

Proactive Release

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Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

Listed below are the most commonly used grounds from the OIA.

<u>Section</u>	<u>Description of ground</u>
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
6(b)	as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by <ul style="list-style-type: none"> (i) the Government of any other country or any agency of such a Government; or (ii) any international organisation
6(c)	prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
9(2)(i)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)



24 August 2023

OC230433

Hon David Parker
Minister of Transport

Action required by:
Monday, 4 September 2023

OUTCOME OF THE CONSULTATION ON MOVING TO THE EURO 6/VI NOXIOUS EXHAUST EMISSIONS STANDARDS

Purpose

To seek your approval of changes to finalise the phase-in of the Euro 6/VI noxious exhaust emissions standards. The changes respond to issues raised in the consultation on the draft Land Transport Rule: Vehicle Exhaust Emissions Amendment 2023¹ (the amendment Rule).

Key points

- Each year, more than 2,200 New Zealanders prematurely die and nearly 9,400 are hospitalised due to respiratory and cardiac illnesses caused by noxious emissions from motor vehicles. Globally, exhaust emissions standards are a key tool to reduce harm.
- The Euro 6/VI standards require imported vehicles to produce less noxious emissions than the previous European standards. They have proven to be effective in reducing the large discrepancy between the level of emissions emitted when vehicles are tested under laboratory conditions, and the much higher level when driven in the real-world.
- New Zealand and Australia are the only remaining developed countries to not require modern exhaust emissions standards to the level of Euro 6/VI or their equivalents. Australia has regulated Euro VI-c for heavy vehicles from 1 November 2024 and will soon be taking decisions on the date Euro 6d will be required for light vehicles.
- Public consultation occurred over 11 May–22 June 2023 and revealed strong support for phasing-in the Euro 6/VI emissions standards. However, support from the vehicle industry, the Automobile Association, and the road freight industry is conditional on our shift to Euro 6/VI aligning with Australia's. While Australia is yet to confirm final policy, current indications are that for new light vehicles this would delay the shift by 29 months compared to the dates we consulted on. For heavy vehicles alignment would mean the standard stays at Euro VI-c in 2026, rather than further strengthening to Euro VI-e.
- While there are conflicting views, the predominant one is that moving to Euro 6/VI ahead of Australia will unnecessarily expose New Zealand to vehicle supply disruptions and cause price increases greater than they would otherwise have been. If this were to occur the number of Euro 6/VI vehicles entering the fleet would be reduced eroding the public

¹ This draft Rule amends Land Transport Rule: Vehicle Exhaust Emissions 2007.

benefit of the reform. It could also disrupt the significant progress being achieved by the new vehicle industry in shifting to zero and low carbon vehicles.

- We have considered either progressing the amendment Rule's phase-in or aligning with Australia. Aligning has the potential to forego a net benefit of around \$322–\$334 million. However, we have not been able to quantify how much of this value will likely be eroded by the supply and price risks submitters identified. Given the uncertainty we recommend aligning with Australia.
- A consequence of aligning with Australia is that Euro 6d would be required for both new and used-import light vehicles in 2028. However, we do not consider it necessary to alter the proposed phase-in for used-imports as it has a high level of support and the feedback is that importers will continue to have sufficient options to maintain supply.
- In the event that the Australian Government subsequently decides not to proceed with Euro 6d for light vehicles, we will update you with new options to consider prior to the relevant adoption dates.

Recommendations

We recommend you:

- | | | |
|---|---|----------|
| 1 | agree to amend the phase-in set out in the draft Land Transport Rule: Vehicle Exhaust Emissions Amendment 2023 (the amendment Rule) in line with requests from the vehicle industry that the dates and stages of Euro 6/VI align with Australia's so that: | Yes/No |
| | <ul style="list-style-type: none"> • Euro 6d be required for newly approved light vehicle models from 1 July 2025 or 1 July 2027, depending on the date chosen by the Australian Government, rather than on or after 1 February 2025 | Yes/No |
| | <ul style="list-style-type: none"> • Euro 6d be required for new existing light vehicle models from 1 July 2028 rather than on or after 1 February 2026 | Yes/No |
| | <ul style="list-style-type: none"> • Euro VI-c remain the exhaust emission standard for heavy vehicles on or after 1 November 2026 rather than strengthening to Euro VI-e at that date | Yes/No |
| 2 | agree to reconsider the heavy vehicle standard for the post 2026 period when the Japanese and United States' standards, currently equivalent to Euro VI-c, strengthen to be equivalent with Euro VI-e | Yes/No |
| 3 | agree to change the application date for Euro 6d for used-imports from 1 January 2028 to 1 July 2028 to align with new vehicles | Yes / No |
| 4 | agree to limit the potential for the compliance date for Euro 6d for imported used-disability vehicles to cause transport disadvantage for disabled people by extending it from 1 January 2028 to 1 January 2031 | Yes / No |
| 5 | agree to proceed with the amendment Rule's proposed phase-in of Euro 4 and subsequently Euro 5 for motorcycles and mopeds | Yes / No |
| 6 | agree to the amendments outlined in Annex 2 that make minor technical changes and correct drafting errors | Yes / No |

- 7 **agree** that the amendment Rule be redrafted and finalised in line with the decisions above Yes / No
- 8 **note** the previous Minister of Transport informed the Cabinet Economic Development Committee that there would be a report back to Cabinet if material changes are needed to the amendment Rule following public consultation
- 9 **note** that we consider the changes proposed in this briefing to be material
- 10 **advise** officials of whether you prefer to progress the finalised amendment Rule by:
- seeking Cabinet’s endorsement of the final amendment Rule prior to your signing and publication in the New Zealand Gazette Yes / No
- OR**
- instructing officials to present the final amendment Rule for your signing and publication in the New Zealand Gazette Yes/No
- 11 **agree** that the finalisation of the amendment Rule be prioritised so it can be signed and published prior to the October 2023 General Election. Yes / No



Matt Skinner
**Manager Environment and Emissions
 Policy Design**
 22 / 08 / 2023

Hon David Parker
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)	✓
Gayelene Wright, Principal Adviser		

Sigurd Magnusson, Senior Adviser	s 9(2)(a)	
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PROACTIVELY RELEASED BY
TE MANATŪ WAKA MINISTRY OF TRANSPORT

OUTCOME OF THE CONSULTATION ON MOVING TO THE EURO 6/VI NOXIOUS EXHAUST EMISSIONS STANDARDS

In May 2023 the Government agreed to consult on a phase-in of Euro 6/VI

- 1 Noxious emissions from motor vehicles are annually responsible for more than 330,000 restricted activity days², nearly 9,400 hospitalisations and 2,200 premature deaths³. Monetised the harm is estimated to be \$10.5 billion each year, which is around \$2.5 billion higher than the annual social cost of road crashes.
- 2 Globally, vehicle emissions standards are used to reduce noxious emissions. These standards set the maximum limits for exhaust emissions and effectively are the minimum emissions standards that vehicles must meet to enter the fleet.
- 3 To strengthen our emissions standards, in 2021 Cabinet agreed to amend the Land Transport Rule: Vehicle Exhaust Emissions 2007 by the end of 2022 to require Euro 6 for light vehicles entering the fleet. This decision was expanded in the First Emissions Reduction Plan to include Euro VI for heavy vehicles. Although the proposal refers to the Euro 6/VI standards, it includes the equivalent United States and Japanese standards.
- 4 The Euro 6/VI standards require imported vehicles to produce less noxious emissions than the previous European standards. They have proven to be effective in reducing the large discrepancy between the level of emissions emitted when vehicles are tested under laboratory conditions, and the much higher level when driven in the real-world. They do this through improved on-road testing and stronger on-board diagnostic requirements in vehicles.
- 5 On 3 May 2023 the Cabinet Economic Development Committee agreed to publicly consult on a phase-in of the Euro 6/VI emissions standards over 2024–2028. This phase-in is set out in Annex 1, with the key dates being:
 - 1 November 2025 for all heavy vehicles, both new and used, to meet Euro VI-c. The standard would then strengthen to Euro VI-e from 1 November 2026
 - 1 February 2025 for newly approved light vehicle models to meet Euro 6d and 1 February 2026 for new existing light vehicle models
 - 1 January 2027 at the latest for all motorcycles and mopeds (new and used) to meet Euro 5. Globally Euro 5 is currently the strictest standard
 - 1 January 2028 at the latest for all used light vehicles, including disability vehicles, to meet Euro 6d. Before this date, used light vehicles would shift from Euro 4 to Euro 5 six months after the amendment Rule is published in the New Zealand Gazette.
- 6 The DEV Committee noted that following public consultation the Minister of Transport would not report back to Cabinet unless material changes are needed to the

² A restricted activity day is one in which a person due to exposure to air pollution does not feel well enough to go to work, school or undertake their normal activities.

³ The 2022 Health and Air Pollution in New Zealand report.

amendment Rule. This is the procedure for ordinary Transport Rules under section 161 of the Land Transport Act 1998. The amendment Rule showing the amendments needed to enact the proposed phase-in accompanied the consultation document.

There is a high level of support for Euro 6/VI but the vehicle industry wants our shift to Euro 6/VI to align with Australia's

- 7 The consultation focused on whether the amendment Rule's phase-in is reasonable and feasible for the industry and vehicle consumers. This focus reflected the inherent trade-off with strengthening the emissions standards. This is that the health benefits are maximised by requiring Euro 6/VI as soon as possible. However, moving too fast risks disrupting vehicle supply, increasing vehicle prices, and slowing down the entry of cleaner vehicles that reduce the health harm.
- 8 Public consultation, run by Te Manatū Waka, commenced on 11 May 2023 and ended on 22 June 2023. During this period we held five information sessions on different aspects of the phase-in. The consultation we have undertaken satisfies the Land Transport Act's 1998 consultation requirements for ordinary Transport Rules.
- 9 Seventy-seven submissions were received of which 34 were from private individuals. The rest were from the vehicle industry, representatives of vehicle users including the road freight industry, local government, health and air quality professionals, representatives of disabled people, and walking and cycling advocates.
- 10 All but one of the submissions from private individuals favoured either proceeding with the proposed phase-in or bringing forward implementation. Similarly, submissions from health and air quality practitioners, walking and cycling advocates, local government, Consumer NZ and Fonterra all support the proposed phase-in, with the majority favouring a faster implementation.
- 11 Submissions from the vehicle industry, the road freight industry, the Automobile Association of New Zealand, and representatives of disabled people also support requiring Euro 6/VI. However, these submitters seek changes to the amendment Rule's phase-in, with the most significant one being to align our shift to Euro 6/VI with Australia's.

The Australian timeline for phasing in Euro 6/VI

- 12 Australia has already regulated Euro VI for heavy vehicles. The Euro VI-c standard will apply from 1 November 2024 for newly approved models, and from 1 November 2025 for existing models. The amendment Rule's phase-in aligns with Australia until 1 November 2026 when the standard would strengthen further to Euro VI-e.
- 13 For light vehicles the Australian Government has consulted on proposed dates but is yet to take its final decisions on the timeline for Euro 6d. However, the proposal it will soon be considering is for Euro 6d to apply to newly approved models from either 1 July 2025 or 1 July 2027, and to existing models from 1 July 2028.
- 14 In comparison, our amendment Rule requires Euro 6d for newly approved models from 1 February 2025 and from 1 February 2026 for existing models. Based on the date for existing models, the difference between our proposals is up to 29 months.

