

22 August 2019

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To Whom It May Concern

Please find Greater Wellington Regional Council's submission to the Ministry of Transport consultation on the proposed 'Clean Car Standard' and 'Clean Car Discount'. We thank you for the opportunity to submit.

Our council has had an 'electric vehicle (EV) first' corporate fleet procurement policy since 2016 and have been actively involved in wider promotion of EVs. The proposed policies represent a step in the right direction that this council supports. However we are concerned that the policies do not go far enough to accelerate the uptake of electric vehicles with a level of urgency that is consistent with the goal of limiting global warming to no more than 1.5 degrees Celsius.

As well as answering the consultation questions, we suggest some improvements, including:

- A faster implementation schedule for both policies
- A stronger emphasis on EVs compared to fossil-fuelled vehicles in relation to the Clean Car Discount eligibility and payment levels
- The ability for purchasers of EVs between now and the official commencement of the Clean Car discount to apply for a discount retrospectively
- The 'grandfathering' of the current road user charges exemption until such time as there are 64,000 EVs registered in New Zealand
- When RUCs are introduced for EVs, they are set at a level that ensures they are cheaper to operate than comparable fossil-fuelled vehicles.

We trust you will take these ideas into consideration.

Nāku noa, nā



Chris Laidlaw
Chair



**Greater Wellington Regional Council submission
to the Ministry of Transport
on the
Clean Car Standard and Clean Car Discount proposals**

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Opening Statement

Greater Wellington Regional Council supports the introduction of these policies. Without new policies now the critical opportunity to decarbonise road transport in NZ at a rate consistent with NZ's commitment under the Paris Agreement will be missed.

By the Ministry's own admission these policies are not presently strong enough to achieve the rate of decarbonisation consistent with the Paris Agreement, namely all new vehicles being EVs from 2030. The Council's view is that a more rapid implementation schedule should be pursued.

PART 1: The Clean Car Standard

- 1) Is the Clean Car Standard appropriate for New Zealand? If not, why?

Answer: YES

Why: New Zealand is long overdue for vehicle emissions regulation. The fact that we are so far behind the majority of OECD countries with an average of 180 gram of CO₂/km is proof that regulation is urgently needed. We need cleaner cars to reduce our emissions according to our commitment to the Paris 2030 and 2050 targets. We need more energy efficient cars to reduce New Zealand's trade deficit and demand for fossil fuels. We need healthier cities, as vehicle emissions contribute to poor health impacts for all New Zealanders. We need more zero-emission cars to help reduce our carbon emissions to zero in line with the current 2050 goal.

- 2) Is an average emissions target of 105 grams CO₂ per kilometre by 2025 an appropriate target for NZ? If not, why?

Answer: YES

The Council supports an emissions target of 105g CO₂/km by 2025 at the latest. Ideally the target date should be brought forward. The New Zealand vehicle market is mainly supplied by Japan and UK who already have comprehensive emission targets. We should be aiming to lag behind the EU and Japan emissions targets, but not 10 years behind. As it stands, this policy states that the current proposed step is not enough to get us to our 2030 and 2050 emissions goals. This is why a more stringent target would be appropriate.

- 3) Do you think the Clean Car Standard would have an effect on vehicle supply and prices?

Answer: NO

Why: While in the short-term vehicle supply and prices may fluctuate, if we follow behind the UK and Japanese vehicle market the bulk of our supply should remain stable, as their vehicles will already meet the emissions standards of their market. More efficient vehicles

mean more fuel savings, and the higher upfront costs are balanced by lower running costs.

- 4) Do you consider the overall process outlined for the Clean Car Standard is workable?
If not, why?

Answer: YES

Why: While there are challenges in implementing any new system, the detrimental effects from doing nothing far outweigh these challenges. The sooner we reduce our reliance on fossil-fuels, the sooner we benefit.

- 5) The Clean Car Standard will cover new vehicles and used vehicles being brought into NZ. Should people who import 3 vehicles or less be exempted?

Answer: YES

Why: So long as the total percentage of vehicles being imported this way is significantly minor, namely there are sufficient measures to prevent the exemption being exploited.

- 6) Do you support phasing-in the 105g CO₂/km emissions target by: adopting multiple targets that progressively lower to 105g? OR using the increasing percentage of fleet approach? Please explain why.

Answer: Adopting multiple targets that progressively lower to 105 grams.

Why: Multiple targets will encourage vehicle suppliers to improve the efficiency of all their vehicles every year. Rather than using their 'cleaner' vehicles to balance out their higher-emission vehicles.

