CONSULTATION ON THE OPERATION OF THE CANADA-UNITED STATES-MEXICO AGREEMENT (CUSMA)

COMMENTS AND RECOMMENDATIONS FROM ELECTRIC MOBILITY CANADA

SUBMITTED TO:
GLOBAL AFFAIRS CANADA

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1. INTRODUCTION

Electric Mobility Canada (EMC) is pleased to contribute to the Government of Canada's consultation on the Canada-United States-Mexico Agreement (CUSMA). As the national industry association representing the full electric transportation ecosystem, EMC's members span the entire value chain, from mining and materials processing to vehicle manufacturing, charging infrastructure, and energy services.

Canada's electric transportation sector is deeply integrated into North American supply chains. Trade rules under CUSMA directly affect the competitiveness of Canadian businesses, the pace of electrification, and the resilience of emerging clean technology industries. This submission outlines key provisions of the agreement that are working well, identifies areas for improvement, and highlights emerging issues that should be considered in the lead-up to the 2026 joint review.

2. ABOUT EMC

Electric Mobility Canada (EMC) is the unifying and authoritative voice for the transition to electric transportation across Canada. Founded in 2006, EMC is the national industry association that enables and accelerates the transition to sustainable electric mobility through advocacy, collaboration, education, and thought leadership, with the goal of creating a cleaner, healthier, and more prosperous future for all Canadians.

EMC has 190+ member organizations, including electricity suppliers; manufacturers of light, medium, heavy, and off-road vehicles; infrastructure providers; technology companies; mining companies; research centres; government departments and agencies; cities; universities; fleet managers; unions; environmental NGOs; and EV owner groups.

EMC members collaborate under different working groups to identify barriers and solutions specific to multiple industry segments: Batteries, Charging infrastructure, Utilities, ZE MHDVs and Research, Education and Training.

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ELECTRIC MOBILITY CANADA
ACCELERATING ELECTRIC TRANSPORTATION

MOBILITÉ ÉLECTRIQUE CANADA
ACCÉLÉRER L'ÉLECTRIFICATION DES TRANSPORTS

3. WHAT'S WORKING WELL

The Canada-United States-Mexico Agreement (CUSMA) provides a stable and predictable framework for trade in electric vehicles (EVs), components, and critical minerals. Several provisions of the agreement are currently supporting the growth and competitiveness of Canada's electric transportation sector.

Duty-Free Access Supports Sector Integration

The duty-free access granted under CUSMA facilitates the movement of EVs, batteries, charging equipment, and raw materials across borders. This is essential for Canadian businesses that operate within integrated North American supply chains and rely on cross-border trade to scale production and deployment.

Rules of Origin Encourage North American Manufacturing

The automotive rules of origin, requiring 75 percent regional value content and specific thresholds for core components such as batteries, encourage domestic manufacturing and investment in North America. These provisions help ensure that Canadian-made vehicles and parts qualify for preferential treatment, reinforcing Canada's role in the continental EV ecosystem.

Labour Value Content Promotes Fair Competition

The labour value content requirement, which mandates that a portion of vehicle value be produced by workers earning at least US$16 per hour, supports fair labour practices and helps maintain competitiveness for Canadian manufacturers.

Environmental Cooperation Offers Future Potential

CUSMA's environmental and regulatory cooperation chapters offer a framework for future collaboration on clean transportation. While these provisions are not yet fully leveraged for EV infrastructure or standards, they provide a foundation for trilateral dialogue and coordination.

Zero-Tariff Classification for Electrical Energy

Electrical energy (HS Code 2716.00.00) is currently assigned a zero-tariff rate under CUSMA. This provision supports the development of clean energy systems and the electrification of transportation.

Trilateral Framework Supports Continental Competitiveness

Like the Canada–US Auto Pact (1965) and the North American Free Trade Agreement (1992), CUSMA is a historic trilateral agreement that strengthens North American industrial competitiveness in a globalized economy. Preserving and reinforcing this trilateral framework will improve predictability for business, support cross-border investment, lower costs for consumers and companies, and foster a more collaborative and resilient industrial base across the continent.

4. AREAS FOR IMPROVEMENT

While CUSMA provides a strong foundation for trade in electric transportation technologies, several gaps and risks remain that could hinder Canada's ability to lead in the transition to zero-emission mobility.

Critical Mineral and Black Mass Refining Gaps

One of the most pressing challenges is the lack of domestic refining capacity for critical minerals and black mass (the shredded residue from end-of-life batteries). Canada has significant potential in mineral extraction and battery recycling, but without coordinated support across North America, much of this strategic material continues to be exported to Asia for processing. CUSMA should support regional development of refining infrastructure and create incentives for investment in circular supply chains.

Missing Provisions for Infrastructure and Clean Fuels

The agreement currently does not address key enablers of electrification such as EV charging infrastructure, grid modernization, or clean fuel credit systems. These elements are essential to scaling electric mobility and require coordinated policy and investment across borders. Their absence from CUSMA limits opportunities for trilateral collaboration and slows progress on shared climate goals.

Risks of Regulatory Harmonization

Regulatory harmonization also presents a risk. While alignment can reduce costs and facilitate trade, it must not come at the expense of Canada's leadership in environmental and zero-emission vehicle (ZEV) standards. Given the current direction of U.S. federal policy, harmonization could result in lower standards and reduced ambition. Canada must retain the flexibility to set and enforce its own climate and transportation policies.

