

25<sup>th</sup> July 2019

**Submission on the Ministry of Transport's discussion paper "Moving the light vehicle fleet to low emissions: discussion paper on a Clean Car Standard and a Clean Car Discount"**

This submission is from the **Better New Zealand Trust** – a charitable trust formed in 2015 whose vision is to create environmental, financial and health benefits for all New Zealanders through education, by assisting in the adoption of zero carbon renewable energy technologies.

Our focus since the Trust's inception has been to encourage the uptake of electric vehicles within the light passenger fleet, and as such most of our supporters already drive EVs. We hold a contract from EECA to hold EV events around the country in order to best demonstrate the beauty of driving an electric vehicle; the EECA funding coming from their education budget. We have held this contract for two years and hope to renew it in September 2019.

We organise the #LeadingtheCharge annual EV Roadtrip, and have done so for 5 years, demonstrating that an EV can go anywhere in the country, even more so now the charging infrastructure is so mature and ubiquitous. During these RoadTrips we get to meet grassroots New Zealanders, who attend an event as they are curious to find out more about EVs in a non-sales environment. Our supporters, who are all volunteers, take the attendees for a ride in their EVs, sometimes even let them take the wheel for a short drive, and after that they are hooked! However, time and time again we hear that the initial cost of an EV is the major stumbling block for the vast majority. So as an EV-centric organisation we know people wish to transition to driving an EV, and so we feel strongly that the Government needs to create a policy to assist these people towards that goal.

I am the Chair of the Trust and can be contacted at [REDACTED]

The Trust wholeheartedly supports this discussion paper which aims to transition the light passenger fleet to as close to carbon zero as we can by 2050. As drivers of EVs (bought as early adopters and without government assistance) all the Trust supporters already know the huge difference fuelling a car with electricity rather than petrol/diesel can make to your wallet, your sanity and your health.

The responses to the questions have been put together with input from many of our supporters.

Kathryn Trounson  
Chairperson  
**Better NZ Trust**

## BETTER NZ TRUST RESPONSES

Our responses are made below to all the questions posed in the discussion paper.

*Q 1 – Is the Clean Car Standard appropriate for New Zealand? If not, why?*

**Answer: YES**

Regulation of air quality is long overdue in NZ, and we trail behind the OECD countries who addressed this issue some time ago. If we are to make the Paris targets set for 2030 and 2050 we desperately need to reduce our carbon emissions. More efficient emission cars will reduce our dependence on imported oil and help improve overall health of all New Zealanders.

*Q 2 – Is an average emissions target of 105 g CO<sub>2</sub>/km by 2025 an appropriate target for NZ? If not, why?*

**Answer: YES**

An emissions target is essential for NZ but the Trust would prefer it were brought forward to align with OECD norms. According to the ICT LCV 2030 the EU has a 2025 target of 81g and Japan is hoping to get to 82g by 2020. Although it is unlikely we could achieve either of these low targets in the timeframe, if we set 105g in 2023 and then 95g in 2024 and 85g in 2025 we would be demonstrating how seriously emissions need to be reduced. Falling short of an ambitious target is preferred in this case.

*Q 3 – Do you think the Clean Car Standard would have an effect on vehicle supply and prices?*

**Answer: NO**

While in the short term some disruption is to be expected in both supply and price, if we continue importing mainly from Japan and the UK, where standards already exist, we should reap the benefits of lower emission vehicles from those two markets.

The up-front cost of an EV deters many buyers, but the running cost savings every day are substantial. Consideration of offering low interest loans to those without access to capital, would offer families the possibility of saving fuel costs that can then become the loan payments. Most car loans cost 12.5% over 5 years; a Govt scheme offering a 10 year loan at say 4% would make loan repayments on many EVs less than the petrol/diesel costs – truly a win-win situation.

*Q 4 – Do you consider the overall process outlined for the CCS is workable? If not, why?*

**Answer:** YES

While there are challenges in implementing any new system, the detrimental effects of doing nothing far outweighs such challenges. The sooner we reduce our reliance on fossil fuels the sooner the whole country benefits.

*Q 5 – The CCS will cover new vehicles and used vehicles being brought into NZ. Should people who import 3 vehicles or less be exempted?*

**Answer:** YES

The discussion paper quotes 3 vehicles in any specified period, but does not specify the length of that period. However, notwithstanding that detail, the Trust assumes that such importers represent a small number and should be exempted.

Might it be more cut-and-dried if an annual maximum number of cars was specified for exemption?

*Q 6 – Do you support phasing-in the 105g CO<sub>2</sub>/km emissions by: adopting multiple targets that progressively lower to 105g? OR using the increasing percentage of fleet approach? Please explain why.*

**Answer:** Adopting multiple targets progressively lowering to 105g

Multiple targets encourage suppliers to improve the efficiency of all their vehicles every year. If the UK already has 17 light ICE vehicle models with an average 21% lower emissions than the corresponding cars in NZ we need to remove the old NZ higher emitting vehicles as soon as possible.

