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STAR EXCLUSIVE

‘We had no choice’: The inside story of how Doug Ford finally blinked and spent billions of dollars to save an EV battery plant in Ontario

The Stellantis deal is part good news story — the Windsor EV battery plant and its 2,500 future jobs will not move to the U.S. — and part cautionary tale: if the money isn’t here, the projects won’t be either.

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Carlos Tavares, the canny top executive of auto giant Stellantis, says weeks of crisis talks to salvage a Windsor EV battery plant taught him one thing: Canada's negotiators move way too slowly in a global green industrial race that's accelerating at warp speed.

"It was difficult to get this agreement inked at the end of the day," Tavares said in an exclusive interview with the Star from Portugal, "but it was rewarding."

Rewarding, no question.

That's because the province of Ontario signed onto an agreement with Ottawa that puts it on the hook for billions more than first agreed.

The turning point came Wednesday morning when the Ford government agreed to pay one-third the cost of landing both the Stellantis electric vehicle battery plant for Windsor *and* the previously announced Volkswagen battery “gigafactory” in St. Thomas.

It is a stunning turnaround for Premier Doug Ford, who said early this spring it was up to the Prime Minister Justin Trudeau's government to “step up” and match U.S. federal subsidies.

Now Ontario's share of up to \$28 billion in production subsidies for both plants could be as much as \$9.3 billion depending on how many EV batteries are produced, say federal officials.

Although the Volkswagen project was never imperilled, the province's enhanced share of billions more in tax breaks for the VW package is a surprise. Initially, Queen's Park had agreed only to \$500 million in capital construction support for each plant, for a total of \$1 billion.

Now Ontario will cover one-third of the VW tax breaks, which could cost the provincial treasury an additional \$4.3 billion.

This is the inside story of how a deal with Stellantis was finally reached after months of tense negotiations where jobs and investor confidence were on the line.

It's part good news story — the Windsor EV battery plant and its 2,500 future jobs will not move to the United States — and part cautionary tale: if the money isn't here, the projects won't be either.

Ford and his economic development minister Vic Fedeli signed the federal-provincial agreement Wednesday as did Deputy Prime Minister Chrystia Freeland and Industry Minister François-Philippe Champagne. Champagne immediately told Stellantis that Ottawa would sign off on a final agreement with the automaker. By late Wednesday afternoon, Stellantis came back to say it was a done deal.

Stellantis, maker of Chrysler, Dodge, Ram and Fiat among other brands, gave the federal and provincial governments only minutes' notice before it went public with the news.

Tavares said he had not been bluffing. Stellantis had a “plan B” that would have seen it scrap the new facility in Windsor.

