

## **EV RUC exemption - Questions and Answers**

### **The light electric vehicle (EV) exemption from road user charges (RUC) has been extended until 31 March 2024**

The Government recognises that climate change is one of the biggest threats we face, and is taking action to reduce emissions. Reducing our country's carbon emissions is a key priority for this Government, and the transport system has a critical role to play in the transition to a net-zero carbon economy.

An exemption on EVs from paying RUC is a long-standing incentive to encourage EV uptake and has been in place since 2009.

### **Q/ Why did the Government extend the light EV RUC exemption to 31 March 2024?**

We need to rapidly increase the proportion of fuel efficient and electric vehicles on our roads. In other countries, where EVs have been subject to new charges, sales have decreased and that is not something we want to happen in New Zealand while EV uptake is still taking off.

Cars sold today will, on average, be in the national fleet for the next twenty years, so it's vital we take action to turn the tide against the flood of high polluting vehicles on our roads.

In 2016 Cabinet agreed the exemption would remain until light EVs reached two percent of the light vehicle fleet. Currently, light EVs comprise around 0.7 percent of the total light vehicle fleet and the Ministry of Transport estimate light EVs will not comprise two percent of the fleet until around 2024 or 2025.

The exemption applies to existing EV owners who have already purchased EVs and cannot take advantage of the Clean Car Discount.

### **Q/ How much can an EV owner save with this RUC exemption?**

On average, the exemption saves an electric vehicle driver approximately \$800 per year compared to a diesel vehicle (\$76/1,000 km \* 11,000km/year average travel).

Without the exemption, EV owners would pay RUC at the same rate as all other light RUC vehicles (\$76/1,000km).

### **Q/ Why is the exemption ending on 31 March and not 1 January**

An expiry date of 31 March 2024 avoids transitioning light EV owners to paying RUC over the Christmas/New Year holiday shut down.

**Q/ Why did you continue the EV RUC exemption now the Clean Car Discount has launched?**

Extending the RUC exemption complements the [Clean Car Standard and Clean Car Discount](#), as we need a range of incentives to encourage EV uptake at this time.

The Clean Car Discount directly addresses the higher upfront cost of EVs while the RUC exemption reduces operating costs.

The Ministry of Transport's assessment, based on examples of subsidies in other sectors is that the exemption may increase EV uptake by as much as 6 percent, over what would have occurred by 2024, even with the Clean Car Discount in place. It also found that the exemption only had to increase the amount of vehicles by 1 percent to be cost effective.

**Q/ How much revenue for the National Land Transport Fund will be foregone as a result of the EV RUC exemption?**

Extending the exemption does mean less revenue from RUC for the National Land Transport Fund, which funds the improvement, operation and maintenance of our land transport system.

The total lost revenue is expected to be in the range of \$50 to \$90 million over the period of the extension (1 January 2022 to 31 March 2024).

**Q/ How many light EV's are now in the national fleet?**

There were 28,149 light EVs in the New Zealand fleet as at 1 July 2021. See the Ministry of Transport's website for the most recent data: <https://www.transport.govt.nz/statistics-and-insights/fleet-statistics/monthly-ev-statistics/>

Light EVs are those with a Gross Vehicle Mass (GVM) of less than 3.5 tonnes. Almost all light EVs are cars.

**Q/ Are hydrogen or other low carbon fuel vehicles subject to RUC?**

Hydrogen vehicles and any others that do not use petrol as the fuel are subject to RUC\*. Electric vehicles should pay RUC, but are exempted. Vehicles that generate electricity on board using a fuel cell (eg hydrogen fuel cell electric vehicles (HFCEV)) do not meet the definition of being an electric vehicle and must pay RUC. However, if a fuel cell electric vehicle can be plugged into an external source of electricity to recharge its on board battery, it is considered to be an electric vehicle (or more precisely, a plug-in hybrid electric vehicle (PHEV)) and so is exempt. On this basis, the [HFCEV bus that began operating in Auckland in March 2021](#) was registered as a PHEV and is exempt from RUC. However the small number HFCEV cars (four at 1 July 2021) in New Zealand are required to pay RUC as they do not plug in.

