



Ottawa, Canada K1A 0G2

October 22, 2021

The Honorable Charles Schumer
Senate Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Senate Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Kevin McCarthy
House Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Speaker Pelosi, Majority Leader Schumer, Leader McCarthy, and Leader McConnell:

I am writing to convey Canada's very serious concerns about the proposal for consumer electric vehicle (EV) tax credits currently under consideration within the Build Back Better bill. This proposal would undermine decades of United States-Canada cooperation to foster a mutually beneficial integrated automotive production and supply chain, and hurt U.S. suppliers and their employees given that each assembled vehicle produced in Canada contains approximately 50% U.S. content.

Canada shares the U.S. objective to facilitate the innovation and transformation toward EVs in order to meet our common environmental and supply chain development objectives. To this end, Canada has set a domestic target for 100% of light-duty automotive sales to be zero-emission vehicles by 2035. To meet this ambitious target, Canada has reaffirmed its commitment to the Canada-U.S. integrated automotive sector, including by advancing collaboration on critical minerals to develop the resources and produce the batteries to supply our electric future.

Canada is, therefore, very concerned with the protectionist elements of the proposed tax credits that discriminate against EVs and their parts that are produced in Canada, which will be detrimental to our shared interests and objectives, particularly as we seek to develop secure supply chains for these critical environmental technologies. These elements also undermine the integrated nature of the North American automotive industry, would cause serious and irreparable harm to the Canadian automotive sector and, by extension, the automotive sector in the United States, and in particular companies and workers in the northern U.S. states who form a significant part of Canada's automotive supply chain.

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Canada is concerned with elements of the tax credit proposed by both the Senate Finance Committee (within the Clean Energy for America Act) and the House Ways and Means Committee (within the markup of the Build Back Better bill).

Specifically, Canada is concerned with the following elements proposed by the Senate Finance Committee:

- US\$2,500 credit if final assembly of the EV takes place at a facility represented by a U.S.-only based labour organization;
- US\$2,500 credit if final assembly of the EV is at a facility located in the United States; and
- U.S. assembly as a precondition for the full value of all credits as of 2026.

Canada is also concerned with the following elements proposed by the House Ways and Means Committee:

- US\$4,500 credit if final assembly of the EV takes place at a facility specifically located in the United States that also operates under a collective bargaining agreement;
- US\$500 credit if the EV includes at least 50% U.S. content in component parts and is powered by battery cells that are manufactured in the United States; and
- U.S. assembly as a precondition for the full value of all credits as of 2027.

If passed into law, these credits would have a major adverse impact on the future of EV and automotive production in Canada, resulting in the risk of severe economic harm and tens of thousands of job losses in one of Canada's largest manufacturing sectors. U.S. companies and workers would not be isolated from these impacts.

Measures that negatively impact Canadian assembly of vehicles will harm the U.S. parts sector and jobs given that each assembled vehicle produced in Canada contains approximately 50% U.S. content. A weaker Canadian automotive sector would also have negative implications for U.S. automotive producers and workers, in particular in the Great Lakes region, who rely on parts and materials from Canada that support production in both countries.

Moreover, these proposals are inconsistent with U.S. obligations under the United States-Mexico-Canada Agreement (USMCA) and the World Trade Organization. As you know, deeper integration is at the core of the year-old USMCA, with its new and stronger rules on labour and rules of origin for vehicles. The USMCA is driving more innovation and production to take place within North America.

The U.S. and Canadian automotive industries are highly integrated and reliant on each other for the supply of both finished vehicles and component parts. We are each other's top destination for automotive exports, with total automotive trade averaging over US\$100 billion on an annual basis. The Canadian and U.S. governments have stood together time and again to ensure the stability of the automotive sector in North America. Our unique industry integration and resulting cross-border efficiencies allow us to compete successfully with any other auto-producing region in the world.

While Canada plays a key role in the success of the U.S. automotive sector today, Canada is also necessary for the United States to achieve its electric vehicle objectives in the future.

Discriminating against Canadian production is inconsistent with the Canada-United States Joint Action Plan on Critical Minerals Collaboration, particularly given our shared objective to develop a sustainable and secure supply of batteries in North America. For example, Canada is the only country in the Western Hemisphere that has all the critical minerals required to manufacture EV batteries: graphite, nickel, aluminum, copper, lithium, cobalt, manganese, molybdenum and rare earth elements.

Canada and the United States share the common objectives of transitioning to green economies, combatting climate change, and ensuring the vehicles, components and critical minerals of the future are produced here in North America. Canadian unions and labour standards are as robust as those in the United States. Therefore, it is imperative that Canadian assembly, including Canadian unionized assembly, is not discriminated against and is eligible for the maximum incentive available under any change to Section 30D.

I urge Congress to pass legislation that does not discriminate against Canada, your most trusted and reliable partner.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mary Ng', written in a cursive style.

The Honourable Mary Ng, P.C., M.P.

c.c. The Honorable Ron Wyden
Chairman
Committee on Finance
United States Senate

The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
U.S. House of Representatives

The Honorable Katherine Tai
United States Trade Representative

The Honorable Gina M. Raimondo
Secretary of Commerce