Alignment with Australia would avoid the risk of disrupting new vehicle supply and minimise price increases

- 15 Submitters advocate for alignment to avoid restricting new vehicle supply and to minimise increases in vehicle prices and compliance costs. They emphasise that these outcomes will likely slow the rate of fleet renewal resulting in fewer new Euro 6/VI vehicles entering the fleet. If this happens the potential health benefits from the shift to Euro 6/VI will be lower.
- 16 For example, la Ara Aotearoa, representing the road freight industry, submitted that its members' heavy vehicle fleet replacement strategies depend largely on vehicle supply and cost, with fleet capital costs being around 10–15 percent of total transport costs. In its view moving ahead of Australia would unnecessarily place pressure on heavy vehicle supply, slow vehicle fleet replacement and raise freight costs.
- 17 The key obstacle in moving ahead of Australia relates to the production, supply and timing decisions of overseas vehicle manufacturers where:
- for volume brands like Toyota, Mitsubishi, Suzuki and ^{s 9(2)} _{(ba)(1)} production costs are minimised by building vehicles to the specifications regulated in the destination markets. As Australia and New Zealand regulate Euro 5, Euro 6 vehicles with better but more costly emission technologies are not supplied, and our vehicles are manufactured and supplied from the same plants
 - the timeframes between vehicle distributors ordering vehicles and those vehicles being scheduled, produced and dispatched for New Zealand can be as long as two years.
- 18 Having our market supplied as part of the Australian market has entrenched over time because we have benefited from the arrangement. It has afforded our small market a priority for supply that it would not otherwise have. This has resulted in a steady supply of new vehicles with a wider range of model choices and price points.
- 19 The Motor Industry Association (MIA) submitted that supply shortages are likely if we move ahead of Australia because most distributors would be forced to:
- seek alternative supply of Euro 6d/VI-e compliant vehicles from plants manufacturing for left-hand drive countries⁴, other than Australia. For some distributors this would mean vehicle volumes are not guaranteed and prices could be higher. Some distributors could face periods of no alternative supply and the potential removal of some models from our market
 - request their associated manufacturers to supply vehicles specifically for our market. This would spread the full cost of Euro 6/VI compliance (re-engineering, re-design, manufacturing facility tooling changes, and vehicle type approval costs⁵) across New Zealand volumes only, resulting in higher costs per vehicle. This could lead to some vehicle models no longer being competitive on our market resulting in withdrawal.

⁴ That is manufacturing right-hand drive vehicles that will be driven on the left-hand side of the road.

⁵ Type approval describes the process applied by national authorities to certify that a model of a vehicle meets all safety, environmental and conformity of production requirements before authorising it to be placed on the vehicle market.

Not all vehicle distributors advocate for alignment because their supply is not reliant on Australia

20 Some vehicle distributors are not supplied as part of Australia and do not advocate for alignment. These distributors are:

- Ford, which decoupled its supply from Australia over the past two-years enabling it to offer Euro 6 vehicles. For the first six months of 2023, almost 35 percent of Ford's light passenger vehicle registrations were Euro 6. However, the standard is less common among Ford's light commercial vehicles, with only 7 percent of registrations being Euro 6
- Scania, which customises its heavy vehicles to suit client need. This includes offering a choice of Euro V or Euro VI vehicles. Scania can do this because its manufacturing plants are more flexible than those of other manufacturers. Over 2022 it supplied 7 percent of the new heavy vehicles that entered the fleet with almost 58 percent of them being Euro VI vehicles.

Fonterra sees moving to Euro VI as part of its commitment to sustainability

21 Similarly, unlike others in road freight, Fonterra supports the proposed phase-in. It sees the shift to Euro VI as part of its commitment to community and environmental sustainability. Thirty-five of its current fleet of 156 high productivity milk tankers are Euro VI vehicles. From the next financial year, all new tankers coming into its fleet will be Euro VI.

We have reassessed the risks, costs and benefits and recommend aligning with Australia

22 If there were no supply and price risks, we estimate that delaying the shift to Euro 6d for new light vehicles by 29-months, to align with Australia, would result in a foregone net benefit⁶ of around \$322–\$334 million. Most of this relates to the foregone health benefits from reduced noxious emissions from light diesel vehicles.

23 However, while there are conflicting views, the predominant one is that there would be significant supply and price risks in moving ahead of Australia. Most, but not all, new vehicle distributors will likely face supply disruptions to some degree, which would likely place upward pressure on new vehicle prices and slow-down the rate at which we benefit from Euro 6d.

24 Officials are not privy to the industry information that would be needed to estimate the size of the likely reduction in the number of new Euro 6d vehicles entering the fleet. Most vehicle distributors submit that the slow-down would be sizable enough to greatly diminish the benefit from the reform. However, the vehicle industry made similar comments as part of consultation on the Clean Car Standard and Discount that did not eventuate.

25 The risk of price increases from disrupted supply would be additional to the rise from the increased manufacturing cost of Euro 6/VI vehicles. The need to minimise this price increase is more critical than we advised in the May 2023 Cabinet paper because our commissioned estimates were understated. As well, evidence from the

⁶ Net benefit is the monetised value of the forego health benefits minus the avoided costs.

European Union's evaluation of the introduction of Euro 6/VI suggests that we can expect to see the increased manufacturing costs to flow through into retail prices⁷.

- 26 Compared to our commissioned estimates, information from the MIA and the European Union⁸ suggests more reliable estimates of the increase in per vehicle manufacturing costs are as follows.
- For a Euro 6d petrol vehicle \$300–\$4,000 depending on make and model. Our estimate was \$300.
 - For a Euro 6d diesel vehicle \$2,700–\$5,000 depending on make and model. Our estimate was \$900.
 - For Euro VI heavy vehicles, \$4,000–\$5,000 for small heavy trucks and \$8,000–\$20,000 depending on make and model for large ones. Our estimate was \$4,000.
- 27 To maintain the value of the net benefit we can derive from Euro 6/VI we recommend aligning our phase-in with Australia's. Alignment will avoid the risk of supply disruptions and offers a way to minimise the likely price increases from Euro 6d as production and type approval costs will be able to be spread over a larger volume of vehicles.
- 28 Alignment will also help minimise compliance costs for new vehicle distributors as they will have more time to plan ahead for the change. The MIA submitted that its members need a 24-month notice period prior to the adoption of Euro 6d to allow for industry production planning timeframes.
- 29 Moreover, alignment avoids disrupting the significant progress being achieved by the new vehicle industry in shifting to zero and low carbon vehicles. This transition could prove to have a greater impact on reducing noxious emissions than the exhaust emission standards. In the first half of 2023, over a third of all new vehicles that entered New Zealand, were a hybrid or an EV. These vehicles emit lower levels of noxious emissions with EVs having zero tailpipe emissions.

For heavy vehicles the impact of staying at Euro VI-c in 2026 would be limited until the Japanese and United States standards strengthen

- 30 Alignment would mean the standard for heavy vehicles would remain at Euro VI-c in 2026 rather than strengthening to Euro VI-e. The amendment Rule proposed Euro VI-e as European evidence shows it is superior to Euro VI-c in reducing noxious emissions when heavy vehicles are driven in urban areas⁹. Urban areas are where the impact of noxious emissions on human health is greatest.
- 31 The issue is that Euro VI-c vehicles stay within the Euro VI emission limits when driven at steady high speeds, however, they exceed the limits when driven at slower and variable speeds. To rectify this, Euro VI-e uses a more stringent on-road test that mimics what occurs with urban driving.

⁷ <https://www.transport.govt.nz/assets/Uploads/European-Commission-Euro6vi-evaluation-study-ET0722939ENN-Oct-2022.pdf>

⁸ <https://www.transport.govt.nz/assets/Uploads/European-Commission-Euro6vi-evaluation-study-ET0722939ENN-Oct-2022.pdf>

⁹ <https://op.europa.eu/en/publication-detail/-/publication/a9a2eadb-5f1d-11ed-92ed-01aa75ed71a1/language-en>

32 However, foregoing the shift to Euro VI-e in 2026 may have little impact on the level of benefit foregone at least initially. This is because with the amendment Rule's phase-in the Japanese and United States standards recognised as equivalent to Euro VI-c, will also be recognised as equivalent to Euro VI-e in 2026. This means that even if we regulated Euro VI-e in 2026, the actual minimum standard would remain at Euro VI-c.

33 It is not known when the Japanese and United States standards will strengthen to become equivalent with Euro VI-e. However, when this happens it will be desirable to reconsider the heavy vehicle standard for the post 2026 period. This reflects that across the vehicle fleet the emissions standard applying to heavy vehicles is the most critical because:

- while these vehicles only account for 7 percent of the vehicle kilometres travelled, they are responsible for 32 percent of particulate matter and 37 percent of nitrogen oxides
- for light vehicles the low carbon transition provides significant co-benefits in reducing noxious emissions, with EVs providing cleaner air than even the latest Euro 7/VII standards as they do not produce any tailpipe emissions. Unfortunately for heavy vehicles, with the exception of buses, the technologies to transition are not yet as readily available or affordable.

What if the Australian Government decides not to move to Euro 6d for light vehicles?

34 Until the Australian Government takes its final decisions on Euro 6d for light vehicles the timeline will not be completely certain. The advice from Australian officials to date is that Euro 6d is on the policy agenda and there is no indication that it will not proceed.

35 Nevertheless, to manage the uncertainty we will continue to engage with Australian officials on the progress with Euro 6d. If the Australian Government subsequently decides not to proceed with Euro 6d for light vehicles, we will update you with new options to consider.

The VIA's support for the Euro 6/VI phase-in is conditional on the recognition of weaker equivalent standards

36 The Imported Motor Vehicle Industry Association (VIA) representing used vehicle importers and dealers also agree with the need to reduce noxious vehicle emissions. However, its support of the proposed phase-in of Euro 6/VI is conditional on three changes being made to the Japanese standards recognised as equivalent to Euro 5 and Euro 6d.

37 The most significant change concerns the Japanese standard for petrol vehicles recognised as equivalent to Euro 5 that would apply over 2024–2027. Over this period, the equivalent Japanese standard we propose is Japan 2005 Low Harm. However, VIA submits that the equivalent standard should be the weaker Japan 2005.

38 While neither standard is still in use in Japan, Japan 2005 Low Harm was stricter than Japan 2005 as:

- from 1 January 2012 it used the more accurate JC08 test procedure for assessing vehicle performance and emissions rather than the unreliable J10/15 test. To fully realise this benefit, the definition of Japan 2005 Low Harm we propose using includes the condition that vehicles must be first registered from 1 January 2012
- it required a 75 percent reduction in emissions of nitrogen oxides relative to the levels of Japan 2005.

