



1. Background

Section 14 of the *Zero-Emission Vehicles (ZEV) Act* enables the director, with the approval of the Minister, to enter into an initiative agreement with a supplier to issue credits for actions that have a reasonable probability of:

- Reducing greenhouse gas emissions in British Columbia (B.C.) from motor vehicles, and
- Increasing use, sales or leases of ZEVs in B.C.

The Zero-Emission Vehicles Regulation (s. 15) states that the director may only enter into an initiative agreement to issue credits for the retail sale or retail lease in B.C. of:

- Used ZEVs of the following types:
 - BEV (battery electric vehicles)
 - EREV (extended range electric vehicles)
 - EREV-medium
 - FCEV (fuel cell electric vehicles)
 - PHEV (plug-in hybrid electric vehicles)
- New or used ZEVs that are not light-duty motor vehicles

The Regulation further stipulates that the number of credits that can be issued to any supplier under an initiative agreement for a particular model year (MY) cannot exceed 5% of the total number of ZEV units determined under section 11(1) and (2) the Act for the previous model year (with the exception of MY2020 where it cannot exceed 5% for that model year). For example, under an initiative agreement, the maximum number of MY2021 credits that could be issued would be 5% of the automaker's MY2020 compliance requirement. It is not possible to receive credits that exceed 5% for that model year to bank for future years.

The Act sets out that the initiative agreement must describe the action that the supplier proposes to take to earn credits, specify when the action will be completed, specify the number of credits to be issued (including model year, vehicle class and ZEV class of the credits) and specify the evidence to be provided to confirm that the action is complete.

The Regulation requires that, in deciding whether to enter into an initiative agreement with a supplier, the director must consider any evidence provided by the supplier that, having acted diligently to meet the requirements of the Act, the supplier is not able to do so without an agreement. However, suppliers are not required to provide such evidence. In addition, in deciding whether to enter into an initiative agreement, the director will consider the proposal of the supplier and specifically the proposed types of evidence that the supplier will provide to meet the requirements of the agreement.

The ZEV Act and Regulation provide the overarching framework for initiative agreements. Some of the more technical components of the policy and process are outlined within this information bulletin, while still recognizing that it is the director, with the approval of the Minister, who ultimately decides whether to enter into an initiative agreement.

2. General information

2.a. Timelines for actions and providing evidence under an initiative agreement

Under an initiative agreement actions completed (which may include sales of used ZEVs, new to B.C., of various model years including those older than 2019 subject to the age restrictions on used vehicles, see section 3.a) during a model year's adjustment period will be eligible for credits towards that model year's compliance requirement. For example, under an initiative agreement, sales¹ completed between October 1, 2021 and September 30, 2022 would be eligible towards the MY2021 compliance requirement.

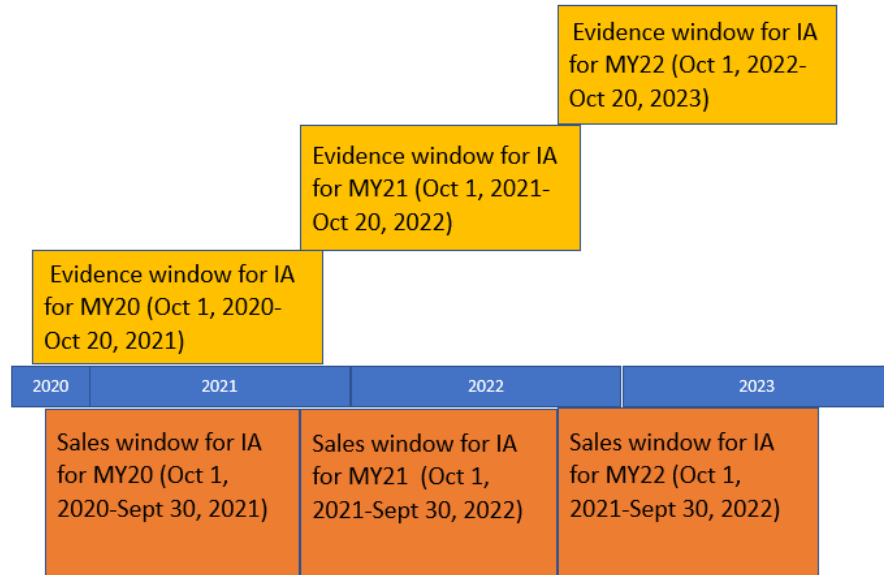
To claim credits under an initiative agreement, the supplier must provide evidence to demonstrate the actions were completed during the applicable adjustment period, and this must be provided either during the adjustment period for that model year or as part of the model year reporting process in order for those credits to be issued. For example, evidence of any sales completed during the MY2021 adjustment period would have to be provided between October 1, 2021 and September 30, 2022 or submitted as part of the model year reporting process by October 20, 2022.

