



# B.C. Zero-Emission Vehicles Act & Regulation Guidance Document

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***This document provides an overview of B.C.’s Zero-Emission Vehicles (ZEV) Act and Regulation. The information in this document is for convenience and guidance only and does neither replace nor constitute legal advice. Links to the ZEV Act and Regulation are located on the B.C. Ministry of Energy, Mines and Low Carbon Innovation’s Clean Transportation [ZEV Act website](#).***

## 1. Context

The Province of British Columbia (Province) fulfilled a [CleanBC](#) commitment when it passed the ZEV Act and Regulation (May 30, 2019 and July 30, 2020, respectively). The ZEV Act establishes ZEV sales targets reaching 10% of light-duty vehicle sales by 2025, 30% by 2030, and 100% by 2040. This means that all new light-duty motor vehicle sales must be ZEV on and after January 1, 2040 (i.e. no sales of new internal combustion engine (ICE) light-duty vehicles in B.C.)

The ZEV Act and Regulation is intended to ensure a greater availability of ZEVs at more affordable prices in B.C., as well as provide a regulatory backstop to ensure the Province’s GHG reduction targets are met. B.C. has joined a growing number of jurisdictions with ZEV standards, including Quebec, California, and eleven other U.S. states, but has the distinction of being the first jurisdiction in the world to legislate a 100% ZEV target. In support of its ZEV goals, the Province is undertaking significant additional actions, including supporting ZEV rebates, infrastructure, training, outreach and economic development opportunities for B.C.

## 2. General Guidance

Table 1 provides an overview of how the sections of the ZEV Act and Regulation work together.

<b>Table 1: ZEV Act &amp; Regulation – Overview of Sections</b>	
<b>ZEV Act</b>	<b>ZEV Regulation</b>
Part 1 – introductory provisions outlining key definitions, including suppliers, and the point of compliance (at the first point of sale to a consumer in B.C.)	Sec 1-6, 8, 9 – establishes definitions, compliance date, prescribed vehicle classes and classes of ZEVs, classes of suppliers, and prescribed class of suppliers
Part 2 – overarching provincial targets, and public reporting, 10% by 2025, 30% by 2030, 100% by 2040 for light-duty vehicles	Sec 7 – defines light-duty vehicle for Part 2 of Act
Part 3 – compliance rules, different ways to meet the requirements, and reporting rules	Sec 10-16.1 – establishes rules regarding supply of ZEVs and ZEV units
Part 4 – inspections and enforcement, including administrative penalties and offenses	Sec 17-25 – establishes rules regarding administrative penalties
Part 5 – provides for appeals to the Environmental Appeal Board	N/A
Part 6 – general provisions, including all the regulatory making powers	N/A
Part 7 – transitional and commencement provisions	N/A



## 2.1 Who is being regulated?

Vehicle manufacturers (i.e., suppliers) are being regulated. Section 2 of the ZEV Act identifies that a person is a supplier of a vehicle make if that person supplies motor vehicles of the vehicle make for consumer sale or lease in B.C. A supplier is the major, overarching supplier of vehicles including brands under that supplier.

Section 8 of the Regulation identifies three classes of suppliers based on total sales volumes in B.C.:

- Large volume supplier:  $\geq 5,000$  sales
- Medium volume supplier: 1,000 – 4,999 sales
- Small volume supplier:  $< 1,000$  sales

Total sales volume is defined in section 8 of the Regulation and is based on average annual consumer sales of light-duty motor vehicles in B.C. of the previous 3 model years (e.g. for MY2020, it is an average of MY2017, MY2018, MY2019 sales).

Section 9 of the Regulation identifies the “small” class of suppliers as the class of suppliers for which certain sections of the ZEV Act (as identified in the ZEV Act section 5) do not apply, unless suppliers opt-in.

## 2.2 What kind of vehicles are being regulated?

The ZEV Act and Regulation regulate new, light duty vehicles with a gross vehicle weight rating (GVWR) of 3,856 kg or below<sup>1</sup>. Motorcycles, golf carts, implements of husbandry, industrial utility vehicles, all-terrain vehicles, off-road side-by-side vehicles, and snowmobiles, and neighbourhood zero-emission vehicles are excluded.

While other vehicle classes are not being regulated at this time, the sale or lease of medium and heavy-duty ZEVs is eligible for ZEV credits under Initiative Agreements (see section 2.9 of this document for more information).

