

## **Speaking Points**

**This Government recognises that climate change is the biggest threat we face.**

Climate change causes and increases the frequency of drought, flood, disease, loss of lands and homes, worse bush fires, and tropical storms. In the last two decades, the world observed over 475,000 deaths as a direct result of over 11,000 extreme climatic events and the economic losses were over NZD 3.5 trillion.

The Government has set a net-zero emissions target by 2050, and a 50% emissions reduction target by 2030.

This is all of our challenge to own - we need to work together – central government, local government, communities and business - every sector of the economy needs to come forward to tackle the climate crisis.

**The transport sector needs to play its part** – almost half of all or national carbon dioxide emissions comes from land transport.

Emissions from the transport sector have increased by around 100% in the past 30 years while our target is to reduce emissions to zero in the next 30 years. Since over 80% of total transport emissions are from the light-vehicle fleet, our highly polluting vehicle fleet needs to be cleaned up without any further delay.

There are a lot of opportunities in transport to reduce greenhouse gas emissions – but the longer we delay action, the more difficult it gets. We are already bearing the brunt of years of inaction. It's time to act while there is still time: for us, our children and our grandchildren.

**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 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 emissions vehicles by providing for a Clean Vehicle Discount Scheme designed to incentivise the purchase of zero and low emission vehicles through the issue of rebates or the imposition of charges, and
- informing New Zealanders about vehicle emission levels and fees or rebates in relation to light vehicles offered for sale, by requiring vehicle labelling requirements.

**A Clean Vehicle Standard is required** because New Zealand is one of the few OECD countries that is yet to implement a CO2 emissions standard, exposing us to the risk of being a dumping ground for high emission vehicles rejected from other markets.

In January this year we announced the Clean Car Standard, which requires vehicle importers to meet CO2 emission targets on the range of vehicles they import. Charges will apply where emissions exceed applicable targets.

We understand that New Zealand is a small market for vehicle manufacturers and it will take some time for the importers to import a variety of cleaner vehicles as the demand for clean vehicles is larger in Europe and other parts of the world. To help accommodate timing differences for when vehicle manufactures supply cleaner vehicles, importers will be given some flexibility around the timing of achieving targets such as banking, borrowing, and transferring CO2 credits, similar to that offered in the US:

- Banking will allow importers to carry forward any annual overachievement of their CO2 targets to offset future underachievement for up to three years.
- Borrowing will offer importers to underachieve an annual emissions target and to make the underachievement up in the following year by overachieving.
- Importers will also get the opportunity to transfer their CO<sub>2</sub> credits with other importers.

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. Targets and charges under the Standard will apply from 1 January 2023, and emissions targets will strengthen on an annual basis. The graph shows that emissions target for a passenger vehicle will be strengthened by around 56% between 2023 and 2027 while it will be around 60% for commercial vehicles.

**Other countries have already achieved the targets we are proposing and are going further.** Our 2025 passenger target has already been achieved by Europe. Our 2027 passenger target remains significantly more generous than what has already been achieved at a country-scale by Norway.

**A Clean Vehicle Discount Scheme** is the other initiative in the Bill. Norway, France, Sweden, Japan, the USA, the UK, Canada, China and many other countries have already offered a similar scheme to provide incentives for EVs. We launched the first phase of this in July to reduce the high up-front cost barrier to buying EVs. We have observed a positive change in the electric vehicle market after the introduction of the Bill.

Nearly 2,000 imported new and used EVs and PHEVs were purchased in July while the total uptake of zero or low emissions vehicles in the third quarter of 2021 was 4,860. This is over 150% more than the average uptake in the first two quarters of 2021.

The rebate is only one part of the Clean Vehicle Discount Scheme, the full Discount scheme will include a charge on high emissions vehicles and will take effect from April 2022. Revenue from the charges will be used to fund the rebates, thereby rewarding consumers who purchase clean cars. We think this is the most significant action we've taken yet 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. We expect to increase the number of zero or low emissions vehicles from 33,000 to 1.5 million by 2035.

**The expected impacts are:**

- The combined clean vehicle standard and Clean Vehicle Discount Scheme will affect approximately 300,000 light vehicles imported each year and are expected to reduce emissions between 3.8 and 15.3 million tonnes between 2022 and 2050.
- The policies will save money in the economy as zero and low emission vehicles cost considerably less to drive than the vehicles New Zealanders commonly drive today and motorists will save on fuel costs.
- Low income households could benefit from significantly reduced weekly fuel costs as well as from rebates when purchasing hybrids and electric vehicles
- The policy will also bring change in the types of vehicles that distributors import into New Zealand.

**We have consulted with the public on the clean vehicle policies** in July 2019 for 3 months and received 860 survey responses. Around 87% supported the Clean Car Discount scheme. The AA also carried out a survey among its members in September 2020 and received over 1,000 responses. Around 66% supported a clean car standard. This shows there is a broad support to the design of the Standard and the Discount.

However, there were a few concerns raised in the consultation and engagement. Importers of new vehicles in particular have stated that zero and low emission vehicles are prioritised into countries where policies such as these are in place. New Zealand will not have sufficient access to such vehicles without these policies. We expect that the Clean Vehicle Discount will encourage the supply of more low-emission vehicles across all light vehicle types.

In addition, the Vehicle Emissions Standard proposes to offer some flexibility in terms of banking, borrowing, and transferring CO2 credits, and we expect this will help vehicle

importers to accommodate the issue. The motor vehicle industry has also contributed to technical and implementation details of these policies.

**Lowering vehicle emissions is an urgent requirement for us to tackle climate change and catch up with many foreign markets.** There have been some concerns regarding the charges on utes as there aren't good low emission options available. We acknowledge that there is currently a limited range of zero or low emissions vehicles suitable for some purposes, such as off-road driving and towing a boat. We expect the market to respond and technology to develop quickly as the demand for electric utes and large SUVs increases. For example, Ford is testing a plug-in Ranger and already sells an electric ute in the US.

To give effect to the policies, we will be required to amend or prepare three regulations and a rule. These are:

- *Land Transport Rule: Fuel Consumption and Emissions Data* to require CO2 information and data, and provide for CO2 conversions
- *Land Transport (Clean Vehicle Discount Scheme) Charges Regulations* to impose charges on high emission vehicles
- *Land Transport (Clean Vehicle Standard) Regulations* to provide the operational detail to support the Standard
- *Energy Efficiency (Vehicle Fuel Economy Labelling) Amendment Regulations* to prescribe vehicle labelling requirements for CO2 emissions and applicable charges or rebates

**In closing,** I consider that the Bill will establish the legislative framework to increase the supply and demand for clean light vehicles in New Zealand. As a result, it will save New Zealanders money on fuel, contribute to better environment outcomes and deliver direct health benefits to New Zealanders by reducing air pollution from high emission vehicles. Most importantly, it will contribute significantly to our efforts to achieve national and international emissions reduction targets.