



COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA)

MEETING OF THE BILATERAL DIALOGUE ON MOTOR VEHICLE REGULATIONS 30 SEPTEMBER 2020 (DVC)

REPORT

The third meeting of the Bilateral Dialogue on Motor Vehicle Regulations, as established under the Comprehensive Economic and Trade Agreement (CETA), took place on September 30, 2020 by videoconference. Canada was represented by officials from Transport Canada, Environment and Climate Change Canada, and Global Affairs Canada, while the European Union was represented by officials of the European Commission from the Directorate General for Internal Market, Industry, Entrepreneurship and SMEs and the Directorate General for Trade.

1) Regulatory update

a. *Update on implementation of UN ECE Regulations under Annex 4A of CETA (Canada)*

Canada confirmed that it has made significant progress recognizing United Nation (UN) Regulations, which have been assessed as providing an equivalent level of safety to the Canada Motor Vehicle Safety Standards, having recognized four UN Regulations listed in CETA Annex 4A to date and 21 UN Regulations in total. With respect to the remaining four UN Regulations in CETA Annex 4A, it was noted that related work on Global Technical Regulations is ongoing in the context of the UNECE World Forum for Harmonization of Vehicle Regulations (WP.29).

b. *Discussion of EU proposal to facilitate trade in low volume hybrid, electric and hydrogen vehicles (Canada & the Commission)*

EU

The EU raised the issue of improving the trade in low volume low and zero emission vehicles. The challenge at the moment for European manufacturers of these type of vehicles is that it is not economically viable for them to export as certification costs are expensive for the expected low volumes.

Apart from improving trade, this could also provide Canadian citizens with an increased selection of hybrid, electric & hydrogen vehicles and help Canada and its provinces meet their climate change objectives.

Canada

Canada acknowledged the importance of fostering uptake on low and zero emission vehicles as part of Canada's efforts to meet its Paris Agreement commitments, noting Transport Canada's contribution in the form of its administration of the iZEV purchase incentive program. In response to the EU's presentation, Canada provided an overview of the Minister of Transport's authority to grant exemptions from specific Canada Motor Vehicle Safety Standards for new safety technologies and systems under development. Canada explained that manufacturers applying for such an exemption must submit an application for each exempted standard on each individual model, and must demonstrate that the exemption will not substantially diminish the overall safety performance of the model. For vehicles which are not already substantially aligned with Canadian regulations, the exemption process is likely more burdensome to the manufacturer than meeting the regulations.

Canada and the EU affirmed the importance of ongoing cooperation on research, including the development of Global Technical Regulations for electric vehicles through the Electric Vehicles and the Environment Information Working Group and the Electric Vehicle Safety Informal Working Group, both subsidiaries of the WP.29.

Canada also further confirmed that its emission regulations are not expected to be a barrier to the importing of low emission and zero emission vehicles. Canada noted that it has received and processed several Evidence of Conformity submissions for Canada-unique battery electric vehicles in the past few years and all were processed within the 60-day service standard stated in the published guidance document.

c. Regulatory developments in the EU (Commission)

The EU highlighted the new type approval legislation that came into force on 1 September to ensure cleaner and safer cars on the European market. It represents a significant overhaul of the previous type approval system with a new framework for type approval and market surveillance of vehicles.

In particular, the new framework improves the quality and independence of vehicle type approval and testing, increases checks of cars already on the EU market and strengthens the overall system with European oversight. Overall, this represents a major change in regulatory oversight of the EU automotive market.

d. Regulatory developments in Canada (Canada)

Canada provided an overview of its regulatory process and shared developments related to road safety, including noting public consultations

underway at the time on school bus safety standards, automatic emergency braking systems, and advanced driver assistance systems.

Canada also provided an update on the midterm evaluation of Canada's light-duty vehicle greenhouse gas emission regulations, an interim order to correct an error in the formula to apply advanced technology vehicle multipliers, technical amendments to heavy-duty vehicle emission regulations, and upcoming regulatory changes for off-road engines.

2) Policy discussion

Impact and measures taken to support the automotive sector to recover from the COVID-19 crisis (Canada & the Commission)

EU

The EU began the discussion by highlighting the serious impact that COVID-19 has had on the EU automotive sector with around 1 million workers in the car industry in Europe having been laid off, or had their hours cut, due to factory shutdowns during coronavirus outbreak.

However, while there have been dramatic falls in the sales of internal combustion engine cars, there has been strong growth in the sale of electric vehicles. The EU is witnessing the speeding up of long-term structural changes affecting the sector namely, the shift to low emission mobility and greater digitalisation.

This is placing a huge burden on the industry which is not only having to face substantial falls in revenue through lost sales but is also making major investments in new technologies and the reskilling of its workforce.

The EU has put forward a major package of substantial financial measures to support projects proposed by Member States in their individual Recovery and Resilience Plans. Priority for funding will support actions promoting the green and digital transformation of the industry, including sustainable transport and mobility.

Canada

Canada recognized the impacts of the pandemic and the importance of supporting affected citizens and businesses. It was noted that this is a key priority in Government's Speech from the Throne on September 23, as well as focusing on sustainability and climate action to build back better, including measures to support the further uptake of zero-emission vehicles.

Canada indicated that the primary measure to support industry, including the automotive industry, during the pandemic has been the Canada Emergency Wage Subsidy (CEWS), a broad-based, non-sector specific wage support for qualifying businesses designed to give employers financial support so they can keep or re-hire their workers.

It was also noted that Canadian officials have been holding regular meetings with stakeholders in the automotive sector to share information and provide guidance on measures to limit the spread of COVID-19.

3) International collaboration

Canada & EU

Both parties reiterated the strong collaboration among their counterparts at the international level, including in the development of Global Technical Regulations and related discussions on automotive safety, electric vehicles, and real driving emissions in the context of WP.29.

Of specific note, EU mentioned the internal need for work on autonomous vehicles with a focus on motorways operation and would welcome Canadian views. Canada also indicated it did not have any concerns with the proposed UN regulation on real driving emission that is now ready, and supports the change in mandate of the group as requested by the United States to allow more time to develop a global technical regulation that more fully captures North American realities. Finally, Canada indicated it was supportive of the current schedule and goals of the Electric Vehicles and Environment group, as it completes global technical regulations on power determination and continues work on battery durability.

4) Any other business

Canada committed to provide the EU with information on a recently published SAE paper titled *Effect of Driving Cycles on Emissions from On-Road Motorcycles*.

Canada and the EU thanked one another for their cooperation and constructive engagement, and agreed on the value of continuing discussions and collaboration on motor vehicle regulatory matters moving forward.

The next meeting is likely to be during the summer of 2021.