## 2.3 What are the compliance and reporting dates?

Compliance requirements begin for model year 2020 (MY2020). Compliance under the ZEV Act will be assessed each year on the same date. Section 2 of the Regulation prescribes the compliance date as September 30<sup>th</sup> of the calendar year following the indicated year of the model year (e.g. September 30<sup>th</sup>, 2021 for MY2020). This is the date that the supplier’s credit balance (ZEV credits issued) will be reduced by the model year supply requirement.

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<sup>1</sup> In Canada and the U.S. light-duty vehicles have a standard meaning - GVWR equal to or below 3,856 kg



Under Section 17 of the ZEV Act, a model year report is due within a prescribed number of days after the compliance date. Section 16.1 of the Regulation identifies that the model year report is due within twenty days after the compliance date for a model year (e.g. the reporting date for MY2020 vehicle sales is October 20, 2021).

The Regulation (section 16.2) also identifies that a supplementary report must be submitted within 30 days after the supplier becomes aware of an error or a change of information in a previous model year report. Supplementary reports will be provided in the same form and manner as a model year report.

According to Part 2 of the Act, the Province is required to publish a Provincial progress-to-targets report by March 31 each year for the preceding calendar year.

<b>Table 2: Summary of ZEV Act &amp; Regulation Compliance and Reporting Dates</b>			
<b>Date</b>	<b>Requirement</b>	<b>Reporting Entity</b>	<b>Provision</b>
March 31 ( <i>for previous calendar year</i> )	Provincial ZEV Targets Report	Province	Act, s. 8
September 30 ( <i>e.g. 2021 for MY2020</i> )	Compliance date		Reg, s. 2
October 20 ( <i>e.g. 2021 for MY2020</i> )	Model Year Report due	Suppliers	Act, s. 17
Within 30 days of becoming aware of error/omission/change of information	Supplementary Report	Suppliers	Act, s. 18
On receipt of Model Year report	Assessment by director	Province	Act, s. 19, 20

## 2.4 How is model year defined?

Compliance under the ZEV Act is based on model year. Section 1 of the ZEV Act provides for the definition of model year to be prescribed by regulation. The Regulation (section 3) defines model year using the standard definition from the federal *On-Road Vehicle and Engine Emission Regulations*.

## 2.5 ZEV Types

The legislation is designed to ensure B.C. has the cleanest vehicle options so that the Province can meet the CleanBC emissions and ZEV targets. The purpose of establishing ZEV types is to be able to assign different rules (e.g. regarding credits earned) to each type, as well as to be able to assign each type to a ZEV class (see Table 3).



Section 1 of the ZEV Act defines a ZEV as a motor vehicle that is propelled by electricity or hydrogen from an external source and emits no GHGs at least some of the time. The Regulation (section 1) further categorizes ZEVs into nine ZEV types:

- Battery electric vehicles (BEVs) have two types: “BEV” and “BEV-short”;
- Extended range electric vehicles (EREVs) have three types: “EREV” and “EREV-short” and “EREV-medium”;
- Fuel cell electric vehicles (FCEVs) have two types: “FCEV” and “FCEV-short”; and
- Plug-in hybrid electric vehicles (PHEVs) have two types: “PHEV” and “PHEV-short”.

## 2.6 ZEV Classes

The purpose of establishing ZEV classes within the ZEV Act and the Regulation is to be able to distinguish ZEV unit requirements (through compliance ratios) for different ZEV classes. There are three ZEV classes established in the Regulation (section 6). They are ZEV Class A, B, and C. ZEV credits are only issued for Class A and B ZEVs. ZEV Class Cs cannot be issued ZEV credits.

Class A	Class B	Class C
“BEV” i.e. with range $\geq 80.47\text{km}$	“PHEV” i.e. with range $\geq 16\text{km}$	all other ZEVs, i.e. “BEV-short”, “PHEV-short”, “FCEV-short”, “EREV-short”
“FCEV” i.e. with range $\geq 80.47\text{km}$		
“EREV” i.e. with range $\geq 121\text{km}$	“EREV-medium” i.e. with range $\geq 16\text{km}$ but $< 121\text{km}$	

All ZEV credits have a vehicle class, ZEV class, and model year attached to them. For example, a validated sale of a MY2023 BEV would receive light-duty vehicle ZEV Class A MY2023 credits.

