



17 August 2021

OC210661

Hon Michael Wood
Minister of Transport

Action required by:
Monday, 23 August 2021

PREPARATIONS FOR FIRST READING OF LAND TRANSPORT (CLEAN VEHICLES) AMENDMENT BILL

Purpose

Provide you with draft first reading speech and legislative statement for your review, to support the first reading of the Land Transport (Clean Vehicles) Amendment Bill (the Bill).

Key points

- Cabinet Legislation Committee has approved the Bill for introduction [LEG-21-MIN-0121] and Cabinet confirmed this decision on Monday 16 August 2021 [CAB-21-MIN-0316]. The Bill may be introduced by the Leader of the House on any working day following Cabinet confirmation of the decision to introduce the Bill.
- The Bill will need to be progressed within significantly condensed timeframes if charges on high emissions vehicles under the Clean Vehicle Discount Scheme are to be in force on 1 January 2022. You will need support from the Leader of the House to ensure priority is given to the first reading of the Bill and its referral to a select committee
- We have provided you with a letter to the Leader of the House seeking the Leader's agreement to prioritise the Bill and approval for the House to debate a motion giving special powers and instruction to the select committee.
- Select committee consideration of the Bill needs to be limited to 10 weeks to ensure the Bill may be passed by mid-November, and regulations may be in force by 1 January 2022. The special powers and instruction relate to the report back date of the Bill within 10 weeks and when the committee has authority to meet.
- A draft first reading speech and legislative statement are attached for your review.

Recommendations

We recommend you:

- 1 **note** that we have already provided you with a letter for the Leader of the House seeking priority for the Bill and the Leader's agreement for you to move a motion in the House in relation to the select committee's consideration of the Bill

- 2 **agree** to move for special powers and instruction in terms of the select committee's consideration of the Bill, namely that the committee be given a period of 10 weeks for consideration of the Bill and the following special powers: that despite Standing Orders 193, 195, and 196(1)(b) and (c), the committee have authority to meet:
 - at any time while the House is sitting (except during oral questions)
 - during any evening on a day on which there has been a sitting of the House
 - on a Friday in a week in which there has been a sitting of the House
 - outside the Wellington area. Yes / No

- 3 **advise** officials if you wish to make any changes to the draft first reading speech or legislative statement to support the first reading of the Bill Yes / No



Personal details

Ewan Delany
Manager, Environment, Emissions and Adaptation Policy
 17/8 / 2021

Hon Michael Wood
Minister of Transport
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- Minister's office to complete:
- Approved Declined
- Seen by Minister Not seen by Minister
- Overtaken by events

Comments

Contacts

Personal Details

Name	Telephone	First contact
Ewan Delany, Manager, Environment, Emissions and Adaptation Policy		✓
Sigurd Magnusson, Senior Policy Adviser		
Emma Petersen, Senior Solicitor		

PREPARATIONS FOR FIRST READING OF LAND TRANSPORT (CLEAN VEHICLES) AMENDMENT BILL

Timing is critical for the Land Transport (Clean Vehicles) Amendment Bill

- 1 On 12 August 2021 Cabinet Legislation Committee (LEG) approved the introduction of the Land Transport (Clean Vehicles) Amendment Bill (the Bill) [LEG-21-MIN-0121] and Cabinet confirmed this decision on 16 August 2021 [CAB-21-MIN-0316].
- 2 The timing of the Bill is driven by the expectation that charges on high emission vehicles to support the Clean Vehicle Discount Scheme will be imposed from 1 January 2022. The charges will be set out in regulations, made under a new empowering provision in the Bill. The Bill needs to be passed by mid-November to ensure the regulations are in force by 1 January 2022.
- 3 To achieve this result, priority will need to be given to all stages of the Bill as it progresses in the House, and a significantly truncated select committee period for consideration of the Bill will be required.

You must nominate the select committee to consider the Bill and indicate any special powers or instruction

- 4 In your first reading for the Bill, you must nominate the select committee to consider the Bill and indicate the terms of any proposed motion in respect of special powers or instruction for the select committee's consideration of the Bill.
- 5 Cabinet has agreed that the government propose that the Bill be referred to the Transport and Infrastructure Committee for consideration. We recommend that you propose a period of 10 weeks for the Committee's consideration of the Bill. As this is less than 4 months, the House will need to debate the motion.
- 6 To assist the Committee to work within these timeframes, we recommend that you move for the following special powers and instruction to be given in respect of the Committee's consideration of the Bill – that despite Standing Orders 193, 195, and 196(1)(b) and (c), the Committee have authority to meet:
 - at any time while the House is sitting (except during oral questions)
 - during any evening on a day on which there has been a sitting of the House
 - on a Friday in a week in which there has been a sitting of the House
 - outside the Wellington area.

