Back pocket Q&As to support the Land Transport (Clean Vehicles) Amendment Bill (No 2)

What does the Bill do?

This Bill amends the Land Transport Act 1998 to support the smooth implementation of the Clean Vehicle Standard (the Standard). The Standard sets annual targets that require light vehicle importers to progressively reduce the carbon dioxide (CO_2) emissions of the vehicles they import. Charges will apply if those targets are not met.

The Bill will help support a successful and smooth implementation of the Standard through providing:

- a six-month phase-in to give vehicle importers time to adjust to the Standard's requirements and the online system run by Waka Kotahi

- a clarification to correct the inadvertent extension of the Standard's carbon dioxide (CO_2) account and vehicle emissions data recording requirements to motorcycles and mopeds

The bill also makes a technical correction to enable the waiver or refund of charges imposed on Category 2 light vehicle importers, and for unpaid charges to be recoverable as a debt due to the Crown.

When will the Standard come into effect?

The Land Transport Act 1998 sets out two key start dates for the Clean Vehicle Standard, which are:

- 1 December 2022. From this date all vehicle importers must hold a CO_2 account, where the CO_2 emission ratings of their vehicles will be recorded. Without this information, vehicles will not be able to complete entry to New Zealand and be registered.

- 1 January 2023. From this date, the CO_2 emission ratings of vehicles start to count towards the achievement of the CO_2 targets. For vehicle importers complying on a "pay-as-you-go" basis, each vehicle will incur a charge, or a credit, based on its CO_2 emissions. Credits can be used to offset charges or be transferred to other importers.

How will the six-month phase-in affect the Standard's start dates?

- The six-month phase-in will defer from 1 January 2023 the:
    - requirement to pay charges to 1 June 2023. Charges will still be incurred from 1 January 2023 but would not be payable until 1 June 2023
    - ability to transfer emission credits from 1 June 2023. Credits will still be accrued from 1 January 2023
    - requirement for a publicly available record of account holders to apply from 1 June 2023. Between 1 December 2022 and 31 May 2023, importers and the public would

need to apply to Waka Kotahi to access information from the record of account holders.

Does the six-month phase-in delay the Clean Vehicle Standard?

- No. The purpose of this is to give vehicle importers time to become accustomed to operating with the new requirements. This is important to securing compliance with the Standard's emissions targets. However, the phase-in does not defer the obligation to achieve the CO2 emission targets for 2023. It only defers the obligation for vehicle importers to pay charges for any vehicles exceeding the targets from 1 January 2023 to 31 May 2023. Similarly, it defers the ability to transfer emission credits from 1 January 2023 to 1 June 2023.

- Importantly, the phase-in increases the certainty that the CO2 emissions reductions from the Clean Vehicle Standard will be achieved.

Will the official new vehicle distributors be affected by the phase-in?

- It is expected that all official new vehicle distributors will comply with the Standard's targets annually and on a 'fleet average' basis. Consequently, they will be unaffected by the phase-in.

Does the motor vehicle industry support the bill?

- Yes. Officials and vehicle industry stakeholders have been working together to ensure the smooth roll-out of the requirements of the Clean Vehicle Standard from 1 December 2022. This work identified the need for a phase-in and for the inadvertent extension to motorcycles and mopeds to be corrected.

Could you amend the Regulations rather than amending the primary legislation?

- I asked officials to thoroughly explore the legislative options to give effect to the six-month phase-in and the exclusion of motorcycles and mopeds. This included receiving a legal opinion from Crown Law. The conclusion was that the empowering provisions in the Land Transport Act 1998 do not allow for the making of regulations to give effect to either the phase-in or the exclusion.

What are the charges?

Charges apply where importers do not achieve the CO2 targets and will be incurred from 1 January 2023. They are as follows:

- New vehicles: $45.00 per gram of CO2 multiplied by the number of new vehicles in the fleet.
- Used vehicles: $22.50 per gram of excess CO2 multiplied by the number of used vehicles in the fleet.

From 1 January 2025, these charges increase.

- New vehicles: $67.50 per gram of excess CO2 multiplied by the number of used vehicles in the fleet.
- Used vehicles: $33.75 per gram of excess CO2 multiplied by the number of used vehicles in the fleet.

The charges strike a balance between incentivising importers to supply low emission vehicles, without creating the risk that significant costs are passed on to consumers if importers fail to import sufficient volumes of low emission vehicles. The charges can be reviewed over time and amended if necessary.

Will the importer charges for not meeting targets just be passed on the consumers making new and used vehicles more expensive?

We're expecting good compliance from the motor vehicle industry for the Standard.

If suppliers provide enough low-emission vehicles then no charges are payable.

If prices rise from non-compliance this indicates that the policy is not leading to a sufficient supply of clean cars.

Importers who overachieve their target (selling more clean cars that the targets require) can transfer their overachievement to others, to help them to avoid passing on charges.

Consumers will look to buy from importers that are not adding on charges, or otherwise are meeting the targets overall and therefore do not have charges to add on.

How much revenue will the Standard generate for the Government?

The purpose of the Standard is not to generate revenue but to influence vehicle importers to supply cleaner cars. We are not forecasting any significant revenue because we are expecting the industry will largely achieve the target. Where revenue is generated from charges, this will flow into the national land transport fund.

Will the Clean Vehicle Standard make used imported vehicles more expensive for low-income families?

Used vehicle importers are selling the bulk of small to medium sized cars and that already includes a large number of hybrid vehicles.

Over 10 million hybrids have been sold in the Japanese Domestic Market over the past decade, including a lot of hybrid people movers.

That's a huge number from which to supply our market with safe, well-priced, low emission used vehicle imports.

The Standard will result in average fuel savings for families of $6810 per vehicle over its lifetime.

This will benefit lower income households as they spend the greatest proportion of their disposable income on fuel.