## 2.7 Supply of ZEVs and Compliance Ratios

In order to meet the ZEV sales targets that it identifies, the ZEV Act establishes a ZEV unit system in which suppliers must earn ZEV credits (positive ZEV units) for a model year equal to or greater than the ZEV units that will be deducted (as established by the formula in section 11 of the ZEV Act) from their ZEV unit balance each year on the compliance date.

### *Compliance and the Grace Year*

To be in compliance a regulated party’s balance of ZEV units at the end of every compliance date must be zero or positive. One grace year (Section 10(4) in the ZEV Act) is allowed as long as the supplier was in compliance the previous model year and can make up both ZEV units from the out-of-compliance model year and the model year used as the grace year by the compliance date of that year. See Appendix A, Example 3 of a worked example of the grace year provision, i.e. such that the ZEV unit balance by the compliance date of the second year is brought back to zero or positive. On each compliance date, the balance is reduced by the number of ZEV units a supplier needs to accumulate in that model year.

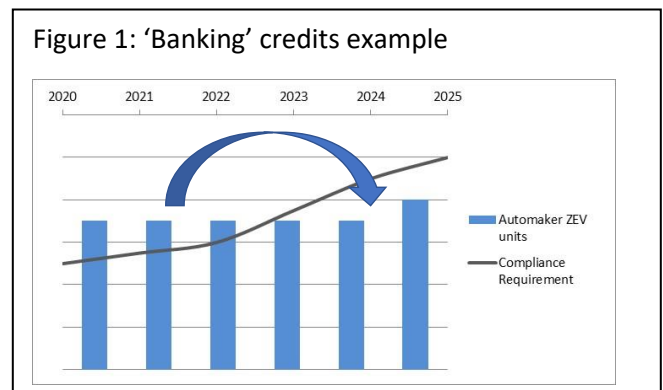
With MY2020 being the first compliance year with reductions, if MY2020 ends up with a negative balance, the negative balance is not subject to the automatic administrative penalty. However, if there is still a negative balance on September 30, 2022 (after applying the compliance requirements for MY2021) then an automatic administrative penalty (AMP) is due on the amount of that negative balance. If there is a zero or positive balance on September 30, 2022 then no administrative penalty would be due. In this example, because a grace year was used for MY2020 AMPs, then a grace year cannot be used for MY2021 AMPs. Further, in this example, if the supplier was also out-of-compliance for MY2021, then that supplier would not be eligible for a grace year for MY2022 compliance.

Note: See Appendix A for several worked examples of compliance.

### *Using credits to offset debits*

ZEV credits usage in a supplier's balance follow the credit "offsetting rules" in section 12 of the ZEV Act. Debits of the "unspecified" ZEV class can be offset by either Class A or Class B credits. The oldest model year credits in the supplier's balance are used first towards compliance. Under s. 12(2)(b)(iii), the supplier can choose which ZEV class units to offset the unspecified ZEV class debits.

Credits from previous or future model years can be used to satisfy a current model year compliance requirement. For example, MY2019 or later credits (including any MY2021 credits) in a supplier's balance could be used towards MY2020 compliance requirements. In the example in Figure 1, a supplier has excess ZEV credits in 2020 through 2022, which it "banks". Those credits are used to cover the gap between ZEV credits earned and the compliance requirement starting in 2023 through 2025, in order that it can be in compliance in those years.



### *Credits do not expire*

Currently, validated ZEV credits do not expire. While Section 43(e) of the Act allows for regulations providing for the expiration of credits, the ZEV Regulation has not implemented credit expiration at this time and so credits can be carried forward. For example, in theory, a supplier could use a MY2019 credit to meet a MY2038 (on September 30, 2039) compliance requirement. However, in practice the oldest credits in the supplier's balance will be used first towards compliance.



### *Timing of sales and validation of credits in compliance*

The director may issue ZEV credits for consumer sales (using the online ZEV Reporting System) either on application by the supplier or on assessment by the director of a model year report.

For ZEV sales of a model year that occur prior to or on the compliance date for that model year, a supplier must either apply for credits prior to the compliance date or as part of the model year's assessment process. For example, if a MY2020 sale happened on or before the September 30, 2021 compliance date but the supplier did not apply for credits to be validated for that sale prior to September 30, 2021, then the supplier must include that sale as part of the 2020 model year reporting process to obtain credits on assessment by the director.