Approval of the Leader of the House is required

- 7 You will need to obtain the approval of the Leader of the House before moving a motion in the House. We have already provided you with a letter seeking the Leader's approval for the House to debate a motion on the report back date of the Bill and the special powers and instruction for the committee.
- 8 The letter also sought agreement from the Leader of the House to prioritise the first reading of the Bill. The Bill could be introduced on any working day after Cabinet has confirmed the decision to introduce the Bill. If introduced on a non-sitting day in the week of 16 August, the earliest possible date for the first reading is Thursday 26

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August. We have previously been advised by the Leader's office that first readings and referral to a select committee are not usually scheduled on a Thursday due to the shortened hours in the House. However, the first reading on 26 August would provide greater leeway for the final stages of the Bill in November so was still presented as an option in the letter.

- 9 Depending on when the Bill is scheduled for its first reading, the indicative timeframes are:

	First reading on Thursday 26 August	First reading on Tuesday 31 August
Cabinet confirmation of approval to introduce	16 August	16 August
Introduction	From 17 August	From 17 August
First Reading and referral to select committee	Thursday 26 August	Tuesday 31 August
Select committee consideration	26 August to 4 November (10 weeks)	31 August to 11 November (10 weeks)
Second Reading	9 November	16 November
Committee of the whole House	10 November (if not a Member's day)	17 November (if not a Member's day)
Third Reading	11 November	18 November
Royal Assent	15 November	22 November
Act in force	16 November	23 November 2021

We have provided a draft First Reading speech and Legislative Statement for your review

- 10 We have attached a draft first reading speech and legislative statement to support the first reading of the Bill. Please advise whether you would like any changes.
- 11 Following your first reading, you will need to sign an instruction sheet and hand this to the Clerk of the House. The instruction sheet includes the terms of the motion for special powers and instruction for the select committee's consideration of the Bill. We will provide this to you in advance of the first reading.

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ANNEX 1

Draft First Reading Speech

PROACTIVELY RELEASED BY
TE MANATŪ WAKA THE MINISTRY OF TRANSPORT



House of Representatives: First reading speech for the Land Transport (Clean Vehicles) Amendment Bill

First reading speaking points

Paper Title: Land Transport (Clean Vehicles) Amendment Bill

Portfolio: Transport

Speech

- I present a legislative statement on the Land Transport (Clean Vehicles) Amendment Bill.
- I move, that the Land Transport (Clean Vehicles) Amendment Bill be now read a first time.
- I nominate the Transport and Infrastructure Committee to consider the Bill.
- At the appropriate time I intend to move that the Bill be reported to the House by **11 November 2021** and that the committee have authority to meet at any time while the House is sitting (except during oral questions), during any evening on a day on which there has been a sitting of the House, and on a Friday in a week in which there has been a sitting of the House and outside the Wellington area, despite Standing Orders 193, 195, and 196(1)(b) and (c)

The Case for Change

- Our Government has declared a climate emergency for a reason.
- It is abundantly clear we must take action urgently if we can hope to avoid a disastrous 1.5 degree Celsius or greater rise in global temperatures.
- A rise of this magnitude would see mass drought, disease, loss of lands and homes, worse bush fires, more tropical storms, and globally exhausted resources.
- For the sake of our futures and those of our children, we must act now.
- We must all work together to ensure global emissions fall to net zero by 2050 and transport needs to be a big part of this.
- A collective effort involving every sector of the economy, every community, and every government agency will be needed to tackle the climate crisis.
- We've made progress by investing significantly more in public transport, rail, and walking and cycling – but there is much more to do.

- In addition to seeking the most cost-effective emission reductions now, we must also take action that cannot be delayed without increasing the total transition cost. Delaying action to clean up our highly-polluting vehicle fleet will increase the cost and challenge of doing so later.
- The Clean Vehicles Bill represents a major step towards decarbonising our transport system, which produces nearly half of New Zealand's CO₂ emissions.
- The transport sector currently produces 43% of New Zealand's CO₂ emissions and 20% of all greenhouse gas emissions.

Objectives of the Clean Vehicles Bill

- To achieve major emissions reductions, we must clean up the light vehicle fleet in New Zealand, which is currently one of the most polluting and least efficient of any OECD country.
- The policy objective of this Bill is to achieve a rapid reduction in CO₂ emissions from light vehicles imported into New Zealand, by:
 - Increasing the supply and variety of zero and low CO₂ emissions vehicles available for purchase in New Zealand by applying a Clean Vehicle Standard to importers of new and used light vehicles
 - Increasing the demand for zero and low CO₂ emissions vehicles by providing for a Clean Vehicle Discount Scheme designed to incentivise, through the issue of rebates or the imposition of charges, the purchase of zero and low emission vehicles.
 - Informing New Zealanders about vehicle emission levels and fees or rebates in relation to light vehicles offered for sale, by requiring vehicle labelling requirements.
- The Bill will have considerable impact on the motor vehicle industry, which over the course of this decade will need to significantly adjust the types of vehicles it imports, advertises, sells, and services.

