (2006). *Innovation and Regulation in the Automobile Sector Lessons Learned and Implications for California's CO2 Standards*, Natural Resources Defense Council, CALSTART.