If an eligible MY2020 ZEV sale happened after the MY2020 compliance date (September 30, 2021), once validated, the credits from that sale would go into the automaker's credit balance and could be used for MY2021 or later year compliance requirements.

If a MY2021 ZEV sale was made prior to the MY2020 compliance date (September 30, 2021) and credits for that sale were issued before the MY2020 compliance date, then the MY2021 credits could be counted towards MY2020 compliance. However, if a MY2021 ZEV sale was made prior to the MY2020 compliance date (September 30, 2021) and credits for that sale were not issued before the MY2020 compliance date, then the MY2021 credits could not be counted towards MY2020 compliance. Only ZEV sales of a model year (that occur prior to or on the compliance date for that model year) can be applied for credit as part of that model year's assessment process, e.g. only MY2020 ZEV sales could be applied for credit as part of the 2020 model year's assessment process. Suppliers are strongly encouraged to apply for credits (for ZEV sales made prior to the compliance date) prior to the compliance date. If a MY2021 ZEV sale was made prior to the MY2020 compliance date (September 30, 2021), the regulated party also has the option of waiting to claim the MY2021 ZEV credits in an application before the MY2021 compliance date (but after the MY2020 compliance date) or as part of the MY2021 reporting process.

If a ZEV of a model year is sold before that model year compliance date, then, as per Section 17 (4) of the ZEV Act, the vehicle sale, model and vehicle identification number (VIN) must be reported in that model year report. For example, if a MY2021 ZEV is sold before September 30, 2022 (the MY2021 compliance date), its vehicle model and vehicle identification number must be reported in the 2021 model year report, regardless of how early it was sold or whether the credits had been issued and used prior (e.g. could have been sold in January 10, 2020 and used the credits to meet MY2020 compliance). In practice, when the supplier comes to compile the model year report in the ZEV Reporting System, the system will automatically generate a summary of the supplier's ZEV consumer sales for that model year, based on the sales submitted in their applications for ZEV credits. After submitting the model year report, if the



supplier becomes aware that a MY2021 sale had occurred prior to the compliance date but was not reported as part of the 2021 model year report, the supplier must submit a supplementary report.

### Compliance ratios

On the compliance date, the supplier’s balance will be reduced by the number of ZEV units calculated under section 11 of the Act. The reduction will be based on the “compliance ratio” and the number of consumer sales of that model year (“NV value”). Because some ZEVs are worth more than one ZEV unit, the compliance ratios are higher than the sales targets set out in Part 2 of the ZEV Act (i.e. 10% by 2025, 30% by 2030, and 100% by 2040). For example, to ensure the legislated vehicle target of 10% of light-duty vehicle sales in BC are ZEVs in 2025, the compliance ratio for ZEV units is 22%. Sections 11 and 12 of the Regulation prescribe the compliance ratios through to 2040.

### Compliance ratios for medium vs large classes of suppliers

Medium volume suppliers can use any combination of ZEV Class A and/or B credits to meet their compliance requirements.

Large volume suppliers must meet a minimum ZEV Class A % requirement. The remainder of the compliance requirement can be met with either ZEV Class A or B credits.

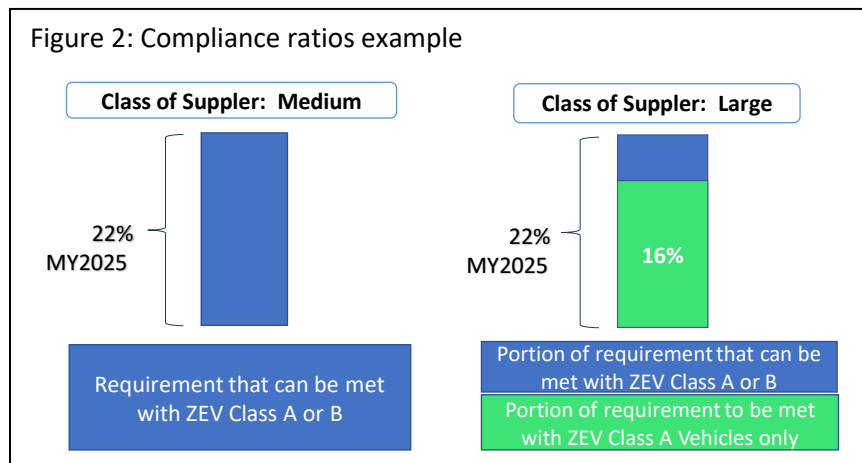


Figure 2 illustrates the different compliance requirements for medium and large volume suppliers.