39 VIA submit that the weaker Japan 2005 standard should apply because it was the equivalent Japanese standard when the new vehicle industry shifted to Euro 5 in 2008. The application of Japan 2005 Low Harm in 2024 would effectively impose an age-ban of 12 years. The age-ban would weaken to be 15 years in 2027 before another age-ban of 10 years is imposed in 2028 by the shift to Japan 2018 Low Harm, which is the proposed equivalent to Euro 6d.

40 In our view Japan 2005 Low Harm is the preferred equivalent standard for Euro 5. The JC08 test it used is similar to the New European Drive Cycle (NEDC) test that was used for Euro 5. In comparison, the emission values and testing procedures the Japan 2005 standard used are closer to those of Euro 4. This is confirmed in Japanese government documentation¹⁰.

41 The age-ban that Japan 2005 Low Harm will cause is unlikely to result in supply constraints, or price increases, as 85 percent of used-imports already meet this standard. This partly reflects that an average used-import vehicle is around 10 years old.

42 The second change VIA seek concerns the Euro 5 equivalent standard for light diesel vehicles. VIA submits that Japan 2005 should be the equivalent standard, rather than the stronger Japan 2009. However, Japanese government documentation shows that Japan 2005 was not equivalent to Euro 5 as its testing procedure was less reliable and its emission limits were higher. For example, its particulate matter limits were three times higher than those of Euro 5 and Japan 2009.

43 VIA's third significant change relates to the definition of Japan 2018 Low Harm, which while weaker than Euro 6d is the closest Japanese equivalent. The VIA would like the standard's definition to be widened to include specific emission codes. These codes would allow vehicles with higher emission limits to be certified for entry. We reject VIA's suggestion, as it would make the Japanese standard a far weaker equivalent of Euro 6d. As well, we are satisfied that in 2028 there will be good volumes of vehicles manufactured to the Japan 2018 Low Harm standard available for import.

44 Our rejection of VIA's suggestions on the equivalent Japanese standards is consistent with the view of Consumer New Zealand, the Automobile Association, the Motor Trade Association and the MIA. All these submitters support the proposal for used-imports, including the consequential age-bans. For example, MTA considers that the age-ban in 2024 will be beneficial as the performance of emission control systems deteriorate as vehicles age.

¹⁰ <https://www.env.go.jp/en/air/aq/mv/vehicle-fifth.pdf>

Aligning with Australia would mean all light vehicles shift to Euro 6 in 2028

- 45 A consequence of aligning with Australia is that both new and used-import light vehicles would be required to shift to Euro 6d in 2028. This contrasts with the amendment Rule where used-imports shift two years after new vehicles.
- 46 We considered pushing out the date for used-imports to 2030 but concluded the dates for new and used can be aligned to July 2028 because:
- used-vehicle importers can easily adjust the specification of the vehicles they buy to sell in New Zealand. This is because they source their vehicles globally from any vehicle auction selling right-hand drive vehicles. The likely source markets of Japan, the United Kingdom, Ireland and Singapore have required Euro 6/VI or its close equivalent for a number of years
 - the 2028 timeline has a high-level of support among submitters. VIA is the exception, with its support conditional on the recognition of weaker Japanese standards.
- 47 Nevertheless, to align the commencement months in 2028 we recommend the amendment Rule's phase-in for used-imports proceed with a change to the application date for Euro 6d from 1 January 2028 to 1 July 2028.

We recommend extending the timeframe for disability vehicles to avoid increasing transport disadvantage

- 48 Submissions from people in the disability sector support the shift to Euro 6/VI. However, all submitted that the current proposal to require Euro 6d (or the equivalent Japanese standard: Japan 2018) from 1 January 2028 for used-imported disability vehicles¹¹ will increase transport disadvantage. This is because it will force people to buy newer vehicles that tend to be more expensive.
- 49 This issue arises because the Toyota Hiace Welcab, currently the most cost-effective vehicle for people needing wheelchair assistance, only started being manufactured to the Japan 2018 standard for the Japanese domestic market in 2020. If we require this standard from 1 January 2028, people who can not afford new vehicles face the financial challenge of buying a used-import Hiace Welcab that is 8 years old and younger¹².
- 50 The Disabled Persons Assembly submitted that this will be too challenging for people who are not eligible for ACC funding. The disability vehicles that these people buy are typically 10–12 years old. While some people receive Lottery grants of up to \$40,000, successful applicants would need to contribute an additional \$5,000–\$25,000 to purchase a vehicle. More importantly, only one-third of the applications for Lottery grants for disability vehicles are successful.
- 51 Although the Land Transport Act 1998 allows for case-by-case exemptions to emissions standards, this process is unlikely to mitigate the risk of Euro 6 increasing

¹¹ These are vehicles that are modified to enable a wheelchair to safely enter and exit and enable the person using a wheelchair to be safely restrained while the vehicle is moving, and/or have a swivel or swing-out seat.

¹² Four to six year old Hiace Welcabs sell for around \$45,000 to \$65,000 depending on their condition.

transport disadvantage. Primarily this is because the exemption criteria Waka Kotahi use include having a successful application for Lottery Grants funding.

- 52 To avoid further entrenching transport disadvantage, we recommend extending the date for imported used-disability vehicles to be compliant with Japan 2018 from 1 January 2028 to 1 January 2031. This would ensure compliant 11-year-old vehicles would be available to buy in 2031. The impact the proposed extension would have on noxious emissions is negligible as disability vehicles are only 0.13 percent of the vehicle fleet.

Application to motorcycles and mopeds

- 53 Submitters supported the amendment Rule's phase-in of Euro 4 and subsequently Euro 5 for motorcycles. Similarly, all but the MIA supported application to mopeds. The MIA submitted that it expects the choice and availability of low-cost mopeds to be severely restricted by the introduction of emissions standards, as they are unlikely to be re-engineered just for the New Zealand market.
- 54 We are not convinced by MIA's submission as it conflicts with other available information. Mopeds in major markets like the United States, China, Brazil, Japan, India, Indonesia, and the European Union are subject to exhaust emissions standards. We also understand that New Zealand's supply of motorcycles and mopeds is not tied to the Australian market as it predominantly is for new light and heavy vehicles.

A number of minor technical and drafting error changes to the amendment Rule are needed

- 55 We also recommend making the amendments listed in Annex 2 that correct drafting errors and make several minor technical changes.

s 9(2)(f)(iv)

Next steps

- 59 As Minister of Transport, you can make ordinary Transport Rules like the draft Land Transport: Vehicle Exhaust Emissions Amendment 2023, under Section 152 of the

Land Transport Act 1998. Consequently, you could decide on changes to finalise the amendment Rule. Once signed the amended Land Transport Rule: Vehicle Exhaust Emissions 2007 would come into effect 28 days after it is published in the New Zealand Gazette.

60 We have also previously advised that signing the final Rule would be consistent with the Cabinet office circular CO(23)1 *Government decisions and actions in the pre-election period*.

61 However, in May 2023 the Cabinet Economic Development Committee noted the previous Minister of Transport's intention to report back to Cabinet if material changes are needed to the amendment Rule following public consultation. In our view the changes proposed in this briefing are material as:

- they differ to what was consulted on
- the costs associated with Euro 6/VI were significantly under-estimated in the May 2023 Cabinet paper. Cabinet needs to be aware of this given the priority to reduce living costs.

62 If you support the changes proposed in this briefing and wish to seek Cabinet's endorsement, we will prepare a Cabinet paper and seek an updated amendment Rule from Waka Kotahi reflecting your decisions. Given the timing, there is a risk that the paper may not be able to be considered prior to the 2023 General Election.

63 While this briefing broadly covers the feedback raised in consultation, we are also preparing a comprehensive summary of the submissions received that can be provided to you and Cabinet prior to final decisions and for publishing alongside the final amendment Rule.

Annex 1 – The amendment Rule’s proposed phase-in

Table 1 - Phase-in for light vehicles

Certified for entry into service	Used Petrol CNG/LPG	Used Diesel	New Petrol, CNG/LPG	New Diesel
Current requirement	Euro 4 US 2004 Japan 05 ADR 79/02	Euro 4 US 2004 Japan 05 ADR 30/01+ 79/01	Euro 5 US 2007 Japan 05 ADR 79/04	Euro 5 US 2007 Japan 05 ADR 79/04
6 months after publication in the Gazette	Euro 5 US Tier 2 Japan 05 Low Harm ADR 79/04	Euro 5 US Tier 2 Japan 09 ADR 79/04	Euro 5 US Tier 2 Japan 05 Low Harm ADR 79/04	Euro 5 US Tier 2 Japan 09 ADR 79/04
18 months after publication in the Gazette	Euro 5 US Tier 2 Japan 05 Low Harm ADR 79/04	Euro 5 US Tier 2 Japan 09 ADR 79/04	<i>Newly introduced models only:</i> Euro 6d US Tier 3 Japan 2018 Low Harm	<i>Newly introduced models only:</i> Euro 6d US Tier 3 Japan 2018 (any code)
30 months after publication in the Gazette	<i>If manufactured before 1 January 2025</i> Euro 6d US Tier 3 Japan 05 Low Harm or Japan 2018 Low Harm <i>If manufactured on or after 1 January 2025</i> Euro 6d US Tier 3 Japan 2018 Low Harm	Euro 6d US Tier 3 Japan 2018 (any code)	Euro 6d US Tier 3 Japan 2018 Low Harm	Euro 6d US Tier 3 Japan 2018 (any code)
1 Jan 2028 at the latest	Euro 6d US Tier 3 Japan 2018 Low Harm			

Table 2 - Phase-in for heavy vehicles

Certified for entry into service	Used Heavy	New Heavy
Current Requirement	Euro IV US 2004 Japan 05 ADR 30/01 + ADR 80/02	Euro V US 2007 Japan 05 Japan 09 ADR 80/03
6 months after publication in the Gazette	Euro V US Tier 2 Japan 09 ADR 80/03	Euro V US Tier 2 Japan 09 ADR 80/03
15 months after publication in the Gazette	Euro V US Tier 2 Japan 09 ADR 80/03	<i>Newly introduced models:</i> Euro VI stage C US Tier 3 Japan 2016 ADR 80/04
27 months after publication in the Gazette	Euro VI step C US Tier 3 Japan 2016 ADR 80/04	<i>Existing models:</i> Euro VI stage C US Tier 3 Japan 2016 ADR 80/04
1 Nov 2026 at the latest		Euro VI stage E Japan 2016 US Tier 3

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Table 3 - Phase-in for motorcycles and mopeds

Certified for entry into service	Used motorcycle/moped	New motorcycle/moped
Current requirement		None
18 months after publication in the Gazette		Euro 4m US 2010m Japan 2012m
1 Jan 2027 at the latest		Euro 5m US 2010m Japan 2016m

