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LET'S ABOLISH THE FEDERAL BAN ON THE SALE OF GAS-POWERED VEHICLES

By Gabriel Giguère

The federal government adopted a regulation in December 2023 prohibiting Canadians from purchasing new gas-powered vehicles starting in 2035.¹ The goal of this ban is to accelerate the transition to electric vehicles.² However, given the high costs and the reduced quality of life that such a measure would entail for the population, this regulation should be abolished.

AN ACCELERATED TRANSITION AT WHAT COST?

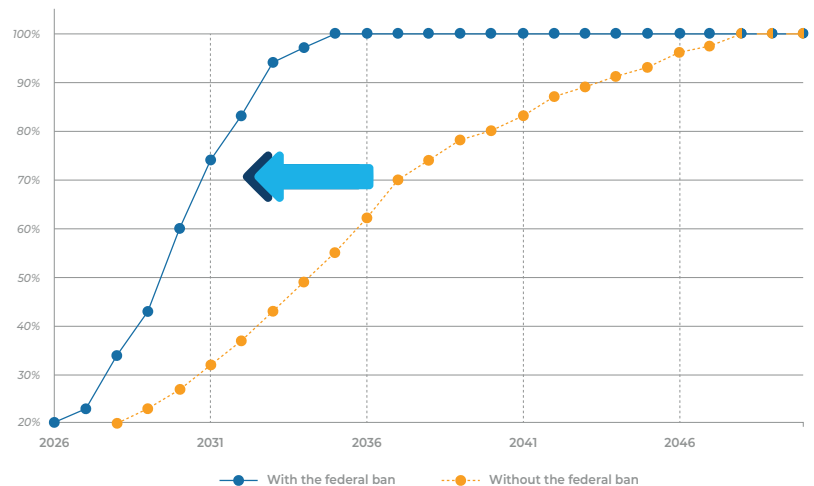
Electric vehicles are generally presented as the future of mobility. If this proves to be the case, their adoption should be rapid and cumulative,³ in so far as more and more consumers will choose innovative products that better meet their needs. This is known as the Rogers Curve, which has the shape of an S and shows the cumulative adoption of a product: a slow diffusion of innovation at first, followed by significant acceleration, and then a final slowdown phase when the most recalcitrant consumers end up adopting the innovation. That's what happened with the massive adoption of mobile phones and the internet,⁴ for instance.

Yet, the adoption of electric vehicles is lagging in Canada and elsewhere, as the global market seems to be losing steam,⁵ despite the existence of significant purchase subsidies for years. Only 13.4% of new motor vehicles registered in Canada in 2024 were electric or hybrid, and this rate risks stalling given that purchase subsidies have recently ended.⁶

The federal government has decided to force consumers to buy electric vehicles through regulation, despite their current drawbacks.

Figure 1

Adoption of electric vehicles with and without federal regulatory targets (%)



Note: The hypothetical case (orange curve) is notional and aims to demonstrate the impact of the gradual prohibition of gas-powered vehicles in Canada. It is not a projection.
Sources: Government of Canada, Regulations Amending the Passenger Automobile and Light Truck Greenhouse Gas Emission Regulations: SOR/2023-275, Canada Gazette, Part II, Vol. 157, No. 26, December 15, 2023.

The annual targets for sales of electric vehicles thus impose a forced market transition over just 10 years.⁷ In other words, the government is aiming to shift the adoption curve to the left, hoping for an accelerated transition similar to mobile phones and the internet.

We have produced a hypothetical scenario for the adoption of electric vehicles without the ban on the sale of gas-powered vehicles in 2035. This hypothesis is not a projection, but aims instead to demonstrate the effect of the prohibition on the adoption of electric vehicles in a free market (see Figure 1). More time would

thus be required to reach the usual level of adoption for the Rogers Curve (orange), given consumer reluctance.

