

## **Global Automakers of Canada's comments on Ontario's Proposed Battery Regulations**

June 2019

Global Automakers of Canada (GAC) is the national trade association representing the Canadian interests of 15 of the world's most respected automakers. Our members include: BMW Group Canada Inc, Honda Canada Inc., Hyundai Auto Canada Corp., Jaguar Land Rover Canada ULC, Kia Canada Inc., Maserati Canada Inc., Mazda Canada Inc., Mercedes-Benz Canada Inc., Mitsubishi Motor Sales of Canada Inc., Nissan Canada Inc., Porsche Cars Canada Ltd., Subaru Canada, Inc., Toyota Canada Inc., Volkswagen Group Canada Inc. and Volvo Car Canada Ltd. Together our members represent more than 25 brands in the Canadian automotive market.

In 2018, the member companies of the Association sold a record 1,173,891 vehicles representing 59% of the Canadian automotive market. This represents a growth in sales of 1.2% over 2017's record year for the member companies. In Ontario our members sold a record number of vehicles in 2018 – 494,282 representing a 4.5% increase over 2017 sales with our members also commanding 59% of the Ontario marketplace.

Further our members produced 44% of the vehicles built in Canada at Ontario plants in Alliston, Cambridge and Woodstock, and fully 58% of the vehicles sold by member companies in Canada were built in the NAFTA region, demonstrating a commitment to « building where they sell ». In 2018, Toyota assembled the most vehicles of any manufacturer in Canada and Honda was the third largest producer out of the five Canadian vehicle manufacturers.

### **Issue Background and Recommendations:**

As Ontario continues its shift towards a full producer responsibility framework for reduction, reuse and recycling of resources, our association and its members are greatly concerned over proposed regulations on batteries laid out in the Regulations for Recycling of Electrical and Electronic Equipment (EEE) and Batteries under the *Resource Recovery and Circular Economy Act, 2016*. As an industry, we have fully participated in the transition of stewardship programs to an individual producer responsibility (IPR) model in the province, most notably the transition away from the program to manage used tires. However, these newly proposed regulations on batteries will have a serious negative impact on the emerging electrified vehicles market, create an undue burden on the automotive sector in the province, and, as currently conceived, offer no viable path to compliance. Our association thus recommends that:

- 1. Electrified vehicle batteries be exempt from this proposed regulation**
- 2. Automotive lead-acid batteries be exempt from this proposed regulation**

### Electrified Vehicle Batteries in the Ontario Marketplace:

**The electric vehicle industry remains in its infancy.** The current phase of vehicle electrification – traditional hybrid vehicles (HEVs), Plug-in Hybrid vehicles (PHEV), battery electric vehicles (BEV) and fuel cell electric vehicles (FCEV) – make up less than 2% of the market and do not need added regulatory red tape that would hinder their growth. Automotive manufacturers have incentive to capture rechargeable motive batteries from their vehicles for metal recovery and research and development purposes. As such, manufacturers have established recovery programs to ensure the return of these motive batteries at the vehicle's end-of-life.

For these and other practical reasons, rechargeable large-format automotive batteries represent a negligible portion of batteries in the Ontario waste stream. It is unreasonable to compare large EV batteries to every day consumer batteries (i.e. AA/AAA, etc.) and expect that they can be recovered in the same way.

Should MECP desire to designate these products for IPR, **then a study should be conducted to justify such regulatory action.** As noted above, EV sales make up a small portion of the Ontario market. As these sales increase any study to examine the aftermarket for EV batteries must occur after the EV sales market has time to stabilize. Including these types of batteries in the new regulation would have a doubly negative impact. First, this would drive down demand for electrified vehicles by adding a regulatory cost to the sale that would ultimately be borne by consumers who are already wary of these more expensive vehicles. Secondly, as an industry OEMs are already working to develop means to recycle automotive rechargeable batteries with many options for re-use, refurbishing, and recycling. An unnecessary regulation at this stage would restrict manufacturers' ability to economically develop more effective solutions for battery recycling. Moreover, electrified vehicles are designed to last for eight to ten years and when these batteries are no longer suitable for use in vehicles, they are still able to act as stationary power sources.

Automotive manufacturers want to participate in green initiatives and it is in our best interest to offer various types of vehicle technology, including electrified vehicles, for Ontario consumers. This regulation will restrict our ability to do so and very likely harm the growing electrified vehicle market.

### Lead-Acid Automotive Batteries:

The inclusion of lead-acid batteries in the proposed regulation will create undue regulatory burden on automakers in Ontario. This will directly contravene the current government's stated goal of cutting regulatory red-tape. Furthermore, as lead is one of the most recycled materials in Canada with a well-established secondary market, **this regulation has the potential to disrupt the very same circular economy that the *Resource Recovery and Productivity Act, 2016* is trying to establish.** Preliminary 2018 data from the Canadian Battery Association shows that the **recovery rate for lead batteries in Ontario is 103.5%.** We also know that automotive batteries make up the bulk of recovered lead-acid batteries. All our members are part of existing networks of dealerships, haulers and recyclers that make up this lead-recycling economy.