### NV Value

When calculating the value of the number of consumer sales, before the compliance date, of motor vehicles of the model year (NV in sections 11(1) and 11(2) of the Act), there is no “start date”. The NV value includes both ICE and EV sales of the current model year that occur before the compliance date. While ZEV sales of a model year after the compliance date can still be claimed for ZEV credits, the NV value will not be adjusted if any model year sales (of either ICE or ZEV) are made after the compliance date.

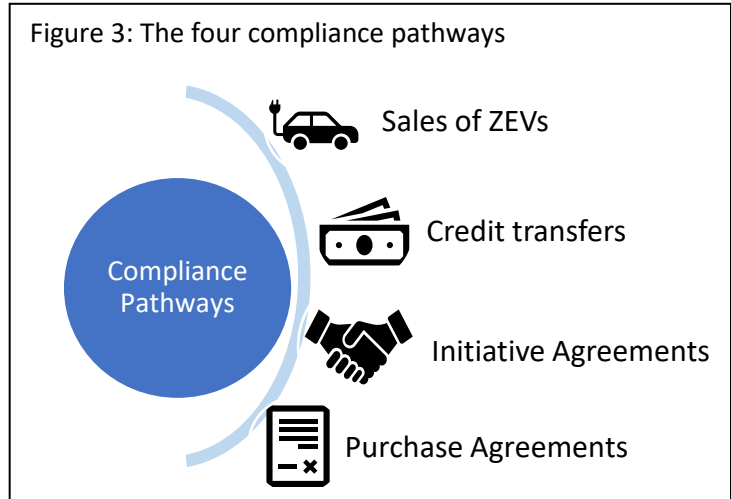


## 2.8 ZEV Credits from consumer sales

Consumer sales<sup>2</sup> of ZEVs is one of four ways (See Figure 3) the ZEV Act enables suppliers to accumulate ZEV credits towards their compliance requirements.

Sales of Class A and B ZEVs of MY2019 and later model years can generate ZEV credits<sup>3</sup>.

The Regulation specifies that for MY 2019-2040, ZEV credits<sup>4</sup> issued per consumer sale are based on ZEV class and all-electric range as follows (Table 4):



<b>Table 4: ZEV Credit Calculations for Consumer Sales</b>		
<b>Class</b>	<b>Credit Formula</b>	<b>Maximum ZEV Credits</b>
Class A	$(\text{EPA Range} \times 0.006214) + 0.5$	4
Class B	$(\text{EPA Range} \times 0.006214) + 0.3$	1.1; an additional 0.2 is added for meeting US06, to a maximum of 1.3

Therefore, in general, higher range, all-electric ZEVs receive more credits (ensuring that GHG reductions in CleanBC are met), and one ZEV sale usually does not equal one ZEV unit.

The ‘EPA range’ as defined in the ZEV Regulation is the “all-electric driving range, in kilometres, of a zero-emission vehicle”, as obtained through the United States Environmental Protection Agency’s (EPA) 5-test-cycle methodology. The Province will award ZEV credits based on the ZEV Class and EPA range of the vehicle. The EPA range of each vehicle model will be submitted to the Province by the supplier and verified against the range figure published in Natural Resources Canada’s Fuel Consumption Guide. If a model is not included in this guide, the Province may require the vehicle supplier to provide evidence to substantiate the range figure supplied.

The Province understands that the EPA accepts several methods for calculating the 5-cycle vehicle range that do not require all five test cycles. This includes the option of adjusting 2 test cycle values as outlined in the EPA guidance [“EPA Test Procedures for Electric Vehicles and Plug-in Hybrids - Draft Summary”](#) (D. Good, November 2017) concerning the testing of battery

<sup>2</sup> Is the first retail sale or retail lease, and includes consumer sales to government and corporate fleets

<sup>3</sup> if sold on January 2, 2018 or later

<sup>4</sup> If the result of the calculation contains more than 2 decimals, it is rounded to the nearest second decimal.



electric and plug-in hybrid vehicles to establish an equivalent all-electric range. The Province will accept 5-cycle range values that are arrived at using any of the accepted EPA methods.

