

Investing in the Domestic Manufacturing of Electric School Buses

Pre-Budget Consultations – Fall 2026

Background

The famous yellow school bus has been transporting children to school since the 1930s. Nearly a century later, over [96%](#) of Canada's school bus fleet still runs on fossil fuels. This means that over [2 million children](#) who ride the bus to and from school are exposed to harmful air pollutants, which impact pulmonary health and learning development.

Electrifying school buses, on the other hand, deliver significant [climate, health, and economic benefits](#). For example, transitioning 100% of the country's fleet could [yield annual healthcare savings of \\$601M](#) over 12 years, and [remove 1.17M tonnes of greenhouse gas emissions annually](#). In Ontario alone, electrifying 65% of the fleet by 2030 could generate [2 billion dollars in gross domestic product gains](#). Electric school buses can also contribute to grid resilience when equipped with [Vehicle-to-Grid technology](#). This transition is very supported by Canadians, with 83% in favour of a 100% shift to electric models by 2040 (based on a 2023 poll by Abacus Data for the Canadian Lung Association).

Yet, [adoption remains slow and uneven](#) across Canada, mainly due to the lack of stable funding.

Budget Recommendations

Allocate \$250 million per year for school bus electrification

Electric school buses [cost 1.5 to 2.5 times more](#) than diesel buses, and while there are long-term fuel and maintenance savings, the up-front costs are unlikely to reach [price parity before 2040](#).

With an estimated [1 billion dollars needed every year](#) from all levels of government to electrify the country's school bus fleets by 2040, **stable funding through the Canada Public Transit Fund's Targeted Stream is essential** to accelerate the transition.

This funding mechanism should be designed to maximize uptake while ensuring equitable access to electrification. Funding should be sufficient to bring the total cost of ownership of an electric school bus to parity with a diesel model, creating a meaningful incentive for purchase.

Priority should be given to smaller private operators, suburban and rural school districts, and Indigenous communities, which often face [greater barriers to accessing capital](#). Larger-scale projects can instead be supported through the Canadian Infrastructure Bank's Zero-Emission Bus Initiative. This would help address the concentration of funding among a small number of large operators observed under the former Zero Emission Transit Fund and support a broader range of pilot projects.

Finally, funding should be delivered through a point-of-sale rebate model, like consumer electric vehicle incentives, to reduce administrative burden and streamline access to funding.

About CESBA

Led by Green Communities Canada, the **Canadian Electric School Bus Alliance** (CESBA) is a coalition that brings together stakeholders from the environmental, research, education, transportation, and health sectors, to advocate for policies that will accelerate the transition to 100% electric school buses by 2040. [Visit our website](#)

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