Table 4 - Phase-in for used-import light disability vehicles

Certified for entry into service	Used Petrol, CNG/LPG (Disability only)	Used Diesel (Disability only)
Current Requirement	Euro 4 US 2004 Japan 05 ADR 79/02	Euro 4 US 2004 Japan 05 ADR 30/01 + ADR 79/01
6 months after publication in the Gazette	Euro 5 US Tier 2 Japan 2005 ADR 79/04	Euro 5 US Tier 2 Japan 2005 ADR 79/04
1 Jan 2028 at the latest	Euro 6d US Tier 3 Japan 2018	Euro 6d US Tier 3 Japan 2018

ANNEX 2 – Proposed technical changes and drafting error corrections

Draft Rule content	Proposed change
<p>New Schedule 1 Tables 2A, 2B, 2C.</p>	<p><i>Point of compliance</i></p> <p>For new vehicles:</p> <p>“Date of manufacture” would be adopted as the point of compliance, rather than “certified for entry into service”. This change would maintain the existing practice reflected in the current Rule and is being made in response to feedback from the vehicle industry. Tables 2A, 2B, 2C would need to be amended to reflect this change.</p> <p>For used vehicles:</p> <p>“Border inspection” would be adopted as the point of compliance, rather than when a vehicle is “certified for entry into service”. This amendment would change the existing practice and is being made in response to feedback from the vehicle industry.</p> <p>Having border inspection as the point of compliance would help minimise the financial impact delays can have in the weeks prior to new emissions standards coming into effect. As border inspection can occur overseas it is particularly helpful in minimising the impact of shipping delays. Shipping delays can render vehicles that were compliant with an existing standard, when purchased in Japan, to be non-compliant with a new standard and blocked from entry.</p> <p>Tables 2A, 2B, 2C, and the replaced clause 6.1 would need to be amended to reflect the change.</p> <p>To reduce any abuse, a requirement would be added that border inspection is no longer valid if performed more than four months prior to entry certification. The replaced clause 6.1 would also reflect this amendment.</p>
<p>2.6 Part 2 amended (Definitions)</p>	<p><i>Changes to the definitions of UNECE and EC regulations</i></p> <p>A number of amendments would be made to the definitions of the United Nations Economic Commission for Europe (UNECE) regulations and the European Commission (EC) regulations to ensure their differing requirements are not conflated. The UNECE regulations do not contain some features of the EC regulations, for example, they do not specify ‘access to vehicle repair information’. As well, some requirements are expressed slightly differently in the regulations, for instance the requirements for in-service conformity. The proposed changes to improve the clarity of the regulations are as follows.</p> <ul style="list-style-type: none"> • The definitions for Euro 6/VI would refer only to the EC regulations. • Euro 6b would be defined as:

	<p>Commission Regulation (EC) No 715/2007 of the European Parliament and of the Council of 20 June 2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information, as amended by Commission Regulation (EC) No 692/2008 of 18 July 2008, and meeting Euro 6 emissions limits set out in Annex I.</p> <ul style="list-style-type: none"> • Euro VI-C would be defined as: Commission Regulation (EC) No 595/2009 of the European Parliament and of the Council of 18 June 2009 on type-approval of motor vehicles and engines (with respect to emissions from heavy-duty vehicles and access to vehicle repair and maintenance information), together with the technical requirements of Commission Regulation 6 Land Transport Rule Draft: version 2.6 (9 May 2023) (EU) No 582/2011 of 25 May 2011, incorporating all amendments up to and including those adopted in Commission Regulation (EU) No 627/2014 of 12 June 2014. • Euro 6d would be defined as: Commission Regulation (EC) No 2017/1151 of the European Parliament and of the Council of 1 June 2017 supplementing Regulation (EC) No 715/2007 of the European Parliament and of the Council on type-approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information, amending Directive 2007/46/EC of the European Parliament and of the Council, Commission Regulation (EC) No 692/2008 and Commission Regulation (EU) No 1230/2012 and repealing Commission Regulation (EC) No 692/2008, and, meeting the requirements of 'Euro 6d' meaning 'RDE testing against final conformity factors, otherwise full Euro 6 emission requirements. • Euro VI-E would be defined as: Commission Regulation (EC) No 595/2009 of the European Parliament and of the Council of 18 June 2009 on type-approval of motor vehicles and engines (with respect to emissions from heavy-duty vehicles and access to vehicle repair and maintenance information), together with the technical requirements of Commission Regulation (EU) No 582/2011 of 25 May 2011, incorporating all amendments up to and including those adopted in Commission Regulation (EU) No 2019/1939 of 7 November 2019. <p>New definitions would be added:</p> <ul style="list-style-type: none"> • UNR83/07 means: UN/ECE Regulation No. 83, uniform provisions concerning the approval of vehicles with regard to the emission of pollutants according to engine fuel requirements (E/ECE/324E/ECE/TRANS/505/Rev. 1/Add.82/Rev.4) incorporating the 07 series of amendments; or UNR49/06(Supp.4). • UNR83/08 means: UN/ECE Regulation No. 83, uniform provisions concerning the approval of vehicles with regard to the emission of pollutants according to engine fuel
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	<p>requirements incorporating the 08 series of amendments together with the requirements of UN/ECE Regulation on Global RDE; or</p> <p>UNR49/07.</p> <ul style="list-style-type: none"> UNR49/06(Supp.4) means: <p>UN/ECE Regulation No. 49 Uniform provisions concerning the measures to be taken against the emission of gaseous and particulate pollutants from compression ignition engines and positive ignition engines for use in vehicles, incorporating all amendments up to and including Supplement 4 to the 06 series of amendments; or</p> <p>UNR83/07.</p> UNR49/07 means: <p>UN/ECE Regulation No. 49 Uniform provisions concerning the measures to be taken against the emission of gaseous and particulate pollutants from compression ignition engines and positive ignition engines for use in vehicles, incorporating all amendments up to and including the 07 series of amendments; or</p> <p>UNR83/08.</p> <p><i>In-service conformity</i></p> <p>In service conformity (ISC) testing involves emissions testing of vehicles in actual use that have driven up to 100,000 kilometres. It is done to ensure emissions systems are durable. ISC testing is a required feature of the UNECE and EC regulations and is designed to stop widespread gaming found in the global automotive industry.</p> <p>A clarification will be added to stating that ISC testing can be conducted using overseas vehicles and test facilities. The MIA were concerned that if test vehicles must be supplied from New Zealand, or if the testing must be conducted within New Zealand, the costs could be prohibitive. The Ministry had assumed testing would be undertaken overseas, in the country of manufacture, or in the much larger vehicle markets, given our very small market.</p> <p>As regulations from Japan, Australia and the United States deal with ISC testing differently, a further clarification will be added to state that irrespective of the regulation certified against, vehicles must continue to meet emissions limits for the useful life of the vehicle (which is specified in overseas regulations and is usually around 100,000 kilometres). This sets a clear and reasonable expectation that vehicles must not just meet emission limits at time of manufacture, but for a reasonable ongoing period in use.</p> <p>Example proposed drafting changes:</p> <p>To the definition of UNR83/08, add:</p> <ul style="list-style-type: none"> The requirements for ISC testing specified by Paragraph 9 of UNR83/08 apply and are deemed to be met where vehicles tested were sold to and driven on roads in other countries, and where the ISC testing of such
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vehicles is conducted in other countries, so long as the tested vehicles belong to the same ISC vehicle model family applicable to New Zealand.

To the definition of Euro 6d (a), add (bold shows changes to earlier bullet point)

- The requirements for In Service Conformity **specified by Article 9** of EC2017/1151 apply and are deemed to be met where vehicles tested were sold to and driven on roads in other countries, and where the ISC testing of such vehicles is conducted in other countries, so long as the tested vehicles belong to the same ISC vehicle model family applicable to New Zealand, **[and so long as the Ministry of Transport is informed of test failures and remedial measures pertaining to applicable vehicles]**.

[Explanatory note: In the UNECE context, New Zealand would be informed of overseas ISC testing failures via an international forum we are a member of called WP.29. There is no obligation in the case of European regulations for NZ to be notified.]

Add new point 2.2(1AA) following 2.2(1A):

- Engines must satisfy relevant useful life provisions, not to exceed test requirements, real world emission conformity factors, on board diagnostic system requirements and rules regarding use of auxiliary emission control devices specified in the emissions standard declared by 2.2(1A)

[Explanatory note: the underlined text is verbatim taken from ADR80/03 and is used to clarify that a vehicle not only meet its test requirements at point of manufacturer but that ongoing requirements are.]

Definition of new model vehicles and existing model vehicles

To improve clarity, the definitions of new model vehicles and existing model vehicles would be updated and improved. This is to ensure the Rule envisages up to a three-year period between when requirements commence for new models and when they commence for existing models This could be based on the approach used in the Australian legislation where ADR 80/04 uses the following definition in outlining applicability:

3.1. This vehicle standard applies to all MA, MB, MC and MD category vehicles with a gross vehicle mass greater than 3,500kg and all ME, NB, and NC category vehicles from the dates set out in clauses 3.1.1 to 3.1.2 and the table under clause 3.3 below.

3.1.1. 1 November 2024 for all new model vehicles.

3.1.2. 1 November 2025 for all vehicles.

3.2. For the purposes of clause 3.1.1 above, a “new model” is a vehicle model first produced with a ‘Date of Manufacture’ on or after the agreed date in that clause.

Changes to the definitions of certain Japanese standards

The definition of Japan 2012m would be updated to clarify that vehicles must be first registered, anywhere, on or after 1 January 2012. This would correct the

	<p>definition, so it captures the intended group of vehicles. Without this change, older vehicles that were assessed with poorer testing procedures would be able to be certified for entry.</p> <p>The definition of Japan 2018 would be updated to clarify that diesel vehicles must meet the RDE requirements when manufactured from January 2024. This clarification is to avoid creating a loop-hole where brand new vehicles are permitted to achieve a poorer emissions standard. Used-import vehicles will achieve this automatically due to requirements in Japanese domestic law.</p>
<p>New schedule 1 Table 2A (Light vehicles)</p>	<p>The reference to vehicle class “ME” would be removed as it was included in error.</p> <p>To improve clarity, the statement of accepted standards for used imports over the period 2026–2027 would be simplified to:</p> <p style="text-align: center;">Euro 6d US Tier 3 Japan 2005 Low Harm Japan 2018 Low Harm</p> <p>For used vehicles over the period 2024–2028 Japan 2018 would be included. This recognises that the stringency of Japan 2018 is similar to Japan 2005 Low Harm, which is an accepted standard over 2024–2028.</p>
<p>New Schedule 1 Table 2B (Heavy vehicles)</p>	<p>For the Japanese and United States standards recognised as equivalent to Euro VI-c, “Japan 2016” and “US Tier 3” would be replaced with “Japan 2017” (or later) and “US 2013 (or later)”.</p>
<p>New Schedule 1 Table 2C (Disability vehicles)</p>	<p>The reference to vehicle class “ME” would be removed as it was included in error.</p> <p>For used petrol vehicles “Japan 2018 Low Harm” would be replaced with “Japan 2018”. While the latter standard is weaker, the amendment is being made to ensure that the most common disability vehicle models can continue to be imported.</p> <p>To improve readability, columns associated with brand-new disability vehicles would be removed given the dates and standards are identical to Table 2A. The title of Table 2A would be amended to state “except used-import disability vehicles”.</p>
<p>New Schedule 1 All tables as relevant</p>	<p>In line with the above changes to the definitions of the UNECE regulations and the EC regulations the following consequential amendments would be made:</p> <ul style="list-style-type: none"> • In cells with Euro 6d add “UNR83/08” • In cells with Euro VI-c add “UNR49/06-4”



5 September 2023

OC230773

Hon David Parker

Action required by:

Minister of Transport

Wednesday, 13 September 2023

CABINET PAPER FOR THE EURO 6/VI VEHICLE NOXIOUS EMISSIONS EXHAUST STANDARD

Purpose

To provide for your comment the draft Cabinet paper seeking agreement to align the phase-in of the Euro 6/VI noxious vehicle exhaust emissions standards with Australia's. As you have instructed, the Cabinet paper is to target the 18 September 2023 meeting of the Cabinet Business Committee.