## 2.9 ZEV Credits from Initiative Agreements

Initiative Agreements are another way a supplier can accumulate ZEV credits towards their compliance requirements. The ZEV Act gives the director, with the approval of the Minister, authority to enter into an agreement to issue credits for actions taken by suppliers to reduce GHG emissions from motor vehicles and increase consumer sales or use of ZEVs in B.C.

Only regulated parties (suppliers as defined in Section 2 of the Act) can enter into Initiative Agreements with the director, but other entities may participate indirectly through a separate arrangement with a supplier. Credits under Initiative Agreements may be issued for:

- Sales of:
  - 1) Used, new-to-B.C. ZEVs; and/or
  - 2) Medium/heavy duty ZEVs
- Only up to 5% of total credits required for the previous model year<sup>5</sup>.

Charging and hydrogen fuelling infrastructure is not eligible to receive credits through Initiative Agreements. Please see CleanBC Go Electric funding programs for other mechanisms to support charging and hydrogen fuelling infrastructure.

## 2.10 ZEV Credits from Purchase Agreements

The ZEV Act provides authority for the director to issue credits to a supplier under Purchase Agreements. Purchase Agreements are intended as a last resort to deal with unforeseen circumstances. Purchase Agreements must be negotiated prior to the compliance date. They are one of the compliance pathways available to suppliers. The price of a credit under a Purchase Agreement is the prescribed penalty rate in section 17 of the Regulation, i.e. \$5,000, plus \$500 per credit (as identified in section 16(2) of the Regulation).

## 2.11 Transfers of ZEV Credits

Although the ZEV Act provides authority for regulations respecting transfer of credits (see Section 16) between suppliers, no regulations respecting transfers are contemplated at this time. The terms of the transfer are negotiated between suppliers. A notice of the proposed transfer must be submitted through the ZEV Reporting System by both parties involved in the transfer and specify, by model year, vehicle class and ZEV class:

- the number of credits to be transferred,

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<sup>5</sup> Note: only for MY2020, the 5% is based on the MY2020 requirement



- Dollars per credit<sup>6</sup> of the model year, vehicle class and ZEV class.

Once submitted, the transfer will be reviewed and may be recorded by the director. Once a transfer is recorded by the director the suppliers' balances will be updated.

## 2.12 Applying for Credits and Validation in the ZEV Reporting System

Application for issuance of ZEV credits can occur any time (for MY2019 and later new sales that occurred Jan. 2, 2018 & onward). Suppliers must submit details of their ZEV models for validation through the ZEV Reporting System to be eligible for credits. Applications for ZEV credits for consumer sales or submitting notices of credit transfers must be made through the online ZEV Reporting System. Multiple credit applications can be made during the year through the ZEV Reporting System. ZEV credits from Initiative Agreements and purchase agreements will be negotiated through a separate process between a supplier and the Ministry and issued using the ZEV Reporting System.

As discussed above (in section 2.7 Supply of ZEVs and Compliance Ratios), where the supplier has not applied in advance of the compliance deadline for credits for consumer ZEV sales, ZEV credits can also be issued on assessment by the director (i.e. based on the supplier's model year report).

Validated credits from all processes (including Initiative and Purchase Agreements) will be added to the supplier's balance in the ZEV Reporting System and will be available to be used for compliance. ZEV sales are validated by the Province using ICBC vehicle registration data. In cases where the ICBC vehicle registration data does not verify a ZEV sale in B.C., follow-up documentation from the supplier that validates that the ZEV sale was a retail sale in B.C. and was the first retail sale/lease of the vehicle will be required. The ZEV Reporting System keeps track of a supplier's balance of both Class A and Class B ZEV credits separately. In summary, the ZEV Reporting System is used to record ZEV sales and credit transfers, issue ZEV units, and 'submit' model year reports. Generally, supplier reporting is to be done within the ZEV Reporting System, unless the Ministry directs otherwise.

## 2.13 Non-compliance – Automatic and discretionary administrative penalties and Offences

The ZEV Act provides authority for the recovery of administrative penalties. The Regulation prescribes \$5,000 per ZEV unit as the prescribed penalty rate for the automatic administrative penalty. In addition, the ZEV Act and Regulation also detail when discretionary administrative

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<sup>6</sup> Price per credit will not be published at this time, but in future, aggregate price information may be published, as is done by the Low Carbon Fuel Standard program.



penalties may be applied and the level of each penalty. The ZEV Act also establishes offences (Division 3).