Challenges from Divergent Codes and Standards

At the same time, a lack of harmonization in codes and standards, particularly for EV chargers and components, can increase costs for manufacturers and consumers. CUSMA should support targeted alignment in areas that improve interoperability and reduce duplication, without undermining Canadian regulatory autonomy.

Unfair Trade Practices and Market Protection

There is growing concern about *unfair trade practices*, including the dumping of low-cost EVs, chargers, and components from non-CUSMA countries. These practices threaten domestic manufacturers and infrastructure providers. Canada should consider short-term protective measures and work with its CUSMA partners to ensure a level playing field.

Divergent Customs Valuation Approaches Increase Costs.

Canada's proposed revisions to customs valuation rules risk increasing import costs for businesses and consumers. These changes could undermine affordability and add administrative burden at a time when trans-border tariffs are already driving up costs. CUSMA partners should work toward a harmonized valuation approach to reduce red tape, support affordability, and strengthen the integrated North American automotive industry.

5. EMERGING ISSUES FOR THE 2026 JOINT REVIEW

As the electric transportation sector evolves rapidly, new challenges and opportunities are emerging that were not fully anticipated during the original CUSMA negotiations. The 2026 joint review presents a critical opportunity to address these developments and ensure that the agreement continues to support North American competitiveness, supply chain resilience, and climate objectives.

Battery Recycling and Black Mass Refining Capacity

North America currently lacks sufficient infrastructure to process black mass, the critical feedstock derived from end-of-life lithium-ion batteries. Canada and the United States continue to export significant volumes of black mass to Asia, forfeiting strategic control over valuable materials such as lithium, cobalt, and nickel. Europe is advancing regulatory frameworks and recycled content quotas, while North America risks falling behind. Trilateral cooperation under CUSMA could support shared standards, investment in refining capacity, and retention of strategic materials within the region.

Semiconductor Supply Chain Vulnerabilities

The global shortage of semiconductors has exposed significant vulnerabilities in the supply chains that underpin EV manufacturing. Given the complexity and concentration of chip production, North America must work collaboratively to diversify supply sources, invest in domestic capacity, and ensure that EV production is not disrupted by future shocks.

Workforce Development for Electrification

The transition to electric transportation requires a skilled workforce across multiple domains: vehicle manufacturing, battery assembly, charging infrastructure deployment, and grid modernization. Canada, the United States, and Mexico should explore joint initiatives to support training, certification, and labour mobility in the EV sector, ensuring that workers are equipped to meet the demands of a rapidly changing industry.

Trade Stability and Tariff Risks

The EV sector is particularly vulnerable to trade disputes and tariff volatility. Past and current experiences with steel and aluminum tariffs, and ongoing concerns about protectionist measures, highlight the need for stability and predictability in cross-border trade. The 2026 review should reinforce CUSMA's role in shielding the sector from disruptive trade actions and maintaining open access to key markets.

6. RECOMMENDATIONS

To ensure that CUSMA continues to support the growth and competitiveness of Canada's electric transportation sector, EMC recommends the following actions be considered during the 2026 joint review:

- **Ensure that Canadian EV Industry Investment and jobs are not threatened by any percentage of US tariff on cars, trucks, buses or any other EV Industry related investment.** This goes completely against the spirit of any free tradeagreement and is not acceptable.

- **Protect the zero-tariff classification of electrical energy (HS Code 2716.00.00)**. This provision supports the development of clean energy systems and the electrification of transportation. Its preservation is essential to maintaining cost-effective access to renewable electricity across borders.

- **Preserve and strengthen regional content rules** that incentivize North American manufacturing of EVs, batteries, charging infrastructure and critical components. These rules are essential to building resilient supply chains and supporting Canadian industry.

- **Establish a trilateral framework for battery recycling and black mass refining**. Coordinated investment and standard setting across Canada, the United States, and Mexico would help retain strategic materials within North America and reduce reliance on overseas processing.

- **Avoid regulatory harmonization that could lower Canadian standards**. Canada must retain the flexibility to set ambitious zero-emission vehicle and environmental policies, particularly in light of divergent approaches among CUSMA partners.

- **Include EV infrastructure and grid modernization in future cooperation chapters**. These are foundational elements of the transition to electric mobility and require coordinated planning and investment across borders.

- **Advance interoperability through charging standard alignment.** To support trans-border travel and trade in electric vehicles, CUSMA partners should work toward harmonized standards for EV charging infrastructure. Standardization would reduce costs, improve interoperability, and support the integrated North American automotive market. Alignment should be pursued in a way that respects Canadian regulatory autonomy and industry innovation.

- **Promote alignment or mutual recognition of clean fuel credit systems**. This would support investment in public and private charging infrastructure and help scale low-carbon transportation solutions.

- **Support trilateral workforce development initiatives**. Joint training and certification programs would help ensure that the North American labour force is equipped to meet the demands of the EV transition.

- **Work toward a harmonized customs valuation approach across CUSMA jurisdictions.** Differences in customs valuation methodologies create unnecessary administrative burden and increase costs for businesses and consumers. CUSMA partners should align their valuation approaches to reduce red tape, improve affordability, and support the integrated North American automotive industry.