

NEWS RELEASE

Federal electric vehicle subsidies cost \$355 per tonne of averted GHG, dwarfing price of carbon tax (\$65)

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For immediate release

VANCOUVER—Government subsidies for electric vehicle purchases are an extremely costly way to try to reduce greenhouse gas emissions in Canada, finds a new study released today by the Fraser Institute, an independent, non-partisan, Canadian public policy think-tank.

“By essentially paying people to buy electric vehicles, governments across Canada are spending a lot of money despite questionable benefits,” said Jock Finlayson, senior fellow at the Fraser Institute and co-author of *A Review of Electric Vehicle Consumer Subsidies in Canada*.

The federal government provides a \$5,000 subsidy for every eligible electric vehicle (EV) purchase in Canada. Some provinces provide their own additional subsidies, ranging from \$2,500 in Newfoundland and Labrador to \$7,000 in Quebec (Alberta, Saskatchewan, Manitoba and Ontario provide no provincial subsidy).

In theory, these subsidies will reduce the number of gasoline-powered vehicles on the roads and thus reduce greenhouse gas (GHG) emissions in Canada.

Of course, taxpayers ultimately pay for these subsidies. How much value, measured in averted GHG emissions, do taxpayers receive from these subsidies?

On its own, the federal subsidy costs \$355 per tonne of averted GHG emissions. Depending on the province, that cost can increase, topping out at \$857 per tonne in Quebec.

These costs dwarf the federal carbon tax, which is an important comparison for the relative cost of EV subsidies. The federal carbon tax currently sits at \$65 per tonne (with a planned increase to \$170 per tonne in 2030).

It’s also unclear to what extent EVs help reduce GHG emissions. In jurisdictions where fossil fuels produce electricity, more EVs on the road means an increase in demand for electricity including power generated by fossil fuels.

Finally, Canada already maintains a broadly-based carbon tax that’s increasing steadily over time. And according to the federal government’s mandate, a rising proportion of all new vehicles sold in Canada must be EVs.

“In light of other government policies already in place, there’s simply no need for a costly EV purchase subsidy, particularly one financed with borrowed money that will add to government deficits,” said Karen Graham, study co-author.

“When trying to reduce GHG emissions, policymakers should carefully weigh the costs and benefits before introducing major policies such as EV subsidies,” Finlayson said.

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