The Ontario government has studied this issue before in 2009 when Waste Diversion Ontario examined the marketplace for recycled lead in Ontario and concluded there was no need to establish a provincial wide program. The table below was included in that report.

**Table 15: Reported Lead Acid Battery Recycling Rates**  
From Leading North American Sources and Programs (listed from most to least recent)

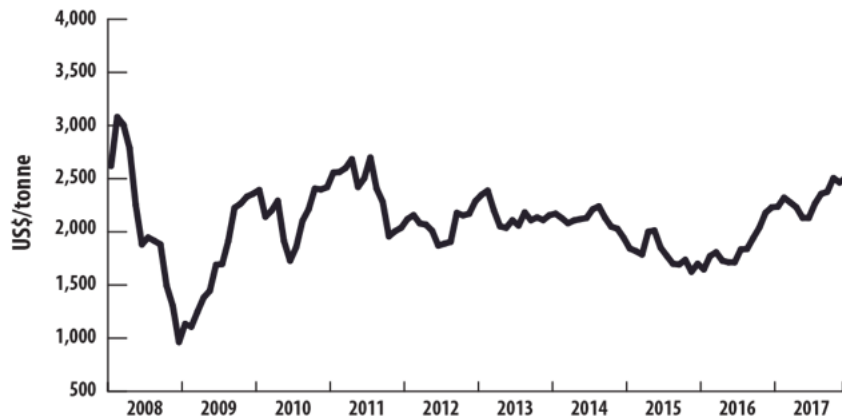
Jurisdiction	Year Reporting	Reported Recycling Rate	Source	References
Canada - wide	2007	110% (estimate)	NRCan	-International Zinc and Lead Study Group -NRCan's Mining and Minerals Statistical Survey - Canada's Trade Retrieval and Aggregate System - Global Trade Atlas
US/Canada	2005	97% (US) "similar for Canada"	Kelleher Environmental for Environment Canada –	- <i>Battery Recycling in Canada - 2008 Update</i> - Battery Council International <i>National Recycling Rate Study</i> prepared by SmithBucklin Corporation
BC	2005 (and earlier)	2005– 98% Early 1990's- 40% recycled	BC Ministry of Water, Land and Air Protection	- <i>BC Lead Acid Battery Collection Program – Program Summary – March 2004</i> - AutoRecyclers News; Winter 2006
PEI	2005 (and earlier)	2005-80% 2000-107% 1999-70-75% 1998-65%	PEI, Dept. of Environment, Energy and Forestry	See also: Environment Canada – Lead Acid Battery Take Back Programme description on EC Extended Producer Responsibility website
US/Canada	2004	"Slabs are reported at 97% in the US and 94% in Canada"	Redhead& Burnham Commission for Environmental Cooperation	<i>Practices and Options for Environmentally Sound Management of Spent Lead Acid Batteries within North America</i>
Canada - wide	Pre 2004	"about 90% and in some years has exceeded 100%"	CEC report	<i>Practices and Options</i>

Source: 2009, Waste Diversion Ontario Report

In Canada, we can see that lead has a very high diversion rate. The data from the WDO report in 2009 is largely consistent with the preliminary data on recycling rates provided by the Canadian Battery Association for 2018. The recycling rate for lead-acid batteries has been consistently high

throughout the intervening period. The cost of lead, the factor that drives recycling rates, has not varied dramatically. See the following table, sourced from the Natural Resources Canada website.

## Lead, monthly average prices, 2008-2017



Source: [NRCan](#)

We have recommended in the past that if Ontario is considering regulating the recovery of lead-acid batteries that this study from 2009 be re-examined. Our industry would gladly participate in this effort.

We recognize that government resources are scarce and must be deployed as efficiently as possible. In the same vein, as our industry participates in the other stewardship programs' transition as well as our overall transition to less greenhouse gas intensive technologies, our capacity to participate in an unprecedented lead recovery program is limited. Before embarking on such a program, the environmental benefit must be made clear. For both the resources of government and industry to be used effectively, a study of the lead recycling economy in Ontario must be undertaken before a program is put in place.

### Final Comments:

Considering the above the **GAC recommends the exemption of all automotive batteries, both lead-acid and of electrified vehicles.**

Our industry is eager to engage with the government of Ontario on its environmental initiatives and we are active participants in programs that are helping to green our province. In all environmental initiatives we advocate for an outcomes-based approach. In the case of regulation of automotive batteries, there is no clear evidence that greater materials recovery will be the outcome. In fact, automotive batteries are a model of a closed-loop system in which materials are recovered and recycled. They are already being taken care of and are achieving the government's objective of keeping waste away from landfill and moving towards a circular economy. Regulating these batteries

will offer no additional environmental benefit and will instead disrupt an existing market and add unnecessary burden to the industry in Ontario. It could also have an unintended negative environmental impact by hindering the uptake of electrified vehicle technology.

We appreciate this opportunity and hope our comments will be given proper consideration. We look forward to continuing the dialogue with the Ministry.

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