The Minister of Transport plans to submit a consultation document to Cabinet later in 2021 seeking agreement to consult on a much wider package of potential changes to the Road User Charges system. This will include measures that could promote the uptake of low carbon fuel vehicles, such as hydrogen powered vehicles, through the RUC system.

\* Ethanol is unique in that when used as a transport fuel as it is not subject to Fuel Excise Duty and vehicle owners are not required to pay RUC. All other transport fuels are either subject to an excise duty or the vehicle owner must pay RUC.

### **Q/ What about heavy EVs**

Heavy EVs (buses and trucks) are exempt from paying RUC until 31 December 2025. The legal process for changing the end date for heavy EV RUC exemption is different than for light EVs. The Government will consider whether the heavy EV RUC exemption should be changed as part of the planned consultation on a wider package of amendments to RUC legislation.

There were 195 heavy EVs in New Zealand at 1 July 2021. See the Ministry of Transport's website for the most recent data: <https://www.transport.govt.nz/statistics-and-insights/fleet-statistics/monthly-ev-statistics/>

### **Q/ Why didn't you consult the public on extending the exemption**

Because the proposed change confers a benefit and only affects owners and potential purchasers of EVs, Cabinet agreed it was not necessary to consult with the public before making this regulation. This is consistent with the approach taken in 2016 when the exemption's end date was last amended.

### **Five key facts about zero and low emission vehicles**

#### **Are electric vehicles really better for the environment?**

Electric vehicles emit 60 percent fewer climate-changing emissions over their full life cycle than petrol vehicles. This takes into account raw material extraction, battery manufacture, vehicle manufacture and shipping.

In New Zealand electric vehicles emit 80 percent less CO<sub>2</sub> than an equivalent petrol vehicle because electricity generated here is typically at least 80 percent renewable.

#### **Are there enough chargers? Won't I run out of battery all the time?**

Charging at home is the most convenient way to keep an EV ready to go. The average EV in New Zealand travels around 30km a day (11,000 km a year) and most EVs can now travel several hundred kilometres on a charge and even older models will usually travel more than 100 km on one charge. For longer trips, there are public chargers at least every 75km on most of the state highway network.

EV owners are almost never too far from their next charge, and the charging network is growing all the time, with a focus on covering major routes and increasing the numbers available.

#### **How cheap are electric vehicles to run?**

Charging an electric vehicle at home off-peak is like buying petrol at around 40c/litre, depending on electricity retailer rates. And battery EV motors have so few moving parts there is less to maintain or go wrong.

From 1 July 2013, New Zealanders can apply for a rebate on a brand new or used import electric vehicle or plug-in hybrid. This helps to reduce up-front costs by up to \$8,625. See [www.nzta.govt.nz/cleancar/](http://www.nzta.govt.nz/cleancar/) for information.

### **Are electric vehicles as safe as normal cars?**

EVs sold in New Zealand must meet the same minimum vehicle safety standards as petrol and diesel vehicles.

Look for the maximum 5-star ANCAP (Australasian New Car Assessment Program) rating. An EV's high-voltage electric system is designed to automatically deactivate in a crash. They are less likely to catch fire in a crash than petrol or diesel vehicles. Plus, the weight of the battery packs give EVs a lower centre of gravity, so they are less likely to roll.

### **Will New Zealand have enough electricity if we all end up driving EVs?**

If all light vehicles in New Zealand were electric (which is a long way off), our current total electricity demand would increase by around 20 percent, EECA (Energy Efficiency & Conservation Authority) estimates. Enough renewable electricity infrastructure is being built that, added to our existing network, will easily accommodate a larger EV fleet, especially with off-peak charging.