

INTERNATIONAL

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The Province of Ontario (Canada) has been working hard to attract investment in EV supply chain manufacturing, with some considerable success. Read about the funding provided for the recently announced Stellantis-LG EV battery plant in Windsor, Ontario.

Ontario Moves to Secure its EV Supply Chain and Automotive Manufacturing Future

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ABOUT THE COMMITTEE

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The governments of Canada and Ontario recently announced the finalization of an agreement with Stellantis-LG Energy Solutions (Stellantis-LG) for the construction of an electric vehicle (EV) battery plant in the province. This was the second phase of a larger negotiation – one that almost fell apart after Stellantis-LG threatened to pull its battery manufacturing presence in Ontario, alleging the two levels of government had reneged on their promises to match incentives offered by the U.S. government pursuant to the U.S. *Inflation Reduction Act* (IRA).

In saving the original deal and coming up with an enhanced one, Ontario advised it would increase its investment in the project by sharing the costs of future performance with the federal government. Canada and Ontario will [jointly provide up to C\\$15B](#) in performance incentives based on the future output of the Stellantis-LG plant.

Those incentives to Stellantis-LG are in addition to both governments' [collective C\\$1B investment](#) towards the project's anticipated capital costs. Of that \$1B, Ontario contributed a maximum of C\$513M, with Canada and Stellantis-LG contributing C\$529M and C\$3.6B, respectively. By way of comparison, Ontario will pay for one-third of the maximum C\$13B in performance incentives offered to Volkswagen for its new battery plant. In the Volkswagen deal, the two governments agreed to collectively provide [a US\\$35 per kWh subsidy](#), which will

be phased out by 25 percentage points annually, beginning in 2030.

In announcing the Stellantis-LG agreement, the federal and Ontario governments stated that both sets of performance incentives are directly tied to those under the US IRA such that if the IRA incentives are cancelled or reduced, so too would those offered to Stellantis-LG. As such, the Stellantis-LG incentive package is clearly designed to compete directly with ongoing efforts of the U.S. government to attract battery makers to its jurisdiction.

Commentators expect that the Government of Canada will look to the Canadian provinces to follow Ontario's example and make similar commitments for future projects. The Federal Finance Minister Chrystia Freeland stated that, with most of the jobs and benefits from these projects going to one province, Ontario's increased financial commitment is "a matter of national fairness." Other government MPs have called for interprovincial "partnership" in attracting future investments. While the federal Minister of Innovation, Science and Industry, François-Philippe Champagne, has said that Canada is currently in discussions with other companies about future EV battery projects, he hinted that there will be a finite number of such large-scale partnerships in future.

The debate around corporate subsidies will continue, with some claiming that they create generational opportunities that

would not otherwise have existed and others who argue that government has no business supporting multinationals – either market conditions will draw private capital, or they won't.

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