

Québec adopts its regulation prohibiting motor vehicles and internal combustion engines by 2035



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On December 16, 2024, Québec adopted the <u>Regulation prescribing certain prohibitions as regards motor vehicles and internal combustion engines</u> (the Québec Regulation) [PDF], banning the sale of all new light-duty combustion engine vehicles (motor vehicles) in Québec by 2035. The Québec Regulation is part of the government of Québec's actions to achieve its goal of 100% zero-emission vehicles' (ZEVs) sales by 2035.

Gradual ban of combustion engine vehicles in Québec

Vehicles targeted by the ban

The Québec Regulation provides for a gradual restriction on the sale of new internal combustion engine (ICE) motor vehicles (*i.e.*, vehicles whose engine runs on fuel (*e.g.*, gasoline, diesel or natural gas)) in Québec, with a full ban on such vehicle sales by 2035. The ban will apply to light-duty combustion engine vehicles, such as passenger and commercial vehicles, including cars and light trucks, as well as most sport utility vehicles and pickup trucks. Mopeds, motorcycles, and off-road vehicles such as snowmobiles and all-terrain vehicles are excluded from the scope of the Québec Regulation.

Starting on January 1, 2034, no motor vehicles that are not ZEVs of model year 2035 or later may be marketed. More specifically, the Québec Regulation's prohibition will target vehicles that are not "propelled solely by an electric motor, including a motor vehicle whose motor is supplied by a hydrogen fuel cell or another means of propulsion that emits no pollutant, and whose sole element emitting pollutants is the vehicle's air conditioner."

Two years later, from December 31, 2035, the sale and lease of all new motor vehicles that are not ZEVs, including hybrid and plug-in hybrid vehicles, will be prohibited. The sale of combustion engines will also be prohibited, except for the replacement of a defective engine in a vehicle that is already on the road in Québec.

Exceptions

The Québec Regulation lists categories of motor vehicles for which the ban will not apply:



- Motor vehicles that are already registered: Vehicles of model year 2034 and earlier that are already registered in Québec, as of December 31, 2035, may continue to be used or traded until the end of their useful life.
- Emergency vehicles: Light-duty vehicles used for emergency services, such as police vehicles, ambulances, fire safety vehicles, and utility road vehicles recognized as emergency vehicles by the *Société de l'assurance automobile du Québec* (SAAQ), will be exempt.
- Short-term rental vehicles: Short-term rental companies will be able to continue renting
 their ICE motor vehicles until the end of their useful lives, provided that rentals are for a
 maximum of 120 days (including any renewals). One would have expected more flexibility
 on the exception applicable to this industry, considering that most operators renew their
 fleets approximately every 18 to 24 months and that the useful life of a vehicle is 10 to 15
 years.

Assessment of market maturity in 2026 and 2030

In parallel to the adoption of the Québec Regulation, the government of Québec has announced its intention to carry out an assessment of the maturity of the market and the infrastructure needed to achieve the government's goal of 100% ZEVs by 2035. According to some government sources, the objective is to achieve sales of electric vehicles (EVs) in the province reaching 32.5% in 2026, 60% in 2028, 85% in 2030 and 100% in 2035. This assessment could ultimately lead to recommendations on the frequency of analyses to measure progress to target and possible adjustments or amendments to the Québec Regulation.

Monetary administrative penalties and fines for non-compliance

The Québec Regulation provides that monetary administrative penalties may be imposed on any person who contravenes the Québec Regulation, which penalty would range from \$1,000 to \$2,000 for individuals, and from \$5,000 to \$10,000 in other cases.

In addition, any person who contravenes the Québec Regulation may be liable for fines ranging from \$5,000 to \$1,000,000 for individuals, and from \$15,000 to \$6,000,000 in other cases.

The Ministry of the Environment's <u>General Enforcement Framework</u> [PDF] sets out general criteria guiding the imposition of administrative sanctions and fines for violations to the *Environment Quality Act* and its regulations, such as the Québec Regulation. However, the decision to impose administrative monetary penalties and/or fines rests with the persons designated by the Ministry, and it is up to them to exercise the discretion that comes with such a designation and to decide whether or not to impose a penalty when a non-compliance is observed, taking into account the objectives pursued and the various criteria set out in this framework.