An initiative agreement may be initiated prior to a model year's adjustment period and may cover more than one adjustment period, with the numbers of credits issued under the agreement in each model year being capped at 5% of the previous model years' compliance requirements. For example, if an initiative agreement is signed July 30, 2021 for both MY2021 and MY2022 adjustment periods:

- For MY2021, the agreement has a credit cap of up to 5% of the compliance requirements for MY2020. And for MY2022, the agreement has a credit cap of up to 5% of the compliance requirements for MY2021. Credits that exceed 5% of the compliance requirements for the model year cannot be issued or banked for future model years.
- Evidence demonstrating sales are completed during the MY2021 adjustment period would have to be provided by Oct. 20, 2022 at the latest as part of the reporting process, and could be provided earlier during the adjustment period. Evidence of sales completed during the MY2022 adjustment period would have to be provided by Oct. 20, 2023 at the latest as part of the reporting process, and could be provided earlier during the MY 2022 adjustment period.

¹ For ease, the word 'sales' is used throughout this document to refer to retail sales or retail leases

Figure 1 provides an illustration of the timeframes for initiative agreements:



*Blue bar indicates Calendar Year

It is expected that initiative agreements would be proposed by the supplier prior to the compliance date to allow for a reasonable timeframe for the negotiation of the initiative agreement (e.g., 3 months prior, depending on the complexity of the proposal).

2.b. Credits under initiative agreements

Credits issued under initiative agreements for sales of used light-duty ZEVs or new or used medium and heavy-duty ZEVs completed during the adjustment period for a particular model year will be credits of that model year, e.g. credits from sales from October 1, 2021 to September 30, 2022 would be MY2021 credits, regardless of the model year of the ZEV.

Credits that are issued under initiative agreements are indistinguishable from other credits issued (e.g. for new ZEV sales) under the Act and Regulation and, as such, subject to the Act and Regulation, may be used to meet compliance obligations or may be transferred to other regulated parties.

3. Actions eligible for credits under initiative agreements

3.a. Used light-duty ZEV Sales

- i) Credits may only be issued for light-duty ZEV Class A and B used ZEV sales
- ii) Credits issued will correspond to the ZEV class of the vehicle, for example a ZEV Class A used ZEV will only be eligible for Class A ZEV credits.
- iii) The formula to be used for calculating the credit amount per used light-duty ZEV sale will be determined by the formula set out in the ZEV Regulation Sec. 14 (2) through 14 (5) that was in place at the time of the sale.
- iv) The range value in the formula in the ZEV Regulation will be taken from the actual model year of the vehicle, e.g., for a MY2018, the range will be the MY2018 range.

- v) Credits issued for sales completed during the adjustment period for a particular model year will be of that model year, e.g., sales from October 1, 2021 to September 30, 2022 would be MY2021 credits regardless of the MY of the vehicle.
- vi) Used light-duty ZEVs must be quality used ZEVs defined as
 - (1) the vehicle has the same equipment as a new motor vehicle of the same model and the same model year, or a more recent model year, offered for sale or lease in B.C.; the equipment may be of equal or higher quality than the original equipment;
 - (2) the equipment is in a condition comparable to the condition of the original equipment of a new motor vehicle of the same model and the same model year;
 - (3) both
 - (a) when subtracting the number representing the model year of the motor vehicle from the number representing model year adjustment period during which the motor vehicle was sold for the first time in B.C., the result obtained does not exceed 4; and
 - (b) the number of kilometres indicated on the vehicle's odometer at the time of the retail sale or lease does not exceed 100,000 km;
 - (4) it is covered by the same original warranty as that offered by the supplier for a new motor vehicle of the same model and the same model year sold or leased in B.C. for the unexpired term of the warranty for such a vehicle
- vii) Evidence² that suppliers must provide to receive credits for used light-duty ZEV sales under an initiative agreement will include:
 - Evidence that it meets the definition of used ZEV under the ZEV Regulation, specifically, the ZEV:
 - has been the subject of a previous retail sale in another jurisdiction outside of B.C.; and
 - has not been the subject of a previous retail sale in B.C.
 - Evidence of a retail sale of a used BEV, EREV, EREV-medium, FCEV or PHEV that took place in B.C. (e.g. date and location of sale, vehicle model year, make, model, vehicle identification number, and EPA range).
 - If the Ministry is not able to verify the EPA range against the figure published in Natural Resources Canada's Fuel Consumption Guide for whatever reason, then suppliers must supply evidence of the vehicle's EPA all-electric range.
 - Evidence that it meets the quality requirements for a used light-duty vehicle including a signed statement by the supplier that the vehicles meet the quality requirements.