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

Answer: NO

Why: A rapid response to the issue of steeply rising transport emissions is important. The discussion paper notes vehicle emissions have near doubled 1990-2017; are our fastest growing emissions source; and are not forecast to stabilise nor reduce for several years yet (due to the overall volume of vehicle sales and with high emission vehicles outnumbering low emission vehicles).

The proposal for a one-year (2021 alone) period where manufacturers report but are not obliged to meet the Clean Car policies is not necessary given the 2021 benchmark of 150 grams is already generous enough and does not need the further relaxation of obligations. We would prefer that 2020 be used to educate the market about the policies and that from 2021 importers are required to adhere to them. This will help us to slow the growth of transport emissions and bring them down sooner.

8) Do you support adopting a weight adjusted Clean Car Standard?

Answer: YES

9) Do you support a penalty of \$100 for each gram CO₂/km that a supplier of new vehicles exceeds its fleet target?

Answer: YES

10) Do you support a penalty of \$50 for each gram CO₂/km that a supplier of used imported vehicles exceeds its fleet target?

Answer: YES

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

Answer: NO

Why: This will slow the rate of change.

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

Answer: NO

Why: This will slow the rate of change and increase New Zealand’s cumulative greenhouse gas emissions.

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

Answer: NO

Why: Pooling cleaner vehicles with higher emission vehicles allows high-emission vehicles to come in more easily and almost guarantee that industry performance will not exceed targets. It would negate some of the potential for progress.

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

15) Do you support having a fine not exceeding \$15,000 for an individual for misreporting data for the Clean Car Standard?

Answer: YES

- 16) Do you support having a fine not exceeding \$75,000 for a person or organisation other than an individual (e.g. a company) for misreporting data for the Clean Car Standard?

Answer: YES

- 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

- 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

- 19) Do you agree with the proposed process for setting future emission targets? If not, what would you change and why? (The proposal is that vehicle emissions targets will be set by the Ministry of Transport in response to the recommendations of the Climate Change Commission.)

Answer: YES

PART 2: The Clean Car Discount

20) Do you think the Clean Car Discount is appropriate for New Zealand?

Answer: YES

Why: The Clean Car Discount is appropriate for New Zealand, with some further improvements to meet the stated aims and avoid perverse outcomes.

The included proposal to bring in the Clean Car Discount and allow the RUC exemption to expire is not appropriate for the stated goals of this policy.

Policies that apply both at the time of purchase and throughout a vehicle's lifetime have greater influence over consumer's vehicle replacement decision and thus can yield greater CO₂ reductions than a time-of-purchase policy alone.

Since 2016, the New Zealand government has recognized EVs represent a technology well-suited to our country. The 2016 policy incentive removed RUC until the end of 2021, as it was expected that 2% of the light vehicle fleet would be electric by this time. However, in 2019 we can see that this policy alone has failed to achieve this target alone, and the government will miss the target of 64,000 EVs by 2021 as it currently stands.

When EV numbers become substantial, other questions will need to be resolved, such as a method for EV users to contribute to the maintenance and development of the road network, but removing the RUC sooner than needed will harm EV uptake and is not a sound course of action when we are not on track to meet even the relatively low EV target of 2% by 2021.

We recommend that the RUC exemption be 'grandfathered' i.e. stay in place for an extended period for those EVs that were purchased prior to the Clean Car Discount being available. Furthermore when RUC is introduced for EVs, it should be at a much lower level than for fossil fuelled vehicles to ensure that EV operating costs are significantly lower.

Also, with the publication of this proposed policy, the Council is concerned that it will dampen EV sales over the next three years, thus cementing the failure of New Zealand to meet the previous Government's goal of 64,000 EVs by 2021. Committing to continue the RUC until 2% of the fleet is EV, and actively supporting and encouraging EV uptake with incentives over the ownership rather than just at purchase, will help blunt this potential slowdown.

Consideration should also be given to bringing forward the Clean Car discount, specifically: We recommend that for people that purchase EVs between now and the introduction of the Clean Car Discount at point of purchase be able to apply for their discount retrospectively.

This also would help prevent the slow-down in EV purchases before 2021. Ideally the entire scheme would be introduced sooner as that would reduce the likely increase in sale of high emissions vehicles prior to fees being introduced also.

21) Is the emissions benchmark of 105 gram of CO₂/km by 2025 an appropriate one to have for the Clean Car Discount?

Answer: YES

Why: The Council supports of an emissions target of 105g CO₂/km by 2025 at the latest.

Ideally the target date should be brought forward. The New Zealand vehicle market is mainly supplied by Japan and United Kingdom who already have comprehensive emission targets. We should be aiming to lag behind the European Union and Japan emissions targets, but not 10 years behind. As it stands, this policy states that the current proposed step is not enough to get us to our 2030 and 2050 emissions goals. This is why a more stringent target would be appropriate.