Recommendations

We recommend you:

- 1 **consider** the attached draft Cabinet paper and inform officials of any changes you would like made Yes / No
- 2 **note** that the draft Cabinet paper incorporates feedback from departmental consultation
- 3 **note** that the Cabinet paper is intended to be lodged by 14 September 2023 to enable it to be considered by the Cabinet Business Committee on 18 September 2023.

A handwritten signature in black ink, appearing to read "Matt Skinner".

Matt Skinner
Manager Environment and Emissions
Policy Design

5 / 9 / 23

Hon David Parker
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)	
Gayelene Wright, Principal Adviser, Environment and Emissions Policy Design		✓

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TE MANATŪ WAKA MINISTRY OF TRANSPORT

CABINET PAPER FOR THE EURO 6/VI VEHICLE NOXIOUS EMISSIONS EXHAUST STANDARD

The attached Cabinet paper recommends the draft Rule for Euro 6/VI be finalised prior to the 2023 General Election

- 1 The attached draft Cabinet paper seeks Cabinet's endorsement of your decision to align the shift to the Euro 6/VI vehicle exhaust emissions standards with Australia's.
- 2 It reflects your instruction that the Cabinet Business Committee be specifically asked whether the draft Land Transport Rule: Vehicle Exhaust Emissions Amendment 2023¹, which would phase-in Euro 6/VI, be finalised and published in the New Zealand Gazette prior to the 2023 General Election. This is covered in paragraphs 12, 50, 51 and recommendation 8.

The draft Cabinet paper was well supported across government agencies

- 3 Following approval from your staff the draft Cabinet paper was sent out for departmental consultation on 29 August 2023. The paper was well supported across agencies except for Te Whatu Ora - The National Public Health Service, which noted its disappointment that the shift to the Euro 6/VI emissions standards would be delayed. However, Te Whatu Ora did not request any specific comment be added to the paper.

Next steps

- 4 Once we have actioned the changes you would like made to the attached draft Cabinet paper, we can finalise it for lodgement. The paper is intended to be lodged with the Cabinet Office on 14 September 2023 for consideration by the Cabinet Business Committee on 18 September 2023. This timeline assumes that the paper undergoes Ministerial and cross-party consultation over 6 September–13 September 2023.
- 5 If Cabinet agrees to progress the amendment Rule prior to the 2023 General Election officials will forward the finalised Rule for your signature. Once the final Rule is signed, officials would arrange for its publication in the New Zealand Gazette. The final Rule would come into effect 28 days after publication.
- 6 The phased transition would then begin with Euro VI-c required from 1 November 2024 for newly approved heavy vehicle models, and from 1 November 2025 for existing models. Euro 6d would be required for light vehicles from 1 July 2028 and from 1 January 2031 for used-import disability vehicles. Euro 5 would be required for motorcycles and mopeds from 1 January 2027.

¹ This draft Rule amends Land Transport Rule: Vehicle Exhaust Emissions 2007.

In Confidence

Office of the Minister of Transport

Chair, Cabinet Business Committee

OUTCOME OF THE CONSULTATION ON MOVING TO THE EURO 6/VI VEHICLE NOXIOUS EMISSIONS STANDARDS

Proposal

- 1 This paper seeks agreement to align the phase-in of the Euro 6/VI noxious vehicle exhaust emissions standards with Australia's. This change responds to issues raised in public consultation on the draft Land Transport Rule: Vehicle Exhaust Emissions Amendment 2023¹ (the amendment Rule), which set out the proposed phase-in of Euro 6/VI. It also seeks Ministers agreement to the amendment Rule being finalised and published in the New Zealand Gazette prior to the 2023 General Election.

Relation to government priorities

- 2 Strengthening the vehicle exhaust emissions standards to Euro 6/VI will reduce noxious air pollution in a way that supports:
 - 2.1 priority three of the interim Government Policy Statement on Health: "keeping people well in their communities"
 - 2.2 nitrogen dioxide (NO₂) reductions sought through the Resource Management (National Environmental Standards for Air Quality) Regulations 2004
 - 2.3 preventative measures to improve health and wellbeing under the Pae Ora Act
 - 2.4 the Wai ora component of He Korowai Oranga (HKO) (Māori Health Strategy)
 - 2.5 Pacific Aotearoa Lalanga Fou Goal 3: Resilient, Healthy Pacific Peoples, and the Pacific Wellbeing Strategy.
- 3 Adopting the Euro VI emissions standard for heavy vehicles is an action included in the Government's 2022 Emissions Reduction Plan (the ERP). ERP action 10.3.1: *Support the decarbonisation of freight, requires the Government to consider the implementation timing of Euro VI standard for heavy vehicles.*

Executive Summary

- 4 Noxious emissions from motor vehicles are annually responsible for more than 330,000 restricted activity days², nearly 9,400 hospitalisations and 2,200 premature

¹ This draft Rule amends Land Transport Rule: Vehicle Exhaust Emissions 2007.

² A restricted activity day is one in which a person due to exposure to air pollution does not feel well enough to go to work, school or undertake their normal activities.

deaths³. Monetised the harm is estimated to be \$10.5 billion each year, which is around \$2.5 billion higher than the annual social cost of road crashes.

- 5 Globally, exhaust emissions standards are a key tool to reduce noxious emissions. They set minimum emissions standards that vehicles must meet to enter the fleet. Internationally, Euro 6 and Euro VI are the benchmark standards for light and heavy vehicles respectively and have been required in Europe since 2014. They have proven to be effective in reducing the large discrepancy between the level of emissions emitted when vehicles are tested under laboratory conditions, and the much higher level when driven in the real-world.
- 6 New Zealand and Australia are the only remaining developed countries to not require Euro 6/VI or their international equivalents. Australia has regulated Euro VI-c for heavy vehicles from 1 November 2024 and will soon be taking decisions on the date Euro 6d will be required for light vehicles.
- 7 To catch-up with other developed countries, on 3 May 2023 the Economic Development Committee agreed to publicly consult on a phase-in of the Euro 6/VI emissions standards over 2024–2028. Public consultation occurred over 11 May–22 June 2023 and revealed strong support for phasing in the Euro 6/VI emissions standards.
- 8 Support from the vehicle industry, the Automobile Association and the road freight industry is conditional on our shift to Euro 6/VI aligning with Australia's. While Australia is yet to confirm final policy, current indications are that for new light vehicles this would delay the shift by 29 months compared to the dates we consulted on. For heavy vehicles alignment would mean the standard stays at Euro VI-c in 2026, rather than further strengthening to Euro VI-e.
- 9 While there are conflicting views, the predominant one is that moving to Euro 6/VI ahead of Australia will unnecessarily expose New Zealand to vehicle supply disruptions and cause price increases greater than they would otherwise have been. If this were to occur the number of Euro 6/VI vehicles entering the fleet would be reduced eroding the public benefit of the reform. It could also disrupt the significant progress being achieved by the new vehicle industry in shifting to zero and low carbon vehicles.
- 10 I have considered either progressing the amendment Rule's phase-in or aligning with Australia. Aligning has the potential to forego a net benefit of around \$322–\$334 million. However, officials have not been able to quantify how much of this value will likely be eroded by the supply and price risks submitters identified. Given the uncertainty I recommend aligning our shift to Euro 6/VI with Australia's.
- 11 A consequence of aligning with Australia is that Euro 6d would be required for both new and used-import light vehicles in 2028. However, I do not consider it necessary to alter the proposed phase-in for used-imports as it has a high level of support, and the feedback is that used importers will continue to have sufficient options to maintain supply.

³ The 2022 Health and Air Pollution in New Zealand report.

- 12 As the proposal to shift to Euro 6/VI in alignment with Australia is well supported across stakeholders, and is modelled to save between \$3.5–\$6.4 billion to 2050 in avoided health costs, I recommend the amendment Rule be finalised and published in the New Zealand Gazette prior to the 2023 General Election. Apart from the magnitude of the difference it will make to the health of New Zealanders, prioritising this change is important to give new vehicle distributors certainty and as much time as possible to secure changed fleets of vehicles from their overseas manufacturers.
- 13 In the event that the Australian Government subsequently decides not to proceed with Euro 6d for light vehicles, I will update the Cabinet Economic Development Committee with new options to consider prior to the relevant commencement dates.

Background

- 14 To reduce the health harm from noxious vehicle emissions, on 21 January 2021 Cabinet agreed to amend the Land Transport Rule: Vehicle Exhaust Emissions 2007 by the end of 2022 to require Euro 6 for light vehicles entering the fleet [CAB-21-MIN-004 refers]. This decision was expanded in the First Emissions Reduction Plan to include Euro VI for heavy vehicles. Although the proposal refers to the Euro 6/VI standards, it includes their equivalent United States and Japanese standards.
- 15 On 3 May 2023 the Cabinet Economic Development Committee agreed to publicly consult on a phase-in of the Euro 6/VI emissions standards over 2024–2028 [DEV-23-MIN-0160 refers]. The key dates for the phase-in that was consulted on were:
- 1 November 2025 for all heavy vehicles, both new and used, to meet Euro VI-c. The standard would then strengthen to Euro VI-e from 1 November 2026
 - 1 February 2025 for newly approved light vehicle models to meet Euro 6d and 1 February 2026 for new existing light vehicle models
 - 1 January 2027 at the latest for all motorcycles and mopeds (new and used) to meet Euro 5. Globally Euro 5 is the strictest standard
 - 1 January 2028 at the latest for all used light vehicles, including disability vehicles, to meet Euro 6d. Before this date, used light vehicles would shift from Euro 4 to Euro 5 six months after the amendment Rule is published in the New Zealand Gazette.
- 16 The Cabinet Economic Development Committee noted that following public consultation the Minister of Transport would not report back unless material changes are needed to the amendment Rule. I am reporting back because the proposals in this paper materially change the Euro 6/VI phase-in that the Committee considered on 3 May 2023.