Clean Vehicle Standard

- In January we announced the Clean Car Standard, which requires vehicle importers to improve the emissions profile of new and used imported vehicles coming into New Zealand.
- The Clean Vehicle Standard will regulate the supply of high emissions vehicles by requiring vehicle importers to comply with CO₂ emissions targets.
- This Standard will apply to importers of new and used light vehicles.
- Importers of new vehicles will be required to comply with applicable targets on an annual basis across their fleet of vehicles.

- Charges will apply where the CO₂ emissions across the fleet of imported vehicles exceed applicable targets.
- Used vehicle importers can apply to comply on an annual basis, but by default will be required to comply when they import each vehicle, and charges will apply where their CO₂ account does not have sufficient credits to cover the emissions of the vehicle.
- The charges are designed to incentivise meeting emission targets. A range of flexibility mechanisms are built into the scheme to assist vehicle importers to meet those targets.
- Targets for vans and utes will be higher than those for cars and SUVs to account for the difference in engine sizes and the loads they carry.
- The Standard will apply from 1 January 2023, when vehicle importers will be required to report on the CO₂ emissions of the vehicles they import and comply with CO₂ emissions targets that strengthen on an annual basis.

Clean Vehicle Discount Scheme

- The Clean Car Discount was launched in July this year.
- The scheme offers major incentives to get drivers behind the wheel of an EV or plug-in electric hybrid.
- Nearly 2,000 imported new and used EVs and PHEVs were purchased in July, so we can see there is a clear demand for affordable EVs from the motoring public.
- This is the most significant action we've taken to reduce emissions in our light vehicle fleet, and one that is expected to prevent more than 5 million tonnes of dangerous climate pollution going into our atmosphere.
- The full scheme, which will launch in 2022, introduces a charge on high polluting vehicles as well as a broader range of rebates to encourage the uptake of electric, hybrid and low emission vehicles.
- This means whatever the new or imported used car people choose to buy, they are all contributing to the task of cleaning up the vehicles coming into New Zealand.
- Consumers who purchase high emissions vehicles will be required to pay a charge in recognition of the increased environmental and economic costs they are imposing.
- The revenue from those charges will be used to reward consumers who purchase vehicles that contribute to lowering CO₂ emissions, through a rebate issued on the first New Zealand registration of the vehicle.
- Charges and rebates are one-off and will only apply to light vehicles when first registered for use on New Zealand roads, and do not apply to vehicles already in the fleet.

Conclusion

- The amendments in the Bill establish the legislative framework for measures designed to influence both the supply and demand for zero and low emission vehicles.
- The Clean Vehicles Bill will make a big difference to the liveability of our local environment, and will deliver real health benefits by significantly reducing the levels of air pollution.
- Ultimately, this Bill represents a positive step towards reducing CO₂ emissions in our light vehicle fleet, and signals to New Zealanders that the vehicle they choose can make a big difference in meeting our climate response goals.
- I commend the Land Transport (Clean Vehicles) Amendment Bill to the House.

[Ends]

[After the Question is put that the Bill be considered by the Transport and Infrastructure Committee]

Motion for Special Powers for select committee consideration

- I move, that the Land Transport (Clean Vehicles) Amendment Bill be reported to the House by **11 November 2021** and that the committee have authority to meet at any time while the House is sitting (except during oral questions), during any evening on a day on which there has been a sitting of the House, and on a Friday in a week in which there has been a sitting of the House and outside the Wellington area, despite Standing Orders 193, 195, and 196(1)(b) and (c) .

ANNEX 2

Draft Legislative Statement

PROACTIVELY RELEASED BY
TE MANATŪ WAKA THE MINISTRY OF TRANSPORT

**Legislative Statement for the Land Transport (Clean Vehicles) Amendment Bill
First Reading**

**Presented to the House of Representatives
In accordance with Standing Order 272**

Introduction

1. The policy objective of the Land Transport (Clean Vehicles) Amendment Bill (the Bill) is to achieve a rapid reduction in carbon dioxide emissions from light vehicles imported into New Zealand. The Bill provides three new legislative measures to realise this objective
 - A *Clean Vehicle Standard* applying to importers of new and used light vehicles, to increase the supply and variety of zero and low carbon dioxide emissions vehicles available for purchase in New Zealand
 - A *Clean Vehicle Discount Scheme* to increase the demand for zero and low emissions vehicles by incentivising, through the issue of rebates or the imposition of charges, New Zealanders to purchase light vehicles with lower or zero carbon dioxide emissions over those with higher emissions
 - *Vehicle labelling requirements* to ensure consumers are aware of the vehicle carbon dioxide emissions of light vehicles offered for sale, and rebates receivable or charges payable in relation to those vehicles.
2. The Bill is introduced as an omnibus Bill under Standing Order 267 because the amendments deal with an interrelated topic that can be regarded as implementing a single broad policy. The Bill will amend the Land Transport Act 1998, Land Transport Management Act 2003, the Energy Efficiency and Conservation Act 2000, the Income Tax Act 2007, and the Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011.

