

A clean commute for kids: Bridging the funding gap for school bus electrification

The transition to electric school buses in Canada faces significant financial barriers. The Zero Emission Transit Fund (ZETF) was supposed to support school bus fleet electrification, but funding has not increased despite the 100% medium and heavy-duty vehicle (MHDV) sales target by 2040. The ZETF is now oversubscribed, with the vast majority of funds already allocated and its budget recently reduced by \$350 million.

Electric school buses have an upfront cost of 1.5 to 2.5 times more than diesel buses,⁷¹ necessitating federal support to reduce the total cost of ownership of ESBs to 21% less than a diesel bus (accounting for maintenance and fuel savings). The current funding shortfall threatens to delay school bus electrification, hindering greenhouse gas emissions (GHG) reductions and other benefits such as job creation and cleaner air. Without additional federal funding, operators will continue or revert to purchasing diesel buses, impeding progress in provinces reliant on federal support. To reach the 100% ESBs target by 2040, almost 3,000 diesel models will have to be replaced next year,⁷² requiring \$375 million in federal funding (assuming provincial matching). This added funding should be exclusively for electric school buses, as transit projects have absorbed most of the ZETF.

Additionally, the ZETF's current approval structure is time-consuming, inconsistent, and overly complex. This causes prolonged processing times and difficulties in orchestrating timely vehicle replacements, hindering the seamless incorporation of electric school buses. The complexity deters operators from applying, leading to a low number of electric school buses in many provinces. In Prince Edward Island, recent difficulties in accessing ZETF capital funding have forced the province to purchase a diesel school bus for the first time since 2020. Quebec-based transportation service providers face a different challenge, as they cannot access federal

programs due to incompatibility with the province's point-of-sale rebate program.

Recommendations [HICC]:

- Accelerate **\$375 million in funding for 2025** for school bus electrification, pending the availability of funding from the Canada Public Transit Fund.
- Reevaluate funding allocation structures to lower barriers to capital funding.
- Replace the second phase of the ZETF capital application process with a point-of-sale rebate mechanism to simplify the application process and provide more certainty to fleet operators as they build their budgets, while mitigating the incompatibility with Quebec's funding program.
- Earmark funding for Indigenous communities and other higher-needs populations, as is currently done in ZEVIP. Establish direct or automated access to the ZETF.

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Photo: Mat Haas



71 A type C electric school bus has an average price of \$400,750, while a type C diesel school bus costs on average \$150,000.

72 Dunsy Energy+Climate, "Pathways for Canadian Electric School Bus Adoption." 2023. <https://www.equiterre.org/en/resources/pistes-de-solutions-pour-lelectrification-du-parc-dautobus-scolaires>