



24 April 2023

OC230343

Hon Michael Wood
Minister of Transport


Action required by:
Wednesday, 26 April 2023

UPDATED CABINET PAPER: IMPLEMENTING THE EURO 6/VI EMISSIONS STANDARD

Purpose

This briefing explains the changes to the draft Cabinet paper: *Implementing the Euro 6/VI Emissions Standard* and the associated draft consultation document since our last briefing (OC220529) in October 2022. The changes and updates are summarised in the key points with further explanations in the body of this briefing.

Key points

- Implementation dates for Euro 5/V for used vehicles have been pushed back to allow industry enough time to transition and to meet international obligations. Final implementation dates for Euro 6d and VI-E are proposed to remain as per our previous advice.
- Standards for new vehicles are phased in for Euro 6d and VI-C, applying to new models first then existing models.
- Waka Kotahi expects to cover costs by its baseline but has indicated that it could require funding of \$351,120 if there are competing Ministerial priorities.
- Some technical changes have been made to the paper.
- Advice has been updated to show New Zealand is behind all other developed countries (except Australia) in adopting these emissions standards.
- s 9(2)(f)(iv)

- Not included in the paper, but for your information, Te Manatū Waka will run the consultation process for this Amendment Rule. This is different to the usual process where Waka Kotahi would run the consultation process.

Recommendations

We recommend you:

- 1 **consider** the changes outlined above in the attached Cabinet paper, consultation document and draft Amendment Rule

- 2 **agree** to lodge the attached Cabinet paper by 10am Thursday 27 April 2023 to be considered by the Cabinet Economic Development Committee (DEV) on 3 May 2023 Yes / No



Matt Skinner
**Manager, Environment and Emissions
 Policy Design**
 24 / 04 / 2023

Hon Michael Wood
Minister of Transport
 /

- Minister's office to complete:**
- Approved Declined
 - Seen by Minister Not seen by Minister
 - Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Matt Skinner, Manager, Environment and Emissions Policy Design	s 9(2)(a)	✓
Vidhiya Damodaran, Policy Delivery Lead, Environment and Emissions Policy Design	s 9(2)(a)	

UPDATED CABINET PAPER: IMPLEMENTING THE EURO 6/VI EMISSIONS STANDARD

Updates of note in the draft Cabinet Paper

Delayed implementation dates for Euro 5/V for used vehicles with final implementation dates remaining in place

- 1 The Cabinet paper and consultation document have been modified to focus on the lead-in time required for each standard, with the final date for Euro 6d and Euro VI-E proposed to be fixed. This will allow for consultation feedback to be used to progress the Amendment Rule even if further delays occur.
- 2 The paper originally proposed that Euro 5/V be introduced for used vehicles in September 2023, this has been updated to six months after publication of the Amendment Rule in the New Zealand Gazette. All other dates remain the same as those in your letter to the Motor Industry Association (MIA).

New Zealand obligations and public consultation period

- 3 In addition to providing industry more time to prepare for the change, the proposed six-month notice period allows New Zealand to fulfil its obligations under the World Trade Organisation's Technical Barriers to Trade (TBT) Agreement.
- 4 Under the TBT agreement, New Zealand will also need to open a 60-day commenting period for WTO Members to submit comments on our proposal. This is proposed to occur concurrently with public consultation.
- 5 Public consultation is proposed to run for six weeks, starting the day after Cabinet agreement to consult is received.

Standards for new vehicles are phased in, applying to new models first then existing models

- 6 The paper now proposes that Euro 6d and VI-C is phased in for new heavy and light vehicles. This means that existing models of new vehicles are given more time to comply with these requirements. This aligns with MIA expectations and is consistent with how prior Rule changes were made.

Waka Kotahi has indicated that there could be costs associated with this change if there are competing Ministerial priorities

- 7 The paper notes there are no financial implications for the Crown. Waka Kotahi expects that the funding for this change could be covered by its baseline.
- 8 The paper has been updated to include that Waka Kotahi notes that the work would need to be considered alongside other Ministerial priorities and funding may be required if there are competing priorities for limited Waka Kotahi resources. Waka Kotahi has calculated the cost of updating its systems to be \$351,120.

Technical changes

- 9 The Amendment Rule has renamed Japan 2005 'Dxx Late' to 'Low Harm' for consistency with Japan 2018 terminology. It has also dropped Japan 2005 Dxx from the schedule as it is weaker and not equivalent to Euro 5 (due to an obsolete testing approach).
- 10 The Cabinet paper, Consultation document and Amendment Rule now include the Japan emissions standard 5BA in response to MIA feedback stating that this was required. Waka Kotahi and Te Manatū Waka and not able to predict the impact of including or excluding this standard at this stage. We propose to include this proposal for consideration in the consultation to received feedback on its inclusion.
- 11 The Imported Vehicle Industry Association (VIA) had also proposed including the older Japan emissions standard CBA (the older equivalent of 5BA). However, Waka Kotahi data indicates that it is a low volume of vehicles that are currently imported under this standard so we are not proposing to include this standard.
- 12 Waka Kotahi and Te Manatū Waka are working to understand if inclusion of 5BA and not CBA will create any inconsistencies for the proposals.

Advice has been updated to show how behind New Zealand is in adopting these emissions standards

- 13 Euro 6d has recently been superseded by stricter a version, Euro 6e. This new emission standard, which intends to lower real-world NOx by 25% and particulate emissions by 10% compared to 6d, will be required in Europe later this year, and this is expected to be ratified into a global standard in coming weeks. Countries outside Europe are also likely to adopt this stronger standard subsequently.
- 14 The consultation document seeks feedback on if and when stronger standards (such as Euro 6e and Euro 7) should be adopted.
- 15 The ongoing delays to the Euro 6/VI implementation now mean New Zealand is the last developed country in the world to adopt Euro VI for heavy vehicles, given Australia has now agreed to move to Euro VI next year. For light vehicles, New Zealand and Australia are jointly the last developed countries to adopt Euro 6. In July 2023, China moves from their version of Euro 6 on both light and heavy vehicles to a stronger standard.

s 9(2)(f)(iv)

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s 9(2)(f)(iv)

On average, our petrol exceeds requirements for Euro 6d engines, however, currently it is legally permitted that fuel companies can sell petrol containing some chemicals in quantities higher than Euro 6d engines are designed to support.

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s 9(2)(f)(iv)

For your information

Te Manatū Waka will run the consultation process

- 18 Te Manatū Waka will run the consultation process for this Amendment Rule. This is different to the usual process where Waka Kotahi would run the consultation process. The consultation material has been prepared with Te Manatū Waka branding, and Waka Kotahi has advised they have limited capacity to progress this consultation themselves.

The draft Amendment Rule does not yet include all changes

- 19 The draft Amendment Rule provided does not yet include all the above changes. Waka Kotahi has advised it has limited resource and may not be able to update the draft Amendment Rule prior to lodgement. We will aim to get an updated version to you prior to lodgement if possible. There is also a recommendation in the Cabinet paper that provides flexibility to amend the draft Amendment Rule prior to consultation to ensure it accurately reflects Cabinet's decisions.

The Amendment Rule could be signed during the pre-election period (post 14 July 2023)

- 20 Advice was provided to your office (30 March 2023) on signing the new Rule during the pre-election period (post 14 July 2023). Based on the Cabinet office circular CO(23)1 *Government decisions and actions in the pre-election period*, we advised that you may choose to sign the amendment rule during the pre-election period. However, if you or your office was uncertain about whether it would be appropriate, you could seek direction from the Prime Minister's Office.

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TE MANATŪ WAKA MINISTER OF TRANSPORT