There is a high level of support for Euro 6/VI but the vehicle industry wants the shift to Euro 6/VI to align with Australia's

- 17 Public consultation, run by Te Manatū Waka, commenced on 11 May 2023 and ended on 22 June 2023. It focused on whether the amendment Rule's phase-in is reasonable and feasible for the industry and vehicle consumers. This focus reflected the inherent trade-off with strengthening the emissions standards. This is that the

health benefits are maximised by requiring Euro 6/VI as soon as possible. However, moving too fast risks disrupting vehicle supply, increasing vehicle prices, and slowing down the entry of cleaner vehicles that reduce the health harm.

- 18 Seventy-seven submissions were received of which 34 were from private individuals and 21 were from the vehicle industry. The rest were from representatives of vehicle users including the road freight industry, local government, health and air quality professionals, representatives of disabled people, and walking and cycling advocates.
- 19 All but one of the submissions from private individuals favoured either proceeding with the proposed phase-in or bringing forward implementation. Similarly, submissions from health and air quality practitioners, walking and cycling advocates, local government, Consumer New Zealand and Fonterra all support the proposed phase-in, with the majority favouring a faster implementation.
- 20 Submissions from the vehicle industry, the road freight industry, the Automobile Association of New Zealand, and representatives of disabled people also support requiring Euro 6/VI. However, these submitters seek changes to the phase-in with the most significant one being to align our shift to Euro 6/VI with Australia's.

The Australian timeline for phasing in Euro 6/VI

- 21 Australia has already regulated Euro VI for heavy vehicles. The Euro VI-c standard will apply from 1 November 2024 for newly approved models, and from 1 November 2025 for existing models. The amendment Rule's phase-in aligns with Australia until 1 November 2026 when our standard would have strengthened further to Euro VI-e, whereas Australia is not currently proposing moving to Euro VI-e.
- 22 For light vehicles the Australian Government has consulted on proposed dates but is yet to take its final decisions on the timeline for Euro 6d. However, the proposal it will soon be considering is for Euro 6d to apply to newly approved models from either 1 July 2025 or 1 July 2027, and to existing models from 1 July 2028.
- 23 In comparison, our amendment Rule requires Euro 6d for newly approved models from 1 February 2025 and from 1 February 2026 for existing models. Based on the date for existing models, the difference between our proposals is up to 29 months.

Alignment with Australia would avoid the risk of disrupting new vehicle supply and minimise price increases

- 24 Submitters advocate for alignment to avoid restricting new vehicle supply and to minimise increases in vehicle prices and compliance costs. They emphasise that these outcomes will likely slow the rate of fleet renewal resulting in fewer new Euro 6/VI vehicles entering the fleet. If this happens the potential health benefits from the shift to Euro 6/VI will be lower.
- 25 The key obstacle in moving ahead of Australia relates to the production, supply and timing decisions of overseas vehicle manufacturers where:
 - for volume brands like Toyota, Mitsubishi, Suzuki and s 9(2)
(ba)(i) production costs are minimised by building vehicles to the specifications regulated in the destination

markets. As Australia and New Zealand regulate Euro 5, Euro 6 vehicles with better but more costly emission technologies are not supplied, and our vehicles are manufactured and supplied from the same plants

- the timeframes between vehicle distributors ordering vehicles and those vehicles being scheduled, produced and dispatched for New Zealand can be as long as two or more years.

26 Having our market supplied as part of the Australian market has entrenched over time because we have benefited from the arrangement. It has afforded our small market a priority for supply that it would not otherwise have.

27 The Motor Industry Association (MIA) submitted that supply shortages are likely if we move ahead of Australia because most distributors would be forced to:

- seek alternative supply of Euro 6d/VI-e compliant vehicles from plants manufacturing for left-hand drive countries, other than Australia. For some distributors this would mean volumes are not guaranteed and prices could be higher. Some distributors could face periods of no alternative supply and the potential removal of some models from our market
- request their associated manufacturers to supply vehicles specifically for our market. This would spread the full cost of Euro 6/VI compliance across New Zealand volumes only, resulting in higher costs per vehicle. This could lead to some vehicle models no longer being competitive on our market.

Not all vehicle distributors advocate for alignment because their supply is not reliant on Australia

28 However, some vehicle distributors are not supplied as part of Australia and do not advocate for alignment. These distributors are:

- Ford, which decoupled its supply from Australia over the past two-years enabling it to offer Euro 6 vehicles. For the first six months of 2023, almost 35 percent of Ford's light passenger vehicle registrations were Euro 6. However, the standard is less common among Ford's light commercial vehicles, with only 7 percent of registrations being Euro 6
- Scania, which customises its heavy vehicles to suit client need. This includes offering a choice of Euro V or Euro VI vehicles. Scania can do this because it uses a flexible manufacturing model. Over 2022 it supplied 7 percent of the new heavy vehicles that entered the fleet with almost 58 percent of them being Euro VI vehicles.

Fonterra sees moving to Euro VI as part of its commitment to sustainability

29 Similarly, unlike most others in road freight, Fonterra supports the proposed phase-in. It sees the shift to Euro VI as part of its commitment to community and environmental sustainability. Thirty-five of its current fleet of 156 high productivity milk tankers are Euro VI vehicles. From the next financial year, all new tankers coming into its fleet will be Euro VI.

Following a reassessment of the risks, costs and benefits I recommend aligning with Australia

- 30 If there were no supply and price risks, the Ministry of Transport estimate that delaying the shift to Euro 6d for new light vehicles by 29-months, to align with Australia, would result in a foregone net benefit of around \$322–\$334 million. Most of this relates to the foregone health benefits from reduced noxious emissions from light diesel vehicles.
- 31 However, while there are conflicting views the predominant one is that there would be significant supply and price risks in moving ahead of Australia. Most, but not all, new vehicle distributors would likely face supply disruptions to some degree, which would likely place upward pressure on new vehicle prices and slow the rate at which we benefit from Euro 6d.
- 32 Officials are not privy to the industry information needed to estimate the size of the likely reduction in the number of new Euro 6d vehicles entering the fleet. Most vehicle distributors submit that the slow-down would be sizable enough to greatly diminish the benefit from the reform. However, the vehicle industry made similar comments as part of consultation on the Clean Car Standard and Discount that have not eventuated.
- 33 In addition to the risk of price increases from disrupted supply, submitters have highlighted that Euro 6/VI vehicles are more expensive to manufacture than advised in the May 2023 Cabinet paper. We can expect the increased manufacturing costs to flow through into retail prices. Information from MIA and the European Union suggests more reliable estimates of the increase in per vehicle manufacturing costs are as follows.
- For a Euro 6d petrol vehicle (i.e. most passenger cars) \$300–\$4,000 depending on make and model. The previous estimate was \$300.
 - For a Euro 6d diesel vehicle (i.e. most vans and utes) \$2,700–\$5,000 depending on make and model. The previous estimate was \$900.
 - For Euro VI heavy vehicles, \$4,000–\$5,000 for small heavy trucks and \$8,000–\$20,000 depending on make and model for large ones. The previous estimate was \$4,000.
- 34 Given the significance of the above likely cost increases and the uncertainty about the impact on vehicle supply, I recommend aligning our phase-in with Australia's. Alignment will avoid the risk of supply disruptions and offers a way to minimise the likely price increases from Euro 6d as production and type approval costs will be able to be spread over a larger volume of vehicles. In this way it will help realise the value of the net benefit possible from Euro 6/VI.
- 35 Alignment will also help minimise compliance costs for new vehicle distributors as they will have more time to plan ahead for the change. The MIA submitted that its members need a minimum 24-month notice period prior to the adoption of Euro 6d to allow for industry production planning timeframes.

36 Moreover, alignment avoids disrupting the significant progress being achieved by the new vehicle industry in shifting to zero and low carbon vehicles. This transition could prove to have a greater impact on reducing noxious emissions than the exhaust emission standards. In the first half of 2023, over a third of all new vehicles that entered New Zealand, were a hybrid or an EV. These vehicles emit lower levels of noxious emissions with EVs having zero tailpipe emissions.

For heavy vehicles the impact of staying at Euro VI-c in 2026 would be limited until the Japanese and United States standards strengthen

37 Alignment with Australia would mean the standard for heavy vehicles would remain at Euro VI-c in 2026 rather than strengthening to Euro VI-e as proposed in the amendment Rule. European evidence shows Euro VI-e is superior to Euro VI-c in reducing noxious emissions when heavy vehicles are driven in urban areas. Urban areas are where the impact of noxious emissions on human health is greatest.

38 The issue is that Euro VI-c vehicles stay within the Euro VI emission limits when driven at steady high speeds, however, they exceed the limits when driven at slower and variable speeds. To rectify this, Euro VI-e uses a more stringent on-road test that mimics what occurs with urban driving.

39 Foregoing the shift to Euro VI-e in 2026 may have little impact on the level of benefit foregone at least initially. This is because Japan and the United States have not yet moved to an equivalent of Euro VI-e, and the amendment Rule proposed to continue to recognise Japanese and United States standards once Euro VI-e came into force.

40 When Japanese and United States standards strengthen to Euro VI-e we will need to reconsider the heavy vehicle standard for the post 2026 period. This reflects that across the vehicle fleet the emissions standard applying to heavy vehicles is the most critical because:

- while these vehicles only account for 7 percent of the vehicle kilometres travelled, they are responsible for 32 percent of particulate matter and 37 percent of nitrogen oxides
- for light vehicles the low carbon transition provides significant co-benefits in reducing noxious emissions, with EVs providing cleaner air than even the latest Euro 7/II standards as they do not produce any tailpipe emissions. Unfortunately for heavy vehicles, with the exception of buses, the technologies to transition are not yet as readily available or affordable.

41 I therefore propose that when the Japanese and United States' standards strengthen to be equivalent with Euro VI-e, the Minister of Transport report back to the Cabinet Economic Development Committee to enable a reconsideration of the heavy vehicle standard for the post 2026 period.

Aligning with Australia would mean all light vehicles shift to Euro 6d in 2028

42 A consequence of aligning with Australia is that both new and used-import light vehicles would be required to shift to Euro 6d in 2028. This contrasts with the amendment Rule where used-imports shift two years after new vehicles.

43 Officials considered pushing out the date for used-imports to 2030 but advise that the dates for new and used can be aligned to July 2028 because:

- used-vehicle importers can easily adjust the vehicles they buy to sell in New Zealand as they source their vehicles from any vehicle auction selling right-hand drive vehicles. The source markets of Japan, the United Kingdom, Ireland and Singapore have required Euro 6/VI or a close equivalent for a number of years
- the 2028 timeline has a high-level of support among submitters. The Imported Motor Vehicle Industry Association is the exception, with its support conditional on the recognition of weaker Japanese standards than those in the amendment Rule⁴.

44 Nevertheless, to align the commencement months in 2028 I recommend the amendment Rule's phase-in for used-imports proceed with a change to the application date for Euro 6d from 1 January 2028 to 1 July 2028.

What if the Australian Government decides not to move to Euro 6d for light vehicles?