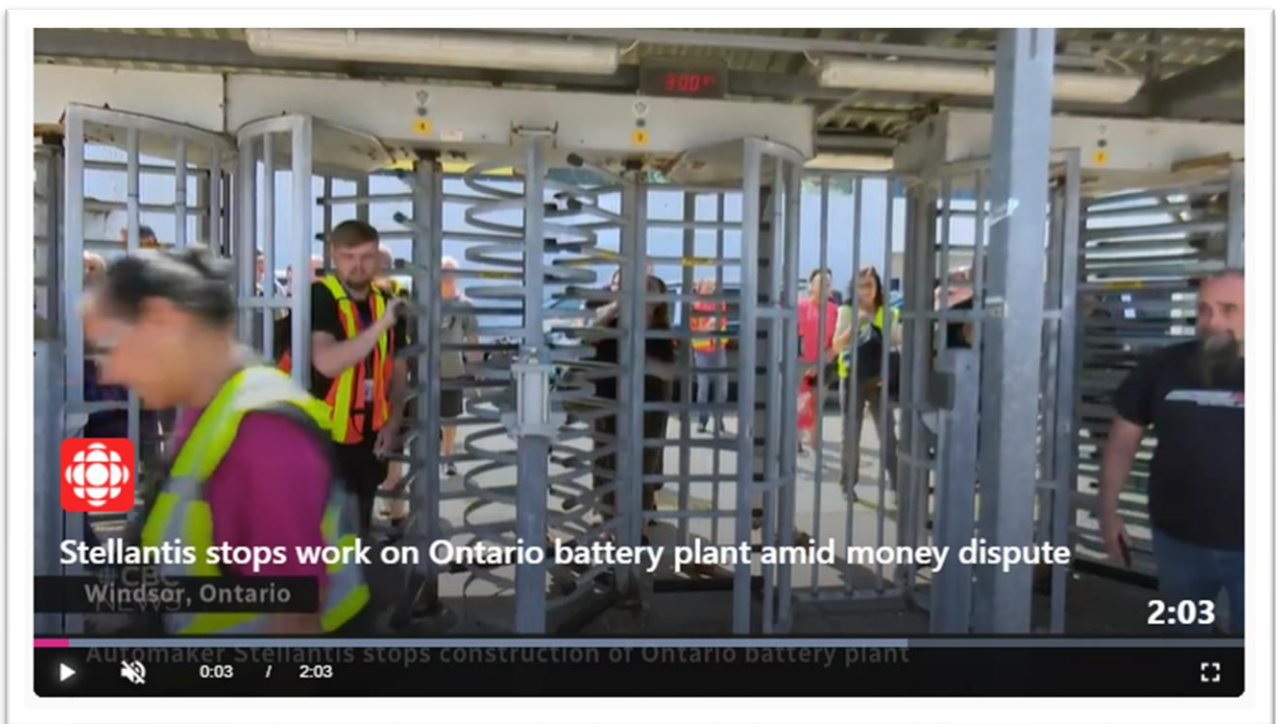
“We were prepared to do so,” he said, acknowledging the company’s Windsor and Brampton operations have a long history and “we appreciate enormously the work of our Canadian employees.”

But Tavares was characteristically blunt.

“Yes, I was ready to pull the plug and use the alternative scenario that we always prepare for this kind of situation. It’s normal. That’s my job — to protect the company as a whole.”

The Portugal native, who is an auto-industry veteran and an avid racing driver with more than 500 races under his belt, plays to win. His company was the world’s third largest automaker in 2022.

At the same time it was negotiating with Ottawa this spring, Stellantis announced it would shut plants in the U.K. if the British government did not negotiate a new trade deal with Europe to protect its EV exports.



Champagne, Ottawa’s lead negotiator, publicly shrugged off the construction stoppage and his dealings with the company as all part of “normal” negotiations.

But Tavares said they were not.

The minister was not “fully empowered” to make a deal at the table and did not have “the mandate to make decisions,” said the automaker CEO.

Stellantis was the lead negotiator for the joint venture, although LG Energy Solution holds 51 per cent of the project. Tavares said both companies empowered their executives to make quick decisions. He said Champagne “had a very long process to go through to get the full alignment, not only between the federal and regional governments but perhaps even inside the federal government.”

A federal insider close to the Stellantis talks, speaking on a background-only basis, disagreed the Canadian negotiating side was “slow” but acknowledged it took time to work out details with Ontario.

Things were complicated because Canada was also negotiating deals last winter and spring with other companies including VW.

When Champagne’s team succeeded in what was once seen as a “long shot” — persuading Volkswagen to come to Canada — the insider said it was “crystal clear to us at that point, from a fiscal point of view, that if we wanted to do any further agreements, Ontario needed to be on board, and not just for capital, not at the levels that they were looking at.”

How did the U.S.’s IRA affect Canada?

The original agreement with Stellantis to build in Windsor was signed in March 2022, nearly six months before U.S. President Joe Biden signed the Inflation Reduction Act (IRA) into law in August 2022 — a \$369-billion (U.S.) incentive package that was seen by Ottawa as a “game-changer” and a “bombshell.”

Still, Tavares said he was surprised Canada didn’t move faster to match the IRA. The company began almost immediately pressing Ottawa for a sweetened deal for Windsor.

