What Honda's big electric vehicle announcement in Ontario really means

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In retrospect, the turnaround—and just how fast it happened—is

difficult to believe.

In 2010, Ontario's economic future looked grim. Tied as it had been for more than a century to the automobile industry, the provincial economy was in freefall.

General Motors and Chrysler went bankrupt, dozens of plants were shuttered, and tens of thousands of well-paying auto jobs were lost along Ontario's automotive-producing zone from Windsor to Oshawa.

Ontario's auto sector, once the wellspring of the province's prosperity, looked to be in the process of an inevitable decline. It was, quite literally, a dinosaur industry seemingly destined to go the way of Australia's, which closed its last car plant in 2017.

Barely 15 years later, in April Honda announced a massive $15 billion investment into its Ontario facilities to build the firm's next generation of electric vehicles (EVs). This investment is, by quite a margin, the largest ever foreign direct expenditure in Canada.

Honda's decision capped a series of announced spending and investment initiatives (by both public and private interests) in Canada's auto sector since 2020 totalling over $50 billion. This is an astonishing figure that secures Ontario as the only jurisdiction on the planet boasting six major auto manufacturers, all rapidly transitioning towards the next generation of vehicles and the batteries to power them.

So, what just happened, and why? And what does it all mean?

From internal combustion to EV

Much more than a simple manufacturing commitment, Honda Ontario's pivotal investment cements the province's place at the forefront of one

of the greatest societal changes transforming North America and the world—the shift from an economy powered by the internal combustion engine (ICE) to an electrified, decarbonized and digitized future.

Henry Ford had led the automobile-driven second industrial revolution between 1910 and 1930. Starting in the 2010s, a digitized, decarbonized and roboticized Tesla profitably achieved mass EV production and helped to usher in the fourth industrial revolution, "Automotive 4.0."

In this new era, startups and established automakers alike have been helped along by massive United States (and Canadian) government support to foster the industry's EV transition. All this is in support of a simple goal of having all the benefits of automobility, without the emissions.

Already, many governments (including Canada and California) have mandated that 100 percent of new light vehicle sales will be zero emission by 2035. In 2024, about one in five new vehicle sales around the globe are electric, and in North America the industry has committed over $400 billion to meeting this goal.

Ontario's EV transition

In Ontario, the speed and scale of the EV transition is dramatically evident. At the top line is the $5 billion Stellantis battery plant in Windsor and Volkswagen's $7 billion PowerCo. battery plant in St. Thomas—a location where Henry Ford once built police cars and taxicabs.

Those announcements came on top of Ford's 2023 agreement to build EVs in Oakville (since delayed), while General Motors is already manufacturing BrightDrop EV trucks in Ingersoll.

Additional EV facilities are opening across the province, including at homegrown parts manufacturers, like Aurora's Magna. Almost overnight, Ontario has become an EV powerhouse.

Much of this new investment is driven by the equally massive subsidies and tax breaks that are being given to auto manufacturers, totalling well over $30 billion between the Ontario and federal government. Much of this spending has simply been to match the Biden administration's pro-EV Inflation Reduction Act subsidies.

The Honda agreement provides $5 billion in support, but mostly through tax breaks as opposed to direct subsidies.

Unifor, the autoworkers union, has actively bargained for EV investment since the 2010s and helped to secure electrified production at Ford and GM.

The Automotive Parts Manufacturer's Association built the all-electric Project Arrow EV concept entirely from Canadian parts and know-how to show how manufacturers could source locally. Just as importantly, for car makers like Honda, Ontario's secure, zero-emission electrical grid helps considerably in meeting clean energy goals as they build and run their huge battery and EV plants.

Challenges still ahead

EV skeptics are in no short supply, emboldened by the size of taxpayer subsidies, the still-underdeveloped aspects of the Ontario mineral supply chain and the uncertainties of technology change.

The litany of doubts are well known.

Detractors say there are simply not enough rare minerals to make enough

batteries or that Chinese manufacturers are already too far ahead, both in resource control and EV production (Chinese automaker BYD is bigger than Tesla).

It is claimed that the electrical grid won't hold up, that EVs aren't better for the planet, that expanding ranges will never stem the anxiety and, ultimately, that people will refuse to switch to EVs.

Honda's announcement is something of a rejoinder, a clear tipping point that the future of automobility is electric, and that it can be successfully achieved in Ontario. The scale of Honda's EV commitment and its intention to build a comprehensive vehicle chain within Ontario (from minerals to final assembly) makes a bold statement, given the company's past successes.

Honda is most famous for its efficient ICE technology and if it sees an electric mobility future in Ontario, then you can bet that they're sure that it's pretty much already here.

So much so, in fact, that the government has recently launched a rather optimistic, futuristic television ad campaign boasting that the required mining, technology, workforce, supply chain and energy needs are all right here in Ontario and "all powered by one of the cleanest grids in North America."

It seems to have worked on Honda, and quite a few others. What a difference a decade and a half makes.

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