45 Until the Australian Government takes its final decisions on Euro 6d for light vehicles the timeline will not be completely certain. ^{s 6(b)}

46 Nevertheless, to manage the uncertainty officials will continue to engage with Australian officials on the progress with Euro 6d. If the Australian Government subsequently decides not to proceed with Euro 6d for light vehicles, I will update the Cabinet Economic Development Committee with new options to consider.

The timeframe for disability vehicles would be extended to avoid increasing transport disadvantage

47 Submissions from people in the disability sector support the shift to Euro 6/VI. However, all submitted that the current proposal to require Euro 6d (or the equivalent Japanese standard: Japan 2018) from 1 January 2028 for used-imported disability vehicles will increase transport disadvantage. This is because it will force people to buy newer vehicles that tend to be more expensive.

48 This issue arises because the Toyota Hiace Welcab, currently the most cost-effective vehicle for people needing wheelchair assistance, only started being manufactured to the Japan 2018 standard for the Japanese domestic market in 2020. If we require this standard from 1 January 2028, people who can not afford new vehicles face the financial challenge of buying a used-import Hiace Welcab that is 8 years old and younger. These vehicles would be materially more expensive than the 10–12 year old vehicles that currently tend to be purchased.

49 To address this issue, I recommend extending the date for imported used-disability vehicles to meet Japan 2018 from 1 January 2028 to 1 January 2031.

⁴ Officials recommended against progressing the Imported Motor Vehicle Industry Association's proposal because it would effectively result in used-vehicle imports meeting a standard weaker than Euro 5 in 2024 and a standard weaker than Euro 6/VI in 2028.

Implementation of the finalised Rule

- 50 I seek the Committee's agreement to the amendment Rule being finalised and published in the New Zealand Gazette prior to the 2023 General Election. The public consultation has caused a high degree of uncertainty among new vehicle distributors and risks undermining support for the wider Clean Car reforms.
- 51 As the proposal has been changed in line with the view of the vehicle industry there is a strong case to prioritise the finalisation of the amendment Rule. Industry participants want a decision so they can have certainty and as much time as possible to secure changed fleets of vehicles from their overseas manufacturers.
- 52 If Cabinet endorses the proposals in this paper officials will finalise the amendment Rule for my signature. Once signed the final Rule would come into effect 28 days after it is published in the New Zealand Gazette.
- 53 The phased transition would then begin with Euro VI-c required from 1 November 2024 for newly approved heavy vehicle models, and from 1 November 2025 for existing models. Euro 6d would be required for light vehicles from 1 July 2028 and from 1 January 2031 for used-import disability vehicles. Euro 5 would be required for motorcycles and mopeds from 1 January 2027.

Cost of living implications

- 54 Overall, the Euro 6/VI requirements are unlikely to have a noticeable impact on transport costs. There will be a small increase in new vehicle prices, however, the extent of the increase will be minimised by the standards' introduction being aligned to Australia's.
- 55 It is unlikely that the price of the average used-import vehicle will increase. This is because over 85 percent of used-imports already meet the Japanese standard (Japan 2005 Low Harm) that will be required in 2024. Similarly, in 2028 large volumes of used vehicles will be available to buy that meet the accepted Japanese version of Euro 6/VI. The technology costs associated with their emissions systems are not likely to be discernible in vehicle prices. This is because the technology would have been required in vehicles sold on the Japanese domestic market from 2018.

Financial Implications

- 56 There are no financial implications for the Crown associated with this paper.
- 57 Waka Kotahi expects that the funding for this change would be covered by its baseline. However, it 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 approximate cost of updating its systems to give effect to changes to be \$350,000.

Legislative Implications

- 58 The changes to the exhaust emissions standards will be given effect via an amendment to the Land Transport Rule: Vehicle Exhaust Emissions 2007.

Impact Analysis - Regulatory Impact Statement

61 The regulatory impact statement for the Euro 6/VI requirement was attached to the May 2023 Cabinet paper and has been made publicly available.

Climate Implications of Policy Assessment

62 The Climate Implications of Policy Assessment (CIPA) team was consulted in April 2023 and confirmed that the CIPA requirements do not apply to the Euro 6/VI proposal as it does not meet the threshold for significance.

Population Implications

63 There are no significant gender, or other population implications from the Amendment Rule.

Human Rights

64 The proposals in this paper are consistent with the fundamental freedoms in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of External Resources

65 Consultants or contractors have not been used in the development of this policy, and are not intended to be engaged as part of its implementation.

Consultation

66 The following agencies were consulted on this paper: Waka Kotahi, Ministry of Foreign Affairs and Trade, Ministry of Business, Innovation and Employment, the Treasury, Ministry for the Environment, Ministry of Health, Te Aka Whai Ora Māori Health Authority, Department of Conservation, Department of Internal Affairs, New Zealand Defence Force, Ministry of Social Development, Whaikaha – Ministry of Disabled People, Ministry for Primary Industries, Inland Revenue, Te Puni Kokiri, Ministry for Pacific Peoples, WorkSafe New Zealand, New Zealand Customs Office,

and the Energy Efficiency and Conservation Authority. The Department of Prime Minister and Cabinet has been informed.

Communications

- 67 I will issue a media statement as soon as practicable following Cabinet's consideration of the proposals in this paper.
- 68 Waka Kotahi will develop communication and education materials for the vehicle industry.

Proactive Release

- 69 I propose to proactively release this Cabinet paper, and briefings I have received, subject to any necessary redactions. This would be done within 30 business days of decisions being confirmed by Cabinet. I will also proactively release material relating to the adoption of the Amendment Rule shortly after it is signed.

Recommendations

The Minister of Transport recommends that the Committee:

1. **note** that on 3 May 2023 the Cabinet Economic Development Committee agreed to release the draft Land Transport Rule: Vehicle Exhaust Emissions Amendment 2023 (the amendment Rule) for public consultation that set out a phase-in of the Euro 6/VI exhaust emissions standards for heavy and light vehicles entering the fleet [DEV-23-MIN-0160 refers]
2. **note** that public consultation occurred over 11 May 2023–22 June 2023 and revealed a high level of support for moving to Euro 6/VI, however, the predominant view from the vehicle industry, the road freight industry and New Zealand Automobile Association is that the phase-in should be changed to align with Australia's
3. **agree** to amend the phase-in set out in the draft Land Transport Rule: Vehicle Exhaust Emissions Amendment 2023 so its dates and stages align with Australia's, with the specific amendments being that:
 - 3.1 Euro 6d be required for newly approved light vehicle models from 1 July 2025 or 1 July 2027, depending on the date chosen by the Australian Government, rather than on or after 1 February 2025
 - 3.2 Euro 6d be required for new existing light vehicle models from 1 July 2028 rather than on or after 1 February 2026
 - 3.3 Euro VI-c remain the exhaust emissions standard for heavy vehicles on or after 1 November 2026 rather than strengthening to Euro VI-e at that date
4. **note** that should the Australian Government subsequently decide not to proceed with Euro 6d for light vehicles, the Minister of Transport will update the Cabinet Economic Development Committee with new options to consider prior to the relevant commencement dates

5. **agree** that when the Japanese and United States' heavy vehicle standards strengthen to be equivalent with Euro VI-e the Minister of Transport report back to the Cabinet Economic Development Committee to enable a reconsideration of the heavy vehicle standard for the post 2026 period
6. **agree** to change the application date for Euro 6d for used-imports from 1 January 2028 to 1 July 2028 to align with new vehicles
7. **agree** to limit the potential for the compliance date for Euro 6d for imported used-disability vehicles to cause transport disadvantage for disabled people by extending it from 1 January 2028 to 1 January 2031
8. **agree** that the amendment Rule be finalised in line with the decisions on the above recommendations and signed and published in the New Zealand Gazette prior to the 2023 General Election.

Authorised for lodgement

Hon David Parker
Minister of Transport

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Cabinet

Doc # 4: CAB-23- MIN-0454

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Moving to Euro 6 Emissions Standards for Heavy and Light Vehicles Entering the Fleet

Portfolio Transport

On 2 October 2023, Cabinet:

- 1 **noted** that in May 2023, the Cabinet Economic Development Committee agreed to release the draft Land Transport Rule: Vehicle Exhaust Emissions Amendment 2023 (the Amendment Rule) for public consultation that set out a phase-in of the Euro 6/VI exhaust emissions standards for heavy and light vehicles entering the fleet [DEV-23-MIN-0160];
- 2 **noted** that public consultation occurred from 11 May – 22 June 2023 and revealed a high level of support for moving to Euro 6/VI, however, the predominant view from the vehicle industry, the road freight industry and New Zealand Automobile Association is that the phase-in should be changed to align with Australia's;
- 3 **agreed** to amend the phase-in set out in the draft Amendment Rule so its dates and stages align with Australia's, with the specific amendments being that:
 - 3.1 Euro 6d be required for newly approved light vehicle models from 1 July 2025 or 1 July 2027, depending on the date chosen by the Australian Government, rather than on or after 1 February 2025;
 - 3.2 Euro 6d be required for new existing light vehicle models from 1 July 2028, rather than on or after 1 February 2026;
 - 3.3 Euro VI-c remain the exhaust emissions standard for heavy vehicles on or after 1 November 2026, rather than strengthening to Euro VI-e at that date;
- 4 **noted** that, should the Australian Government subsequently decide not to proceed with Euro 6d for light vehicles, the Minister of Transport will update the Cabinet Economic Development Committee with new options to consider prior to the relevant commencement dates;
- 5 **agreed** that, once the Japanese and United States' heavy vehicle standards strengthen to be equivalent with Euro VI-e, the Minister of Transport will report back to the Cabinet Economic Development Committee to enable a reconsideration of the heavy vehicle standard for the post 2026 period;
- 6 **agreed** to change the application date for Euro 6d for used-imports from 1 January 2028 to 1 July 2028 to align with the date for new vehicles;

- 7 **agreed** to limit the potential for the compliance date for Euro 6d for imported used-disability vehicles to cause a transport disadvantage for disabled people by extending it from 1 January 2028 to 1 January 2031;
- 8 **agreed** that the Amendment Rule be finalised in line with the decisions under CAB-23-MIN-0454, and published in the New Zealand Gazette prior to the 2023 General Election.

Rachel Hayward
Secretary of the Cabinet

PROACTIVELY RELEASED BY
TE MANATŪ WAKA MINISTRY OF TRANSPORT



6 October 2023

OC230807

Hon David Parker

Action required by:

Minister of Transport

Friday, 13 October 2023

LAND TRANSPORT RULE - VEHICLE EXHAUST EMISSIONS AMENDMENT 2023

Purpose

To provide the Land Transport Rule – Vehicle Exhaust Emissions Amendment 2023 for your signature. This Rule will phase-in the Euro 6/VI noxious vehicle exhaust emissions standards over 2024–2028.