### **3. Additional Questions & Feedback**

If you have additional questions, or suggestions for this document, please contact the Ministry of Energy, Mines and Low Carbon Innovation's Clean Transportation Branch at [ZEVRegulation@gov.bc.ca](mailto:ZEVRegulation@gov.bc.ca) or your ZEV Regulation contacts within the Clean Transportation Branch.



## Appendix A – Worked Examples

### Example 1 - MY2020 compliance achieved for a large volume supplier

Date	Transactions	Credits	Offsetting Debits	Balance
Sep. 1, 2020	<i>Opening Balance</i>	0.00A 0.00B	0.00A 0.00B	0.00A 0.00B
Dec. 1, 2020	Credit application: 200 MY2019 BEV sales (@ 2 credits each); 300 MY2019 PHEV sales (@ 1 credit each)	400.00A MY2019 300.00B MY2019		400.00A MY2019 300.00B MY2019
June 1, 2021	Credit application: 150 MY2020 & 100 MY2021 BEV sales (@ 2 credits each); 400 MY2020 PHEV sales (@1 credit each)	300.00A MY2020 200.00A MY2021 400.00B MY2020		400.00A MY2019 300.00A MY2020 200.00A MY2021  300.00B MY2019 400.00B MY2020
Sep. 30, 2021	Compliance date MY2020: Total MY2020 sales (ZEV + ICE) = 10,000 NV value Large supplier compliance ratios: 9.5% total - 6%, ZEV class A, 3.5% unspecified ZEV class <sup>7</sup> , means deduction of 600 A & 350 unspecified		-400.00A MY2019 -200.00A MY2020  -300.00B MY2019 -50.00B MY2020	00.00A MY2019 100.00A MY2020 <sup>8</sup> 200.00A MY2021  00.00B MY2019 350.00B MY2020 <sup>9</sup>

**Positive balance on Sept. 30, 2021 means supplier is in compliance.**

<sup>7</sup> Debits of the “unspecified” ZEV class can be offset by either Class A or Class B credits.

<sup>8</sup> The oldest model year credits in the supplier’s balance are used first towards compliance.

<sup>9</sup> Under s. 12(2)(b)(iii), the supplier can choose which ZEV class units to offset the unspecified ZEV class debits. In this example, the supplier chose to use ZEV Class B credits to cover the 350.000 unspecified ZEV class debits.



**Example 2A - MY2020 non-compliance & grace year for a large volume supplier**

Date	Transactions	Credits	Offsetting Debits	Balance
Sep. 1, 2020	Opening Balance	0.00A 0.00B	0.00A 0.00B	0.00A 0.00B
Dec. 1, 2020	Credit application: 50 MY2019 BEV sales (@ 2 credits each); 50 MY2019 PHEV sales (@ 1 credit each)	100.00A MY2019 50.00B MY2019		100.00A MY2019 50.00B MY2019
June 1, 2021	Credit application: 50 MY2020 BEV sales (@ 2 credits each); 50 MY2020 PHEV sales (@ 1 credit each)	100.00A MY2020 50.00B MY2020		100.00A MY2019 100.00A MY2020 50.00B MY2019 50.00B MY2020
→ Sep. 30, 2021	Compliance date MY2020: Total MY2020 sales (ZEV + ICE) = 10,000 NV Large supplier compliance ratios: 6% A, 3.5% unspecified, means deduction of 600 A & 350 unspecified		-100.00A MY2019 -100.00A MY2020 -50.00B MY2019 -50.00B MY2020	-400.00A -250.00 unspecified

**Negative balance on Sep 30, 2021 means supplier is out of compliance. No automatic penalties (AMP) due to this being the first year of non-compliance. [Grace period allows for true up by Sept. 30, 2022 to avoid AMP.]**

Jun 1, 2022	Credit application: 650 MY2021 BEV sales (@ 2 credits each)	1300.00A MY2021		900.00A MY2021 -250.00 unspecified <sup>10</sup>
July 1, 2022	Credit transfer received	700.00B MY2021		900.00A MY2021 450.00B MY2021
Sept. 30, 2022	Compliance date MY2021: Total MY2021 sales (ZEV + ICE) = 10,000 NV Large supplier compliance ratios: 8% A, 4% unspecified, means deduction of		-800.00A MY2021 -400.00B MY2021	100.00A MY2021 50.00B MY2021