Background

3. The Clean Vehicle Standard will regulate the supply of high emissions vehicles by requiring vehicle importers to comply with carbon dioxide emissions targets. New vehicle importers will be required to comply with applicable targets on an annual basis across their fleet of vehicles. Charges will apply where the carbon dioxide emissions across the fleet of imported vehicles exceed applicable targets. Used vehicle importers will be required to comply as and when they import each vehicle, and charges will apply where their carbon dioxide account does not have sufficient credits to cover the emissions of the vehicle. The charges are designed to incentivise meeting targets, and a range of flexibility mechanisms are built into the scheme to assist vehicle importers to meet targets.
4. The Clean Vehicle Discount Scheme is designed to increase consumer demand for zero and low emissions vehicles. Consumers who purchase high emissions vehicles will be required to pay a charge in recognition of the increased environmental and associated economic costs they are imposing. The revenue from the charges will be used to reward consumers who purchase vehicles that will contribute to lowering carbon dioxide emissions, through a rebate issued on the first New Zealand registration of the vehicle.

Provisions in the Land Transport (Clean Vehicles) Amendment Bill

5. The Bill will amend the Land Transport Act 1998 (LTA) to provide for the substantive provisions required to establish the Clean Vehicle Standard. The Bill also includes new empowering provisions for regulations to support the implementation of the Standard. The regulations may, without limitation, provide for: formulas to determine weight

adjusted targets; criteria for approval to comply on a fleet basis; requirements to import a minimum proportion of vehicles with zero emissions and corresponding charges for failure to do so; requirements for carbon dioxide accounts; data and information to be collected.

6. The provisions relating to the Clean Vehicle Standard are set out in a new Part 13 of the LTA, which includes:
 - Obligations on vehicle importers to comply with carbon dioxide emissions targets
 - Different compliance regimes for new and used vehicle importers
 - Different ways for vehicle importers to comply with targets, including deferring an obligation until the following year (for new vehicle importers only), banking overachievement of a target, and the ability to transfer credits to or from other vehicle importers
 - Carbon dioxide emissions targets for 2023 to 2027
 - Charges payable where an importer exceeds applicable targets
 - Carbon dioxide accounts, to facilitate the collection and retention of data on the carbon dioxide emissions of all vehicles imported by a vehicle importer, and to establish compliance with targets and any charges that apply
 - Requirements to collect and keep information for the purposes of the Standard
 - Offences and penalties to support compliance with the Standard (including offences for failure to collect data, and for knowingly producing false records or information).
7. The LTA is amended to include an empowering provision for regulations that may impose fees and charges for the purposes of the Clean Vehicle Discount Scheme. Fees and charges may be imposed in relation to the carbon dioxide emissions of light vehicles, and charges will apply when the vehicle is first registered for use on New Zealand roads. The Land Transport Management Act 2003 (LTMA) is amended to provide for the funding of the Discount Scheme. Revenue from the charges on vehicles with higher emissions will be used to fund rebates on zero and low emissions vehicles. The Bill also amends the LTMA to include provisions relating to the accounting and monitoring of the Scheme. The Bill adds the administration of the Clean Vehicle Discount Scheme to the functions of the New Zealand Transport Agency (Waka Kotahi).
8. The Energy Efficiency and Conservation Act 2000 (EECA) is amended to make a consequential change to the empowering provision for regulations relating to the labelling of vehicles. This amendment will ensure regulations made under the EECA can provide for vehicle labels to support the Clean Vehicle Discount Scheme. The Bill also provides for a transitional provision to validate any action taken by the Minister before the commencement of the empowering provision (such as notifying a proposal to make regulations and consulting persons the Minister considers appropriate).
9. The Income Tax Act 2007 is amended to make consequential changes to the fringe benefit tax provisions in that Act to ensure that the cost price of a vehicle subject to the Clean Vehicle Discount Scheme is based on the net price of that vehicle.
10. The Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011 are amended to prohibit the Registrar of Motor Vehicles from registering a vehicle until applicable charges have been paid under the Clean Vehicle Discount Scheme.

Conclusion

11. The amendments in the Bill establish the legislative framework for measures designed to influence both the supply of and demand for zero and low carbon dioxide emissions

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vehicles, in order to achieve a rapid reduction in the carbon dioxide emissions from New Zealand's light vehicle fleet.

Hon Michael Wood
Minister of Transport

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TE MANATŪ WAKA THE MINISTRY OF TRANSPORT

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