The balancing and percentage approach lets less efficient vehicles stay in the fleet longer.

We would push for more aggressive timing – getting to 105g sooner, by 2023 or 2024 say, would be preferable in our view.

*Q 7 -Do you support the time-frame for the phase-in period?*

**Answer:** NO

We should be looking to start at the end of 2020 and perhaps remove the idea that in the first year of operation only ‘reporting’ happens. We suggest instead only bringing in compliance penalties in year 2 once the scheme has bedded down.

*Q 8 – Do you support adopting a weight-adjusted CCS?*

**Answer: YES**

Although it looks complicated at first glance it does not disadvantage any vehicle sector/type.

*Q 9 – Do you support a penalty of \$100 per g CO<sub>2</sub>/km that a supplier of new vehicles exceeds its fleet target?*

**Answer: YES**

*Q 10 – Do you support a penalty of \$50 per CO<sub>2</sub>/km that a supplier of used imported vehicles exceeds its fleet target?*

**Answer: YES**

*Q 11 - Do you support the “banking” mechanism to provide flexibility for vehicle suppliers?  
If not, why?*

**Answer: NO**

The purpose of the limit is to require lower emissions. Allowing a supplier to move backwards from what they have already achieved is not getting to the end goal of lowering emissions.

*Q 12 – Do you agree that the new vehicle sector should have the added flexibility of “borrowing?”  
If not, why?*

**Answer: NO**

If the sector can't meet the emissions guidelines at the start then borrowing only fudges the issue.

*Q 13 – Do you support an arrangement for suppliers to “pool” their vehicles together to comply as a group?*

**Answer: NO**

If the aim is to get rid of high emission vehicles asap, then “pooling” offers the possibility of high emission vehicles still entering the fleet. In addition the extra paperwork required would be prohibitive in our view.

*Q 14 – Do you agree that new and used vehicle suppliers should not be able to “pool” their vehicles and comply as a group?*

**Answer: YES**

*Q 15 – Do you support having a fine not exceeding \$15,000 for an individual for misreporting data for the CCS?*

**Answer: YES**

The fine suggested is in line with those for any other failure in compliance on safety and vehicle regulation

*Q 16 – Do you support having a fine not exceeding \$75,000 for an organisation for misrepresenting the CCS?*

**Answer: YES**

The fine suggested is in line with those for any other failure in compliance on safety and vehicle regulation

*Q 17 – Do you support the sanction of disqualification from being a registered motor vehicle dealer if a supplier deliberately attempts to evade meeting annual targets?*

**Answer: YES**

*Q 18 – Do you support amending the Fuel Consumption Information Rule so that only vehicles tested to the WLTP, NEDC, the JC08 and the American Federal Test Procedure meet requirements for entry certification?*

**Answer: YES**

*Q 19 – Do you agree with the proposed process for setting future emission targets? If not, what would you change and why?*

**Answer: YES**

Five-yearly budgets seem appropriate as the policy is rolled out, but the Trust would want the policy makers to be able to adjust the timing of these budgets if either the country is doing very well at meeting the budgets or if the country was falling woefully behind where we need to be. Re-assessment would be vital.

*Q 20 – Do you think the Clean Car Discount is appropriate for NZ?*

**Answer: YES**

The CCD is appropriate for NZ with some caveats.

The ICCT Europe shows that well designed electric vehicle policies that apply both at time of purchase and throughout a vehicle's lifetime have greater influence on the car buying public, and therefore move the country towards emissions reductions.

The sooner this CCD could be implemented in NZ the better.

Driving an EV results in an 80% reduction in CO2 emissions and the NZ Govt in 2016 mandated the RUC exemption until the end of 2021, hoping that the EV fleet might have reached 64,000 by that time. As a Trust advocating for EVs we can attest that it is the up-front cost that is the major barrier to uptake, despite many recognising the benefits of driving on clean electricity.

So a well-designed discount structure at purchase and some 'sweeteners' during an EV's lifespan is essential.

Adding RUC (at the diesel rate) to an EV from the end of 2021 could perversely make PHEV cars more attractive, and although a PHEV is a 'stepping stone' down the EV pathway, it still generates CO2 emissions, and we really do need to transition to zero-emission vehicles as quickly as possible.

In our view an EV RUC should be considerably less than that for a diesel car although we agree that at some point EVs should contribute to road maintenance.

*Q 21 – Is the emissions benchmark of 105g CO2/km by 2025 an appropriate one to have for the CCD?*

**Answer: YES**

The Trust wants an emissions target for NZ sooner rather than later. Trying to catch up with the rest of the OECD would not be easy, but setting stringent targets and not quite getting there is better than no targets at all.

We would prefer to see 120g in 2022, 110g in 2023, 105g in 2024 and 95g in 2025 to better align with the OECD countries by 2025.