**Positive balance on Sept. 30, 2022 means supplier is back in compliance. No AMP - supplier brought themselves back into compliance within one model year. The next MY that the supplier can use the “grace year” rule is MY2022, i.e. supplier can be out of compliance on Sept 30, 2023 without facing AMP.**

<sup>10</sup> Note: The negative balance of the “unspecified class” continues after this credit application because the supplier chose in the last model year report process to prioritize using its B credits to offset its unspecified class deficit. When it obtains B credits, it will use those credits against the unspecified deficit.



**Example 2B - Alternate Scenario – MY2020 and MY2021 non-compliance & grace year for a large volume supplier**

Date	Transactions	Credits	Offsetting Debits	Balance
→ Sep. 30, 2021	<i>Balance after MY2020 compliance ratio reduction (For the MY2020 compliance reduction as well as transactions prior to this date see first part of Example 2A)</i>			-400.00A -250.00 unspecified
June 1, 2022	Credit application: 650 MY2021 BEV sales (@ 2 credits each)	1300.00A MY2021		900.00A MY2021 -250.00 unspecified
July 1, 2022	Initiative agreement for used ZEV Class A sales (5% max of ZEV total for previous model year (MY2020), i.e. 10,000 x (6% + 3.5%) x 5%)	47.50A MY2021		947.5A MY2021 -250.00 unspecified
Sept. 30, 2022	Compliance date MY21: Total MY21 sales (ZEV + ICE) = 10,000 Large supplier compliance ratios: 8% A, 4% unspecified, means deduction of 800 A & 400 unspecified		-947.5A MY2021	0.00A <sup>11</sup> -502.5 unspecified
Oct. 1, 2022	Automatic penalty for non-compliance (\$5,000 per credit = \$2,512,500)	502.5 unspecified MY2021		0.00A 0.00 unspecified

**Negative balance on Sept. 30, 2022 means supplier is not in compliance for second consecutive year, MY2021. Automatic penalties apply to balance at Sept. 30, 2022. On payment of penalty, balance is increased to bring to zero. The next MY that the supplier can use the “grace year” rule is MY2023, assuming MY2022 is in compliance, because MY2021 was out of compliance as of the compliance date.**

<sup>11</sup> Note: the 147.5 Class A credits were automatically used to cover some of the 650 unspecified ZEV class credits owing, leaving 502.5 unspecified ZEV class credits owing



**Example 2C - Alternate Scenario – MY2020 and MY2021 non-compliance & grace year for a large volume supplier**

Date	Transactions	Credits	Offsetting Debits	Balance
→ Sep. 30, 2021	<i>Balance after MY2020 compliance ratio reduction (For the MY2020 compliance reduction as well as transactions prior to this date see first part of Example 2A)</i>			-400.00A -250.00 unspecified
June 1, 2022	Credit transfer received	400.00A MY2022 250.00B MY2021		0.00A 0.00 unspecified
July 1, 2022	Credit application: 150 MY2021 BEV sales (@ 2 credits each); 50 MY2022 PHEV sales (@ 1 credit each)	300.00A MY2021 50.00B MY2022		300.00A MY2021 50.00B MY2022
Sept. 30, 2022	Compliance date MY21: Total MY21 sales (ZEV + ICE) = 10,000 Large supplier compliance ratios: 8% A, 4% unspecified, means deduction of 800 A & 400 unspecified		-300.00A MY2021 -50.00B MY2022	-500.00A -350.00 unspecified
Oct. 1, 2022	Automatic penalty for non-compliance (\$5,000 per credit = \$4,250,000)	500.00A MY2021 350.00B MY2021		0.00A 0.00 unspecified

**Negative balance on Sept. 30, 2022 means supplier is not in compliance for second consecutive year (i.e. for MY2020 and MY2021). Automatic penalties apply to balance at Sept. 30, 2022. On payment of penalty, balance is increased to bring to zero. The next MY that the supplier can use the “grace year” rule is MY2023, assuming MY2022 is in compliance, because MY2021 was out of compliance as of the compliance date.**





**Example 3 - “Grace Year” (ZEV Act – sec. 10 Supply of ZEVs)**