The Biden Administration’s incentive package gives automakers between \$2,700 to \$4,500 for each EV battery manufactured in America.

It is driving a dog-eat-dog international competition to lure auto investments at what Tavares said is a pivotal time when lawmakers have imposed EV sales mandates on producers and encouraged consumers to switch to EVs.

“This is a very, very brutal industry,” said Tavares. “It’s all about competitiveness and quality competitiveness ... I have been in this industry 42 years. I have never seen such a high level of competition,” he said.

Tavares dealt directly with Champagne at the beginning, he said, “then when things started to get shaky, this was handled by North American chief operating officer Mark Stewart.”

Yet Ottawa and Ontario agree the most contentious talks were between the federal and provincial government.

Ontario’s Fedeli said, “It wasn’t that Stellantis was looking for other things,” and that Stellantis “agreed right off the bat that if we could match the U.S., then things would go back to normal.”

But in an interview from Tokyo, where he met Japanese automakers about additional investments in Ontario, he described intense federal-provincial conversations that included high-level conference calls between Ford and Freeland that lasted until 2 a.m.

April 19 was a pivotal day for all sides.

That’s the day the CEOs of Stellantis and LG Energy Solution wrote a letter to Trudeau and said the Windsor plant was in jeopardy if he did not honour what they said was a promise “in five separate written documents to match the production incentives under the U.S. Inflation Reduction Act,” including a “mutually satisfactory special contribution agreement by your government” at the end of February this year.

It was a caucus day in Ottawa, but Freeland’s office tore up her schedule and diverted the deputy prime minister to Toronto to personally sit down with Ford in his Queen’s Park office.

At one point, a federal source said, Intergovernmental Affairs Minister Dominic LeBlanc was asked to give a letter to Ford, to give him “comfort” Ottawa would work closely with the Ford government on its Highway 413 plans.

LeBlanc has also worked closely with Ford, and reminded his colleagues how instrumental the premier was when it came to negotiating a health-care deal

with the provinces last winter, telling them Ottawa wouldn't have gotten it done without Ford. LeBlanc suggested the federal infrastructure bank might be useful to help build roads into the Ring of Fire mining projects, but that was not put in writing.

How did Freeland and Ford's friendship come into play?

Several federal and provincial sources told the Star that Liberal cabinet dynamics were at issue throughout the past several months, with Champagne wanting to spend what it took to keep Stellantis, and Freeland pressing harder to hold the line. Some suggested that future leadership aspirations were in play. A federal insider agreed there were tensions, but disagreed it had to do with leadership ambitions "as much as that was their role. That's both their jobs."

Fedeli credits Ford for reaching an agreement with Freeland.

"The premier came through. He was relentless," Fedeli said.

Two sources close to Freeland confirmed the premier made greater concessions to Ottawa than many had believed the province could afford.

"She had tremendous affection and respect for him from before, but I think she has even more now because she knew the (fiscal) sacrifices he had to make," a Freeland confidant said.

Another insider, also speaking confidentially in order to recount private conversations, said the personal rapport between Freeland and Ford, forged in the earliest days of the COVID-19 pandemic three years ago, was instrumental to Ontario upping the ante.

The source said the tax breaks could mean the difference between Ford being able to balance Ontario's budget before the 2026 election or remaining in deficit.

"But we had no choice."

All along, Champagne publicly insisted Canada could compete with the U.S. because investors would come not for the money, but for the resources and a skilled, educated workforce.

Tavares offered a different view, saying “we should not think that because we have an excellent workforce in Canada, that does not exist somewhere else.”

In the end, the deal Ottawa and Ontario agreed to with Volkswagen promised matching production subsidies ranging up to \$13 billion. Ottawa provided \$700 million and Ontario \$500 million in upfront construction support.

The deal with Stellantis caps the production subsidies at \$15 billion. Ottawa and Ontario have also agreed to \$500 million each in upfront construction support, bringing the total Stellantis deal to \$16 billion.

Without Ontario’s concession, no deal would have been possible, federal insiders said.



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