

Canada shifts gears: what the 2026 auto strategy means for manufacturers, EVs and trade

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Key Takeaways

- Canada will replace the Electric Vehicle Availability Standard with greenhouse gas emissions standards while targeting 75% EV adoption by 2035.
- A five-year EV affordability program will offer purchase incentives, while investments in charging infrastructure are set to double to \$1.5 billion.
- Strategic partnerships with South Korea and China aim to strengthen domestic EV manufacturing and improve supply chain resilience.

Canada's [automotive industry strategy](#), announced on February 5, 2026, is the latest in a series of initiatives aimed at building resilience in the Canadian economy and diversifying trade partnerships. Following the recent strategic partnership announcements with South Korea and China, the new automotive strategy outlines measures across five key areas intended to strengthen Canada's domestic automotive industry and support electric vehicle (EV) production and adoption.

Industry investments

Several new measures have been introduced to accelerate investments into Canada's automotive manufacturing sector. These include a \$3-billion allocation from the Strategic Response Fund (SRF) and up to \$100 million from the Regional Tariff Response Initiative (RTRI).^[1] The SRF will focus funding on projects larger than \$20 million, while the RTRI provides support to small and medium-sized enterprises impacted by tariffs.^[2]

Additionally, previously announced fiscal measures, including the temporary corporate tax rate deductions for businesses that manufacture zero-emission technology, the Clean Technology Manufacturing Investment Tax Credit, the proposed Electric Vehicle Supply Chain Investment Tax Credit and tax incentives for critical mineral mining and production, will be used to further attract investments to the sector.^[3]

Emissions reduction

The Electric Vehicle Availability Standard (EVAS)^[4] will be repealed and replaced by new greenhouse gas (GHG) emissions standards.^[5] Through this approach, Canada hopes to offer more flexibility for the industry while still reducing the nation's carbon footprint.

Under the EVAS regime, a market for vehicle GHG emission credits (based on fleet-wide emissions performance against the EVAS standards) has been established, under which a manufacturing or importing company could transfer its credits to enable the recipient to meet its compliance obligations. Transactions in EVAS emission credits have been a regular activity for Canadian manufacturers and fleet managers since the EVAS's introduction in 2010.

Repealing the EVAS will have significant impacts. Most importantly, it effectively removes the EV sales mandate, which previously required that 100% of new light-duty vehicle sales be zero-emission by 2035, with specific annual EV sales requirements in the preceding years.^[6] However, there have been no transition details announced about how the new GHG emission credits system will apply going forward. Until further transition details are known, significant uncertainty remains regarding the application of the GHG credit system to current and historical EVAS model year credits.

The new light-duty vehicles GHG emissions standards that will replace the EVAS will be introduced for model years 2027 to 2032 and be reviewed every five years to ensure alignment with Canada's climate objectives. Canada hopes to reach the goal of 75% EV adoption by 2035 and 90% EV adoption by 2040.^[7]

It remains to be seen if Québec will retain its recently announced updated sales targets of 90% of zero-emission vehicles by 2035 in light of the material shift in the federal regulation framework.

EV affordability and infrastructure

EV incentives

The automotive strategy will reintroduce EV purchase incentives through a five-year EV affordability program that has been designed to strengthen the domestic consumer market. This \$2.3-billion program will offer up to \$5,000 for individuals and businesses who purchase or lease battery EVs, and up to \$2,500 for plug-in hybrids (PHEVs). The incentives will be scaled back each year, decreasing to \$2,000 for EVs and \$1,000 for PHEVs by 2030.^[8]

To qualify for the incentive, the vehicle must have a final transaction value of \$50,000 or less and be manufactured by a country with which Canada has a free trade agreement. The \$50,000 cap will not apply if the vehicle is manufactured in Canada.

While federal incentives have made a return, British Columbia is removing its rebate program as the province shifts its focus towards the expansion of charging infrastructure.^[9]

Previously, the B.C. rebate program offered up to \$4,000 for EV purchases.^[10] Québec is maintaining the phase-out of its rebate programs, with the available rebate amount being reduced to \$2,000 in 2026 and then completely phased out in 2027.

Infrastructure investments

Canada will also be expanding its national charging infrastructure by growing the Canada Infrastructure Bank's (CIB) Charging and Hydrogen Refueling Infrastructure (CHRI) Initiative.

The dedicated concessionary capital budget for the CHRI financing initiative is proposed to be increased to \$1.5 billion (approximately double its current stated allocation, according to the CIB).