A COSTLY GOVERNMENT INTERVENTION

This regulation aiming to accelerate the adoption of electric vehicles has a number of significant costs:

- *An increase in the cost of living*

Forcing Canadians to transition to electric vehicles over such a short period of time will entail an increase in the cost of living. The estimated price differential between electric and conventional vehicles in 2026 is \$6,720, and between electric and conventional SUVs, \$11,490.⁸

According to this projection, a gap is expected to endure and to reduce the quality of life of Canadian households by cutting into their budgets. Many will have to reduce other spending items, like food or leisure. And for some families unable to afford a more expensive vehicle, a reduction in trips may be required, affecting their quality of life in that way.

- *High costs to build charging infrastructure*

According to one report,⁹ some 680,000 public charging ports will be needed in Canada by 2040, which supposes the installation of 40,000 new ports each year. The reality is that we are quite far from this target, with just 6,764 ports installed in 2024.¹⁰ For light vehicles alone, which are the target of the federal regulation, the construction of the charging ports needed would cost \$18 billion, according to this same report.

- *Substantial pressure on provincial electricity grids*

The rapid and mandatory adoption of electric vehicles, artificially accelerated by the federal government, will inevitably exert great short-term pressure on electricity grids. According to some estimates, this measure could increase electricity demand by 7.5% to 15.3%.¹¹ This increase will put our grids to the test, and could require additional investments of up to \$294 billion to

increase production capacity and adapt power networks.¹²

- *A repressive approach for Canadians*

Prohibiting the purchase of gas-powered vehicles is a repressive approach that restricts Canadians' mobility choices. The government is thus overstepping its bounds by making consumption decisions for the population. If a parent judges that a gas-powered vehicle better meets the family's needs, the government should not intervene to prohibit this choice.

CONCLUSION

By prohibiting gas-powered vehicles, the government is betting big on a technology that has yet to prove itself and pass the test of the market. Accelerating the adoption of electric vehicles, as the federal regulation does, comes with significant costs. The government should instead consider rescinding this regulation and allowing Canadians to freely choose their vehicles, thereby reducing the bill for both taxpayers and consumers.

REFERENCES

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2. More specifically, zero-emission vehicles, which are mainly electric and hybrid electric.
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4. Our World in Data, Adoption of communication technologies per 100 people, World, consulted on January 28, 2025.
5. Philippe Leblanc, "Le marché des véhicules électriques au ralenti," Radio-Canada, September 28, 2024; William Wikes, "Europe's EV Sales Plunge Has Carmakers Seeking EU Relief," *BNN Bloomberg*, September 19, 2024.
6. Author's calculation. Data available only for the first three quarters of the year. Marie-Emma Parenteau, "Finie l'aide fédérale de 5000 \$ pour un véhicule électrique, des clients mécontents," Radio-Canada, January 14, 2025; Statistics Canada, Table 20-10-0024-01: New motor vehicle registrations, quarterly, December 12, 2024.
7. The regulatory mechanism practically prohibits the sale of gas-powered vehicles due to penalties for not respecting electric vehicle quotas (100% in 2035). Government of Canada, Canada's Zero-Emission vehicle sales targets, Transport Canada, October 28, 2024.
8. The relative operating cost advantage for electric vehicles decreases significantly by 2026. Author's calculations. Chris Matier et al., *Electric Vehicle Availability Standard: Potential Impacts on Ownership Costs and Charger Supply*, Office of the Parliamentary Budget Officer, August 29, 2024, p. 11.
9. Government of Canada, Electric Vehicle Charging Infrastructure for Canada, Natural Resources Canada, February 2024.
10. David Kennedy, "Canadian public EV charging station installations slowed in 2024," *Automotive News*, January 8, 2025.
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12. Government of Canada, *op. cit.*, endnote 9.



This Viewpoint was prepared by **Gabriel Giguère**, Senior Policy Analyst at the MEI. The MEI's Energy Series aims to examine the economic impact of the development of various energy sources and to challenge the myths and unrealistic proposals related to this important field of activity.

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