*Q 22 – Would an initial emissions benchmark of 150g CO2/km be suitable for the first year of the CCD? If not, why?*

**Answer: NO**

The transition to a low emission fleet is **absolutely necessary** and so we would prefer to see a lower number used as a starter figure as the CCD is rolled out – after all this number applies to new and nearly-new imported vehicles only. We would push for 120g in the first year.

Q22. Cont./

There will still be many high emitting vehicles to work through the fleet that fall outside this target.

We also disagree with offering discounts to ICE cars in the first two years of the policy, whose emission levels would soon be outstripped by the benchmark figure. That would have the effect of holding ICE cars in the fleet for far too long – with the average age of 19 years for the fleet they could still be around into 2040.

*Q 23 – Do you think the level of the fees and discounts in the example CCD schedules (Appendix 4) would increase demand for low-emission vehicles? If not what changes would you make?*

**Answer: NO**

As we have mentioned in our covering letter we can confirm that it is the higher purchase price of an EV which is the greatest barrier to uptake, although the myths of battery degradation, range anxiety and a myriad of other perceived problems of driving an EV is making mass adoption difficult. The ‘status quo’ is a comforting place to be; and changing people’s perception takes time.

Hence price support at the point of purchase is essential to increase the uptake of this amazing technology. The Trust would push for the zero bands in Appendix 4 to be brought back to the left on the table, to include all the ICE cars, whether new or newly imported, currently in the 106-120g/km and higher emission columns in year 1. The fossil fuelled cars, that the proposed CCD currently offers small discounts on, are cars that are already well priced, and therefore sell well without any financial assistance. We would posit that it is unlikely that someone who might purchase a petrol Corolla would choose a Suzuki Swift on the basis of the discount, as they chose the Corolla based on particular needs (passenger space, boot space). Discounting an efficient ICE car is still adding a carbon emitter to the fleet and the policy is attempting to reduce the carbon footprint of light transport.

So the discounts should be targeted at creating a new purchasing behaviours that are radically different; we would therefore **implore** you to only offer discounts to cars with a battery.

Any vehicle with emissions over 105g/km in Year 1 should attract no discount at all, no-plug hybrids should attract 25% of whatever final figure discount is selected, PHEV (with a stated electric range over 50km on a single charge) 50% and full BEV 100% and then the incentive structure is easy to administer.

As battery technology increases, and the price per kWh decreases, there is talk of price parity of ICE v EV by 2025, if not earlier. However in the meantime the CCD should be seen as a move to get the comparable costs of ICE and EV nearer together, such that ‘doing the right thing’ for the country’s emission targets is not expensive altruism.

We would wish to see discounts ONLY for cars with a plug and the fees for ICE vehicles increased commensurately.

We would also wish to suggest an increase in the top rate of discount for a brand new EV, say to \$10,000 which would bring an electric Ioniq to \$49,990 – breaking the psychological \$50k barrier!

We must strive for the 2050 goal at all costs.

*Q 24 – In the example schedules, the schedules change every year to lower the emissions benchmark and to keep the scheme self-financing. Do you think annual change is practical or should there be less change?*

**Answer:**        **Annual changes are practical**

The CCS are designed to change annually and so the discounts should be in lock-step and change annually also. Demand for all cars will probably dip as the change approaches, reflecting the ‘wait and see’ mentality, but we see no way to get around that. In the UK for instance car sales peak at the beginning of a new registration period as it denotes a ‘brand new’ car. In NZ that problem is not seen.

We have a target to achieve and keeping the change of target front and centre of everyone’s mind is the only way to achieve the momentum required.

*Q 25 – Should new vehicles include near-new vehicles less than 3 years old?*

**Answer:**        **YES**

As the NZ public are very used to buying imported cars from Japan and the UK as near-new we see no reason to move away from that concept.

*Q 26 – Do you think a zero band is appropriate?*

**Answer:**        **YES**

The zero band is appropriate and gives the public time to adjust their thoughts on good ICE, bad ICE and EV cars. However we would like to see the zero band start at 105g CO<sub>2</sub> in the first year of implementation, which would move more ICE cars away from receiving any discount.

**Discounts should be only for cars with a battery.**

*Q 27 – Do you think the size of the zero band in the example feebate schedules is appropriate?*

**Answer:**        **NO**

The zero band should start at 105g of CO<sub>2</sub> in the first year, not 151g, so swelling the ranks of ICE cars therein.

*Q 28 – Do you support the proposal to apply the fees and discounts directly at the point of vehicle purchase? If not, why?*

**Answer:**        **YES**

This must be the easiest from an administrative point of view. The CCD should be clearly marked on all advertising, sale contracts and invoices.

*Q 29 – Do you support the penalties outlined in this section to ensure that fees and discounts are displayed on each vehicle, and are correctly applied by suppliers? If not, why?*

**Answer: YES**

This is standard within the motor vehicle industry and does not place any additional burden on a supplier.