

Canada Introduces New Tariffs On Chinese EVs And Steel Products



Overview

On August 26, 2024, the Canadian government announced significant measures impacting importations of Chinese goods. In particular, the government announced the following:

1. A 100% surtax on all imports of Chinese-made electric vehicles (EV), which will come into force on October 1, 2024
2. A 25% surtax on the import of steel and aluminum products from China, to come into force on October 15, 2024
3. A consultation regarding the potential for additional surtaxes on other sectors, including batteries and battery parts, semiconductors, solar products and critical minerals

The new and proposed surtaxes on sectors critical to Canada's manufacturing industry and "net-zero transition" will impact a wide swath of Canadian businesses.

EV Tariffs

The federal government first announced an industry and stakeholder [consultation](#) on June 24, 2024, in response to

growing concerns that Chinese non-market-based policies are likely to undermine Canada's EV sector.

China has been accused of practices that include pervasive subsidization of necessary EV supply chain components, problematic or non-existent labour and environmental standards, and other measures used to lower production costs in a manner that threatens the nascent Canadian domestic industry.

In response, Canada opted to enact a 100% surtax as an extraordinary measure under section 53 of the *Customs Tariff* on certain items falling under the below tariff classifications.

The surtax will come into force on October 1, 2024, and is in addition to the existing Most Favoured Nation customs duty rate of 6.1%. A more [detailed list](#) of affected items can be found under the government's backgrounder press release.

Tariff Item Classes include:

- 8702: Hybrid buses, fully electric buses and other buses powered by electric propulsion systems – including fuel cell vehicles
- 8703: Hybrid or fully electric passenger vehicles and other vehicles powered by electric propulsion systems – including fuel cell vehicles
- 8704: Hybrid or fully electric transport trucks, pick-up trucks and other trucks powered by electric propulsion systems – including fuel cell vehicles

Surtax on Steel and Aluminum Products

Another measure announced is a 25% surtax on imports of steel and aluminum products from China, effective on October 15, 2024. The finalized list of affected items will be announced on October 1, 2024. An initial list was made available on August 26 for public comment, as summarized below (with a

more [detailed list](#) provided in the government's backgrounder press release).

Tariff Item Classes include:

- 7206-7209: Steel ingots and minimally processed steel of various specifications
- 7210-7212: Plated, painted, or coated steel, including electrolytically plated
- 7213-7215: Free-cutting steel
- 7216-7219: Minimally processed steel of various specifications and steel plated or coated with other base metals
- 7220-7224: Minimally processed steel of various specifications including bars, wires, rods, angles, shapes and sections
- 7225-7229: Other minimally processed steel of various specifications, including electrolytically plated, silicon-electrical steel, bars, rods, angles, shapes and sections
- 7301-7302: Sheet piling, rails and other steel plates
- 7304-7306: Steel used in the oil and gas sector for various uses and various specifications
- 7601: Aluminum and aluminum alloys
- 7604-7608: Parts of aluminum, whether alloys or not alloyed, in various specifications
- 7609: Aluminum tube or pipe fittings, including couplings, elbows and sleeves

The government is accepting submissions on the proposed surtaxes on steel and aluminum products from interested parties until September 20, 2024.

Future Measures

Finally, Canada announced its intention to consider further measures, including restricting the Incentives for Zero-Emission Vehicles (iZEV), the Incentives for Medium and Heavy

Duty Zero Emission Vehicles (iMHZEV) and the Zero Emission Vehicle Infrastructure Program (ZEVIP) to products made in countries that have negotiated free trade agreements with Canada.

Another public consultation will take place over a 30-day period, shifting the spotlight to other sectors “critical to Canada’s future prosperity, including batteries and battery parts, semiconductors, solar products and critical minerals.” The notice of public consultation, and the dates of the consultation, are expected to become available imminently.

The government has already communicated concerns that Canadian investments in sectors critical to the net-zero transition are being jeopardized by Chinese non-market practices. Citing a Barclays analysis, Canada expects China’s manufacturing capacity in semiconductors to more than double over the next five to seven years, leading to an anticipated over-supply in the market as early as 2026.

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