

29 April 2021

OC210351

**Hon Michael Wood**  
**Minister of Transport**

**Action required by:**  
Monday, 3 May 2021

## **TIMING OPTIONS FOR CLEAN CAR DISCOUNT ANNOUNCEMENT**

### **Purpose**

Seek your decision on the timing of the announcement for the Clean Car Discount.

### **We recommend you announce the Clean Car Discount after final Cabinet decisions have been made in June 2021**

- 1 On 19 April 2021 Cabinet agreed to progress the Clean Car Discount (the Discount) [CAB-21-MIN-0128.01].<sup>1</sup> As part of this decision Cabinet invited the Minister of Transport to report back to the Economic Development Committee (DEV) on outstanding final decisions for the scheme.
- 2 In order for the Discount to be announced on Budget Day we would need to put a paper through Cabinet by 20 May 2021 and the paper would breach Budget moratorium. This is because the final policy decisions to be considered by Cabinet will have fiscal implications (as final decisions on fee and rebate levels will impact on Crown revenue and expenditure).
- 3 Because of this, we recommend that you take a paper to DEV on 2 June 2021 (the first possible date after the Budget announcement on 20 May 2021). The earliest that an announcement could then be made would be after Cabinet confirmation on 8 June 2021.
- 4 This approach would not delay the start date of the Discount, as Cabinet agreed that eligibility for the scheme would commence on 1 July 2021. Please refer below for a discussion about moving the eligibility date for the scheme to coincide with an announcement pre-1 July 2021.
- 5 Treasury has advised it is able to withhold the details of the Clean Car Discount from Budget publications if it is not to be announced on Budget Day. Treasury also strongly support this option regarding timing of an announcement.
- 6 This option will not lead to sales suppression (depending on announcement and eligibility decisions). It will also give Ministers sufficient time to consider final policy parameters and officials sufficient time to ensure the necessary lending approvals are in place.

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<sup>1</sup> The Budget 2021 Package reference is CAB-21-MIN-0116.30.

## BUDGET SENSITIVE

### **You could partially announce the Clean Car Discount on Budget Day**

- 7 An alternative option would be to partially announce the Clean Car Discount on Budget Day, noting that final decisions, including level of rebate and fees, will be announced in the coming weeks.
- 8 This option would let the public know that the Government has put in place provisions to increase the uptake of electric and low emission vehicles.
- 9 However, officials do not recommend this option as it could lead to a level of consumer and industry uncertainty while they wait to hear the quantum of the rebates and fees that will be put in place. It could also suppress sales of low emission vehicles.

### **You could announce the full Clean Car Discount on Budget Day, however there are significant risks involved in this approach**

- 10 If you want to announce the Clean Car Discount on Budget Day you would need to take a paper to Cabinet during Budget moratorium and within a very compressed timetable. There would be a significant risk that we could not get the papers through Cabinet in this timeframe, nor have the lending approvals and loan instrument in place in time.
- 11 Due to the compressed timeframe it would also be difficult to prepare communications for the announcement. For example, if the paper was taken straight to Cabinet on 17 May or to DEV granted the power to act on 19 May, there would be very limited time to make any changes to material.
- 12 If you want to pursue this option as a first step you would need to talk to the Minister of Finance to get permission to put up a paper with fiscal implications during Budget moratorium. Following this, officials would prepare a Cabinet paper and work with your office to determine the best way to get this through a very compressed consultation period.
- 13 In parallel, officials would prepare advice seeking necessary lending approvals from yourself and the Minister of Finance. This includes lending approvals under section 65L of the Public Finance Act 1989, sections 160-162 of the Crown Entities Act 2004, the signing of the loan instrument and the drawdown of the contingency established through Budget 2021. It is unlikely that this work would be completed before Budget Day.
- 14 If this option is chosen the forecasts presented on Budget Day will be inaccurate as not all decisions by Government will be reflected.

## BUDGET SENSITIVE

### Cabinet agreed that eligibility for the Clean Car Discount would begin on 1 July 2021

- 15 Your office has queried whether we need to wait until 1 July 2021 for vehicles to be eligible for a discount, and if instead vehicles registered following the announcement could be eligible. ?
- 16 The Ministry of Transport (the Ministry) and Treasury consider that Cabinet intended the eligibility date of the Discount to be from 1 July 2021 in CAB-21-MIN-0128.01. If you wish to change this so that the date of eligibility is tied to the announcement of the Discount, we recommend you do so through the report back Cabinet paper to DEV. This recommendation would apply to any of the options chosen above.
- 17 Treasury also notes that if the eligibility date is earlier than 1 July 2021 there are a number of risks that arise. Depending on the cash flow and how the appropriation is structured, there will either be unappropriated expenditure (i.e. if an appropriation is needed in the financial year 2020/21) or a liability/risk to Waka Kotahi NZ Transport Agency (i.e. if Waka Kotahi needs to pay out subsidies before it can access the loan, or if people will be eligible for subsidies before the system is live).

### Next Steps

- 18 You have a paper for the Climate Response Ministerial Group (CRMG) on 4 May 2021 in your weekend bag which would be useful to read in tandem with this. That paper details the specific decisions yet to be finalised on the Clean Car Discount and asks the group for agreement. We expect to use the steer of the CRMG to shape the DEV paper finalising the outstanding decisions. → Cabinet.
- 19 Treasury, Waka Kotahi and Ministry officials are working to prepare the necessary advice to support the borrowing and lending approvals to enable a 1 July 2021 start date of the Clean Car Discount.
- 20 We suggest you forward this briefing to Hon Grant Robertson, Minister of Finance for his information.

**BUDGET SENSITIVE**

**Recommendations**

We recommend you:

*Will discuss  
w/ MoF +  
PMO.*

1 **agree** that we either:

- **Option 1 (preferred option):** announce the Clean Car Discount after final Cabinet decisions have been made in June 2021 Yes / No

OR

- **Option 2:** partially announce the Clean Car Discount on Budget Day, noting that final decisions, including level of rebate and fees, will be announced in the coming weeks Yes / No

OR

- **Option 3:** announce the full Clean Car Discount policy on Budget Day, noting the significant risks involved in this approach. Yes / No

2 **note** that eligibility for the Clean Car Discount was agreed by Cabinet to be from 1 July 2021 and Cabinet would need to be consulted if this date is to change.

3 **note** that the Climate Response Ministerial Group will be discussing outstanding decisions on Clean Car Discount policy at its meeting on 4 May 2021.

4 **forward** this briefing to Hon Grant Robertson, Minister of Finance. (Yes) / No



Withheld under Section 9(2)(a) of the Official Information Act 1982

*M. Wood*

Ewan Delany  
**Manager, Environment, Emissions and Adaptation**

Hon Michael Wood  
**Minister of Transport**

*29.4.21*

*3.5.21*

Minister's office to complete:

- Approved  Declined
- Seen by Minister  Not seen by Minister
- Overtaken by events

**Comments**

**Contacts**

Name	Telephone	First contact
Ewan Delany, Manager, Environment, Emissions and Adaptation	[Redacted]	✓
Sigurd Magnusson, Senior Adviser, Environment, Emissions and Adaptation	[Redacted]	
Jemima de Lacey, Senior Adviser, Environment, Emissions and Adaptation	[Redacted]	

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