Recommendations

We recommend you:

- | | | |
|---|---|----------|
| 1 | note that the attached Land Transport Rule – Vehicle Exhaust Emissions Amendment 2023 (the Rule) has been finalised in line with the decisions Cabinet took on 2 October 2023 (CAB-23-MIN-0454 refers) | Noted |
| 2 | note the statutory requirements and other matters set out in this briefing that you need to consider before making a decision to approve and sign the Rule | Noted |
| 3 | sign the attached Rule on, or before, 13 October 2023 | Yes / No |
| 4 | authorise officials to arrange for the Rule to be published in the <i>New Zealand Gazette</i> and for it to be tabled in the House of Representatives | Yes / No |
| 5 | authorise officials to arrange with your Office the laying of the signed Rule before the House of Representatives within 16 sitting days after signing | Yes / No |
| 6 | note that the material for incorporation by reference will be certified by Waka Kotahi NZ Transport Agency and published on its website alongside the Rule | Noted |

7 **note** the Rule will come into force on 1 December 2023.

Noted



Nick Paterson
Acting Manager Environment and Emissions Policy Design

Hon David Parker
Minister of Transport

.... / /

06 / 10 / 2023

Minister's office to complete:

Approved

Declined

Seen by Minister

Not seen by Minister

Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Nick Paterson, Acting Manager, Environment and Emissions Policy Design	s 9(2)(a)	
Gayelene Wright, Principal Adviser, Environment and Emissions Policy Design		✓
Phoebe Moir, Solicitor, Legal and Procurement		
Dawn Kerrison, Deputy Chief Legal Adviser, Legal and Procurement		

TE MANATU WAKA MINISTRY OF TRANSPORT PROACTIVELY RELEASED BY

LAND TRANSPORT RULE- VEHICLE EXHAUST EMISSIONS AMENDMENT 2023

The attached Rule gives effect to Cabinet's decisions to align the phase-in of Euro 6/VI with Australia's

- 1 The attached Land Transport Rule – Vehicle Exhaust Emissions Amendment 2023 (the Rule) has been finalised in line with the decisions the Cabinet took on 2 October 2023 (CAB-23-MIN-0454 refers). These decisions phase-in the Euro 6/VI noxious exhaust emissions standards, and its equivalents, in line with Australia's adoption of the European standards.
- 2 The phase-in will occur over 2024–2028 with the key compliance dates being from:
 - 30 April 2024 all used-import vehicles will need to comply with Euro 5 or its equivalents
 - 1 November 2024 all newly approved heavy vehicle models will need to comply with Euro VI-c or its equivalents, and from 1 November 2025 all new and used existing heavy vehicle models will need to comply
 - 30 April 2025 all new and used-import motorcycles and mopeds will need to comply with Euro 4 or its equivalents, and from 1 January 2027 with Euro 5 or its equivalents
 - 1 July 2027 all newly approved light vehicle models will need to comply with Euro 6d or its equivalents, and from 1 July 2028 all new existing light vehicle models will need to comply
 - 1 July 2028 used-import light vehicles, excluding disability vehicles, will need to comply with Euro 6d or its equivalents and from 1 January 2031 all used-import disability vehicles will need to comply.
- 3 As noted in the Cabinet paper, Australia has regulated Euro VI-c for heavy vehicles and will soon be taking decisions on the dates Euro 6d will be required for light vehicles. The Cabinet decisions in respect of light vehicles reflected the proposed dates the Australian Government will soon be considering. Consequently, the attached Rule also reflects Australia's proposed dates.
- 4 Until the Australian Government takes its decisions the compliance dates for light vehicles will have a degree of uncertainty. To manage this uncertainty Cabinet noted that should the Australian Government subsequently decide not to proceed with Euro 6d for light vehicles, the Minister of Transport will update the Cabinet Economic Development Committee with new options to consider prior to the relevant commencement dates.
- 5 As well, assuming Australia does proceed with Euro 6d for light vehicles, a second amendment rule will be needed to recognise the new Australian exhaust emissions standard equivalent to Euro 6d once it has been created. In our view, this second rule will not need to be approved by Cabinet, as it will be consistent with your making of the attached Rule.

- 6 In finalising the Rule, apart from aligning the implementation dates with Australia, we have made a number of minor changes to correct technical errors. One of these changes is to remove the reference to Schedule 3 from the definitions of the United States standards US Tier 2 and US 2013, which are equivalent to Euro 5/V and Euro VI-c respectively.
- 7 This change was made as the content of Schedule 3 in the Land Transport Exhaust Emissions Standard 2007 (the Principal Rule) refers to additional requirements for the United States standard US 2007, which has been superseded by US Tier 2. While we consider this change to be correct, officials only became aware of the need to remove the reference to Schedule 3 on 5 October 2023.
- 8 Until Waka Kotahi has had time to re-examine the detail of the US Tier 2 and US 2013 standards, there will be a degree of uncertainty as to whether the reference to Schedule 3 should have been removed. If we have removed the reference to Schedule 3 in error, we will address this in the second amendment rule referred to paragraph 5 above.
- 9 Additionally, while we are not aware of any further technical errors, we note the external drafter contracted by Waka Kotahi has not had time to do a final review of the attached Rule. If there are any further technical errors, we will amend them in the second amendment rule.

Public notification of the Rule and consultation

- 10 Section 161 of the Land Transport Act 1998 (the Act) requires you to undertake public notification and consultation before making a rule. Ministry officials conducted this on your behalf, and details of the consultation are contained in our previous briefing to you of 24 August 2023 (OC230433 refers).

Matters for your specific consideration

- 11 The Act requires you to have regard to and give such weight as you consider appropriate in each case, to a number of matters when deciding to make a rule.
- 12 You must consider these matters yourself and cannot delegate this obligation to anyone else. They are set out in Table 1 together with Ministry advice on each, which includes information received from Waka Kotahi.

Table 1 - Matters to be considered under the Land Transport Act 1998

Matter to be considered	Comment
Section 164(2)(a) The level of risk existing to land transport safety in each proposed activity or service	The link between safety and the emissions standards is expected to be strong, but this link is unclear. We expect that the Rule will not have any significant impact on land transport safety.
Section 164(2)(b) The nature of the particular activity or service for which the rule is being established	The Rule is being established to support reductions in noxious emissions from vehicles entering the fleet.

<p>Section 164(2)(c) The level of risk existing to land transport safety in New Zealand in general</p>	<p>The Rule is not expected to have any significant impact on land transport safety in New Zealand in general.</p>
<p>Section 164(2)(d) The need to maintain and improve land transport safety and security, including (but not limited to) personal security</p>	<p>The Rule enabling a requirement for Euro 6/VI could help to achieve improvements in overall safety of the New Zealand fleet, but this link is not clear.</p>
<p>Section 164(2)(da) The appropriate management of infrastructure, including (but not limited to)— (i) the impact of vehicles on infrastructure; and (ii) whether the costs of the use of the infrastructure are greater than the economic value generated by its use</p>	<p>It is unlikely the Rule will have a measurable impact on infrastructure.</p>
<p>Section 164(2)(e)(i) Whether the proposed rule assists economic development</p>	<p>The Rule is not expected to have any significant impact on economic development.</p>
<p>Section 164(2)(e)(ii) Whether the proposed rule improves access and mobility</p>	<p>The Rule is not expected to have any significant impact on access and mobility.</p>
<p>Section 164(2)(e)(iii) Whether the proposed rule protects and promotes public health</p>	<p>The Rule is likely to have a measurable impact on the reduction of particulate matter and nitrous oxide emissions which are harmful to human health. Out to 2050, the Rule is expected to lead to social harm cost reductions of between \$3.5–\$6.4 billion.</p>
<p>Section 164(2)(e)(iv) Whether the proposed rule ensures environmental sustainability</p>	<p>Improved fuel consumption in Euro 6/VI vehicles will likely lead to reduced CO2 emissions. However, the expected reduction in CO2 emissions is estimated to be less than the low ten-thousands tonnes CO2 per annum and will reduce over time. In any case, the Rule is unlikely to have any negative impact on environmental sustainability.</p>
<p>Section 164(2)(ea) The costs of implementing measures for which the rule is being proposed</p>	<p>The Rule is not expected to incur high implementation costs. Public consultation has confirmed that the increased manufacturing costs of Euro 6/VI vehicles will flow through into increased retail prices. However, as the implementation dates align with Australia's the likely price increases will be minimised.</p>

<p>Section 164(2)(eb) New Zealand's international obligations concerning land transport safety</p>	<p>The Ministry for Foreign Affairs and Trade have advised that the Rule is likely to be consistent with New Zealand's international trade law obligations. The Rule engages our obligations under the World Trade Organisation Technical Barriers to Trade (TBT) Agreement and will need to be notified to the TBT Committee. We are arranging for this to occur.</p>
<p>Section 164(2)(f) The international circumstances in respect of land transport safety</p>	<p>The Rule is not expected to have any significant impact on international circumstances concerning land transport safety.</p>
<p>Section 164(2)(g) Such other matters as you consider appropriate in the circumstances</p>	<p>No other matters were considered beyond those raised during the public consultation.</p>

- 13 The previous Minister of Transport was provided with a preliminary analysis of the above factors on 9 August 2022 (OC220529 refers), prior to consultation commencing on a draft version of the Rule.

The final Rule is attached for your consideration and signature

(this section may contain legal advice)

- 14 The Rule is attached for your signature. It provides for material to be incorporated by reference, which Waka Kotahi will certify and publish on its website alongside the Rule.

Legal authority

- 15 Section 152 of the Act empowers the Minister of Transport to make land transport rules such as the attached Rule.

Consequential legislation

- 16 No changes to regulations will be required as a result of your making the Rule.

Timing and the 28-day rule

- 17 The Rule is drafted to come into force on 1 December 2023.
- 18 In order for the Rule to comply with the 28-day rule and section 74 of the Legislation Act 2019, the Rule must be notified in the *New Zealand Gazette* (the *Gazette*) at least 28 days before commencement.
- 19 Table 2, over the page, shows the timetable of events required to give officials time to lodge the gazette notice. This includes signing the Rule by 13 October 2023.

Table 2 - Timetable for the Rule's commencement

Action	Start date	End date
Ministerial consideration and Rule signed	6 October 2023	13 October 2023
Rule gazetted	16 October 2023 (submitted to the Gazette portal)	18 October 2023 (gazetted)
Communication with stakeholders	19 October 2023	17 November 2023
Rule in force	1 December 2023	

Compliance

- 20 The Rule is consistent with the principles of the Treaty of Waitangi. It complies with both the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993, the principles and guidelines set out in the Privacy Act 2020, and the relevant international standards. It is consistent with the Legislation Guidelines (2021 edition).

s 9(2)(h)

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Publicity and Tabling

- 26 Officials will notify the making of the Rule in the *Gazette*. Waka Kotahi will also publicise the Rule in its publications and on its website.

- 27 Ordinary rules are secondary legislation and under section 114 of the Legislation Act 2019 they must be laid before the House of Representatives in accordance with the House's rules and practice.
- 28 Current House rules and practice require this instrument to be presented to the House not later than the sixteenth sitting day after the day on which they were made.
- 29 Subject to your approval of the Rule, Waka Kotahi will work with officials from your Office to arrange the laying of the signed Rule before the House.

Communications

- 30 To support the transition Waka Kotahi will develop communication and education materials for the vehicle industry.

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