For a charging infrastructure project to be financed under the CHRI initiative, the project must

- involve public fast charging or hydrogen refuelling infrastructure located in Canada
 - be delivered by the private sector
 - be revenue generating and in the public interest
 - consist of large-scale deployment with total eligible project costs of at least \$20 million
- Eligible project costs for investments should not exceed 50% to 80% of public funding, depending on the timing and location of the project.^[11]

Trade regime

As previously mentioned, Canada has entered strategic partnerships with South Korea and China in an effort to increase its domestic EV manufacturing capabilities, increase supply chain resilience and provide more affordable EVs to Canadian consumers.

Through the partnership with South Korea, Canada plans to collaborate with South Korean automotive companies on domestic EV manufacturing projects.^[12] Additionally, Canada is looking to increase the amount of South Korean investment in the areas of battery production and critical mineral processing.^[13]

As for the Canada-China partnership, Canada has announced that up to 49,000 Chinese-made EVs per year may be imported at the most-favoured-nation tariff rate of 6.1% rather than the 100% rate previously imposed.^[14] Within the next three years, Canada also expects a considerable increase of Chinese joint-venture investment in Canada's automotive manufacturing sector.^[15]

In addition to these partnerships, Canada will launch public consultations and strategically leverage its automotive duty remission framework to reward higher levels of production in Canada. A tradeable import credit system may be introduced to allow companies to monetize their Canadian production-related investments as credit surpluses can be sold to other companies seeking to import vehicles into Canada.^[16]

At the same time, counter-tariffs on automotive imports from the United States will be kept in place to protect manufacturers in the domestic market.^[17]

Protecting Canadian workers and businesses

To provide relief from existing pressures, Canada will launch a new work-sharing grant for automotive workers to prevent layoffs and support worker retention. Updated employment insurance frameworks for long-tenured workers and new reskilling supports will also be provided for up to 66,000 workers across the country. Lastly, an automotive task force will be established between the federal and Ontario governments to facilitate a coordinated approach to ensure growth and resilience in the automotive sector.^[18]

Looking ahead

Canada's new automotive strategy represents a comprehensive effort to reposition Canada's

automobile manufacturing sector, balancing compliance flexibility with a continued focus on supporting EV adoption, manufacturing and related infrastructure.

We expect further announcements this spring as the Minister of International Trade embarks on a trade mission to South Korea, as well as remissions measures for certain Chinese steel and aluminum products to be expanded per the recently announced Canada-China strategic partnership.

[1] ["Prime Minister Carney launches new strategy to transform Canada's auto industry,"](#) February 5, 2026 (PM announcement).

[2] ["Frequently asked questions – Strategic Response Fund,"](#) Innovation, Science and Economic Development Canada; ["Regional Tariff Response Initiative,"](#) Government of Canada.

[3] ["Prime Minister Carney unveils Canada's new automotive strategy to protect jobs and position our country as a global leader in next-generation vehicle manufacturing,"](#) Innovation, Science and Economic Development Canada, February 5, 2026 (Backgrounder).

[4] Currently reflected in the *Passenger Automobile and Light Truck Greenhouse Gas Emission Regulations* (SOR/2010-201) promulgated under the *Canadian Environmental Protection Act*.

[5] [Backgrounder.](#)

[6] ["Federal and Québec governments to adjust EV sales mandates: key developments and considerations,"](#) Osler, Hoskin & Harcourt LLP, October 14, 2025.

[7] [Backgrounder.](#)

[8] [Backgrounder.](#)

[9] ["B.C. ends electric vehicle rebates despite federal renewal,"](#) *Business in Vancouver*, February 5, 2026.

[10] ["B.C. ends electric vehicle rebates despite federal renewal,"](#) *Business in Vancouver*, February 5, 2026.

[11] ["Charging and Hydrogen Refuelling Infrastructure Initiative,"](#) Canada Infrastructure Bank (CIB).

[12] ["Canada and Republic of Korea strengthen ties in key industrial sectors,"](#) Innovation, Science and Economic Development Canada, January 29, 2026.

[13] ["Canada and Republic of Korea strengthen ties in key industrial sectors,"](#) Innovation, Science and Economic Development Canada, January 29, 2026.

[14] ["Backgrounder – Preliminary Agreement-In-Principle to Address Economic and Trade Issues between Canada and the People's Republic of China,"](#) Government of Canada.

[15] ["Prime Minister Carney forges new strategic partnership with the People's Republic of](#)

China focused on energy, agri-food, and trade,” Prime Minister of Canada, January 16, 2026.

[16] Backgrounder.

[17] PM announcement.

[18] Backgrounder.