3.b. Sales of new and used ZEVs that are not light-duty motor vehicles

- i) Credits issued under initiative agreements for the sale of ZEVs that are not light-duty (i.e., medium- and heavy-duty ZEVs with gross vehicle weight ratings (GVWR) over 3,856 kg) will be ZEV Class A light-duty vehicle credits.
- ii) Only battery-electric and hydrogen fuel cell electric medium- and heavy-duty ZEVs will be eligible for credits under this type of initiative agreement. Plug in hybrid medium- and heavy-duty ZEVs will not be eligible for credits under an initiative agreement

² Specific types of evidence to be provided will be discussed as part of the initiative agreement negotiations.

- iii) The methodology for calculating the credit amount per medium/heavy-duty vehicle sale is based on the GVWR classification³. See Appendix A for further information on the methodology. The ZEV credit issuance per sale is as follows:

GVWR Class	ZEV Credit Value per sale
Class 2b	5.65
Class 3	6.65
Class 4	9.35
Class 5	10.65
Class 6	13.00
Class 7	17.35
Class 8	22.00

- iv) Credits issued for sales completed during the adjustment period for a particular model year will be credits of that model year, e.g., credits issued for sales from October 1, 2021 to September 30, 2022 would be MY2021 credits.
- v) Medium- or heavy-duty vehicles sold or deployed in B.C. under a three-year lease will be eligible for the ZEV credit value per sale as indicated in 3.b.iii) under an initiative agreement. For demonstration and pilot projects as well as leases of less than three years, subject to negotiations, credits may still be considered for issuance under an initiative agreement, but the credits will be calculated at a pro-rated value based on the time the vehicle is in B.C.
- vi) Evidence⁴ that suppliers must provide to receive credits for medium- and heavy-duty ZEV sales under an initiative agreement will include:
- Evidence that the ZEV is not a light-duty motor vehicle (i.e. evidence of GVWR rating of the vehicle, and truck class of ZEV⁵)
 - If the medium- or heavy-duty vehicle is deployed in B.C. under a lease, demonstration or pilot project, evidence as required and articulated in the initiative agreement, i.e.,:
 - the length of term of the lease agreement,
 - achievability of the deployment including the anticipated date it will be put into active operation
 - organizational commitments for commercial ZEV deployment in organization where it is deployed
 - innovation and potential to enable longer-term and larger-scale transformation of ZEVs across various commercial modes, sectors, and uses
 - Evidence that it was the first retail sale of the vehicle in B.C. and the sale took place in B.C. (e.g. date of sale, vehicle make, model, and vehicle identification number)

³ As per the federal Heavy Duty Vehicle and Engine Greenhouse Gas Emissions Regulation - <https://laws-lois.justice.gc.ca/eng/regulations/sor-2013-24/fulltext.html>

⁴ Specific types of evidence to be provided will be discussed as part of the initiative agreement negotiations.

⁵ To be confirmed through Canada Motor Vehicle Safety Standards

4. Process Steps for securing an initiative agreement and claiming credits under it

4. a. Initiating/Signing an Initiative Agreement

1. A supplier seeking an initiative agreement must submit a proposal to the Ministry using the initiative agreement template (available on request by contacting the Ministry).
2. The proposal should provide information on the action(s) the supplier proposes to take under the agreement, including the following information:
 - a. The model year, make, model, EPA range, ZEV type and ZEV Class of any proposed used ZEV sales (only sales of these used models will be able to earn initiative agreement credits).
 - b. The model year, make, model, GVWR rating and truck class of any proposed medium or heavy-duty new ZEV sales (only sales of these medium or heavy-duty models will be able to earn initiative agreement credits).
 - c. The model year, make, model, GVWR rating and truck class of any proposed medium or heavy-duty used ZEV sales (only sales of these used medium or heavy-duty models will be able to earn initiative agreement credits).
 - d. The estimated number of ZEV sales for each ZEV model included in the proposal.
 - e. The estimated date by which the actions (ZEV sales) will be completed.
 - f. The number of credits to be issued to the supplier on the completion of the sale of each ZEV model included in the proposal.
 - g. Examples of the evidence that will be provided to the director to demonstrate that the actions (sales) have been completed.
3. The Ministry will confirm receipt of the proposal.
4. The director will evaluate the initiative agreement proposal (which may include discussions with the supplier).
5. If approved by the director and the Minister, the director and supplier (a representative with the authority to sign on behalf of the supplier) will sign the initiative agreement (e-signature will be permissible).