Federal and British Columbia regulations prohibiting motor vehicles and internal combustion engines

Québec was not the first jurisdiction to adopt ZEVs mandates. It was preceded by the province of British Columbia and the federal government.



Federal Regulations

On December 15, 2023, the federal government adopted the <u>Regulations Amending the Passenger Automobile and Light Truck Greenhouse Gas Emission Regulations</u> (the Federal Regulations) requiring manufacturers and importers' fleets of new light-duty vehicles offered for sale in Canada to include a minimum number of ZEVs. Specifically, 100% of passenger car and light-truck sales will need to be ZEVs by 2035, with interim requirements of at least 20% by 2026 and at least 60% by 2030. The Federal Regulations provide specific sales targets by model year starting from 2026, and include a credit system for manufacturers and importers, in order to facilitate the transition to meet the ZEV targets.

Contrary to the Québec Regulation, the Federal Regulations include hybrid and plug-in hybrid vehicles in the definition of ZEVs. This lack of harmonization between the Federal Regulations and the Québec regime may create inconsistent strategies and results in practice. For example, a short-term rental business owning a fleet of wholly or partially hybrid and plug-in hybrid vehicles that are registered in a province adjacent to Québec would not be permitted to rent or offer for rent these vehicles in the province of Québec after 2035.

Moreover, the Federal Regulations target only the manufacturers and importers' fleets of motor vehicles, while the Québec Regulation will apply to any person selling or leasing vehicles, including individuals and other business concerns.

British Columbia

In 2019, British Columbia became the first jurisdiction in the world to legislate a 100% ZEVs sales requirement through the *Zero-Emission Vehicles Act* (the B.C. Act), which requires 100% ZEV sales in the province by 2035, with interim requirements of at least 26% by 2026 and 90% by 2030.

Similar to the Federal Regulations, the B.C. Act targets automakers and their dealers only, unlike the Québec Regulation which casts a broader net.

Outlook for the future

Québec joins British Columbia and the Government of Canada in adopting its own regulation banning the sale of all new light-duty combustion engine vehicles in the province by 2035.

Nevertheless, the future application of these regulations remains uncertain at this time. Notably, an application for judicial review of the Federal Regulations was filed on January 18, 2024 against the Attorney General of Canada by Valero Energy Inc., one of Canada's leading distributors of traditional liquid fuel products, including automotive gasoline. In its application filed with the Superior Court of Québec, Valero is asking the Court to annul certain articles of the Federal Regulations relating to the 2026 and subsequent model year ZEV sales requirements. To support its request, Valero alleges that these articles exceed the legislative competence of the federal parliament, were enacted in the absence of legislative empowerment, and are unreasonable, and therefore unconstitutional. Alberta and Québec Attorneys General are intervenors in these proceedings, which are still active as of today.

Additionally, as discussed in our <u>Osler Legal Outlook</u> article, it will remain a challenge to build sufficient charging infrastructures to accelerate and sustain the adoption of electric vehicles by Canadians, and significant investment and regulatory certainty will be required.



Finally, with the inauguration of President Trump on January 20, 2025, his withdrawal from the Paris Agreement on climate change and his executive order "ending the EV mandate", worldwide momentum on the transition to ZEVs is now facing significant headwinds. In his order, President Trump revoked the non-binding mandate that up to 50% of new vehicles sold in the United Sates be ZEVs by 2030, revoked unspent federal funds for charging stations, repealed a waiver enabling states to limit sales of ICE vehicles, and signaled his intention to consider eliminating the federal US\$7,500 tax credit for purchases of ZEVs.

This is a clear set back for the adoption of ZEVs that has already had spillover effects in Canada with the auto industry calling for the federal government to end the mandate set out in the Federal Regulations following the depletion of federal funding for its \$5,000 incentive program. It appears that 2025 will be a bumpy road for the electrification of the transportation sector.