4. b. Claiming credits under an Existing Initiative Agreement

1. To receive credits for initiative agreement actions that occurred during an Adjustment Period, the Supplier must submit an Application to the Director prior to submitting the Supplier's Model Year Report for the Model Year of the Adjustment Period. For certainty, the Supplier must submit an Application under this section within 20 days after the end of the Adjustment Period
2. An Application must be in the form and manner required by the Director, if any, and must include all required information as stated in the signed Initiative Agreement
3. The Ministry will confirm receipt.
4. The director will review the evidence (including checks against the ICBC vehicle registration data).
5. If approved, the director will sign approval and issue credits through the ZEV Reporting System, as per the terms of the signed initiative agreement.

5. Additional Information about initiative agreements

Information about initiative agreements between a supplier and the Ministry, including information about the actions and the status of the actions, may be publicly disclosed (as per s. 38 (3)(g) of the ZEV Act).

The supplier must maintain sufficient information on initiative agreements to verify information reported, and sufficient to demonstrate the status of the action proposed in the initiative agreement and whether the action has been completed.

Initiative agreement records are required to be retained for 6 years after the later of either: the date on which the agreement is entered; or the date on which credits are last issued in relation to the agreement (as per s. 24 of the ZEV Act).

More information can be found by following the links to the [Zero-Emission Vehicles Act](#) and the [Zero-Emission Vehicles Act Regulation](#).

Appendix A – Credit Methodology for Medium & Heavy-duty Vehicles

This methodology based on GVWR class calculates initiative agreement credit values for medium and heavy-duty vehicles. It serves as a simple, straight-forward, and clearly defined proxy for the relative emission reductions that occur in medium and heavy-duty weight classes as compared to Class 2A light-duty vehicles.

Methodology

Step 1: Determine weight class ratio values

- a) Using the lowest weight (in kg) of each weight class (see Table 1):

Table 1: GVWR Classes

Class 2A	>2,722kg to 3,856kg
Class 2B	>3,856kg to 4,536kg
Class 3	>4,536kg to 6,350kg
Class 4	>6,350kg to 7,257kg
Class 5	>7,257kg to 8,845kg
Class 6	>8,845kg to 11,793kg
Class 7	>11,793kg to 14,969kg
Class 8	>14,969kg

- b) Equation 1 is used to calculate the weight class ratios (Table 2), i.e. by dividing the lowest weight within each weight class by that of weight class 2A.

Equation 1:

$$\text{Weight Class Ratio} = \frac{\text{Class 2B}}{\text{Class 2A}} = \frac{3,857\text{kg}}{2,723\text{kg}} = 1.42$$

Table 2: Weight Class Ratio (WCR) values

Class 2B WCR	1.42
Class 3 WCR	1.67
Class 4 WCR	2.33
Class 5 WCR	2.67
Class 6 WCR	3.25
Class 7 WCR	4.33
Class 8 WCR	5.50

Note: The lowest GVWR for each class of truck is used in the numerator within equation 1 and the lowest weight of Class 2A be used as the denominator (i.e. 2,723 kg). Class 2A was chosen as the denominator as it is an established metric that allows a set and consistent reference from within the light-duty classes (Class 1 and 2A) that are currently regulated under the ZEV Act (i.e. 3,856 kg or less).

Step 2: The above values are converted to an initiative agreement credit value

- a) For each GVWR class, the weight class ratio value is multiplied by the maximum ZEV Class A credit per sale value under the ZEV Act (i.e. 4 credits) using equation 2 to produce the initiative agreement credit values in Table 3:

Equation 2:

$$\text{Initiative Agreement Weight Class Credit} = \text{WCR} \times \text{Class A Credit Maximum}$$

$$\text{For example for weight class 2B} = 1.42 \times 4.00 = 5.67$$

Table 3: Initiative Agreement Weight Class Credit Values

	Credit Value⁶
Class 2B	5.65
Class 3	6.65
Class 4	9.35
Class 5	10.65
Class 6	13.00
Class 7	17.35
Class 8	22.00

⁶ Rounded to the nearest 0.05