22) Would an initial emissions benchmark of 150 grams CO₂/km be suitable for the first year of the Clean Car Discount? If not, why?

Answer: YES

Why: The Council supports 150 grams CO₂/km as a minimum, but the Government can and should aim for better. The Clean Car Standard's purpose is to set requirements for vehicle importers to bring in progressively more fuel efficient or zero emission vehicles. The reason there is a gradual scale is to do with the realities of availability of clean cars and supply, but incentivising vehicle sales that are outside of our eventual target is counterproductive to the goals of reducing our emissions.

Even at 105 grams CO₂ per kilometre by 2025, a Toyota Corolla would get \$600 from the scheme in 2021 and be emitting at a rate of 45 grams higher than the Clean Car Standard after 2025, until 2040 when it is eventually disposed of. This seems perverse. The first year of the Clean Car Discount should start at the rate we want to achieve, to incentivise adoption of cleaner vehicles that will help achieve our carbon emissions reduction goals.

23) Do you think the level of the fees and discounts in the example Clean Car Discount schedules would increase demand for low-emission vehicles?

Answer: YES

Why: According to local and international research, the substantially higher capital cost of EVs in comparison with internal combustion vehicles is one of the greatest barriers towards high EV demand. When talking about a step change in technology that is out of most New Zealander's experience, it creates a formidable barrier to mass adoption. Price support is regarded as essential to spur significant uptake in EVs.

However, it is important to have policies that apply both at the time of purchase and throughout a vehicle's lifetime to fully encourage EV demand. See the earlier comments about RUCs.

The current level of fees and discounts as set out in the example schedule could be improved. The zero band should start lower and the maximum fee for high emissions should increase over time to provide a greater impetus for change. Currently the scheme has no range requirements for PHEVs (Plug-In Hybrid Electric Vehicles) and treats them similarly to BEV's (Battery (only) Electric Vehicles), despite a large difference in emissions.

The incentives for regular (non-plug-in) hybrids are similarly outsized, when compared to the benefits of full electric vehicles and the stated intention to incentivise and accelerate electric vehicle adoption. If high emission vehicles are valued at 0% of the discount, low emission and HEV (Hybrid Electric Vehicles) at 25%, PHEV at 50% and zero emission at 100% of the discount, we would have a more appropriate incentive structure to encourage the choice of vehicles which will help us track toward a 2050 zero emission goal.

In general, discounts and fees less than \$500 for both new and used vehicles should be avoided as they do not offer sufficient influence to be worth implementing and only add to the scheme complexity and is not relevant to the size of the average price of a vehicle.

- 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: NO

Why: A yearly change creates great cost, complexity and pricing uncertainty for the buyer. A two year schedule would be more appropriate. Over two years, the strain on supply and demand will be less intense, and the price changes caused will be smoother.

The scheme self-financing and lowering the emissions benchmark of the fleet is the goal of the Clean Car Discount. However mechanisms need to be in place to adjust proposed schedules based on actual behaviour.

If in two years, the desired emissions benchmark has not been achieved, the proposed proceeding schedule should be adjusted, either in order to achieve the desired result. That adjustment could be linked to the average CO₂ emissions of the national fleet, this would encourage more people to adopt a lower emission vehicle more quickly and would avoid the slump on sales at the change of each incremental drop.

- 25) Should new vehicles include near-new vehicles less than 3 years old?

Answer: YES

Why: Including three-year old vehicles is the correct choice due to the nature of the New Zealand fleet which primarily consists of imported used vehicles. It would result in some very affordable near-new EV options being available to lower-income buyers, which would undoubtedly increase their uptake and increase the equity of the policy.

- 26) Do you think a zero band is appropriate?

Answer: YES

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Why: A shifting zero band will give New Zealanders time to adjust to the scheme, and ensure that there remains suitable vehicles in all categories, while suitable clean air replacements become available and decrease in price.

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

Answer: YES

Why: Rather than incentivising the purchase of vehicles that are outside of the eventual Clean Car Standard, zero bands can be used to ensure that there is a gradual change to the fleet mix, and that vehicles in all configurations remain available and accessible.

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

Answer: YES

Why: This is the easiest from an administration point of view. The applicable fee and discount should be shown on the window card of a vehicle for sale and form part of the sale agreement. The Clean Car discount should clearly be visible as a separate line item on an invoice, and should suppliers need to offer a customer a refund, that discount should be refunded back into the scheme.

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 vehicle suppliers? If not, why?

Answer: YES

Why: This is standard within this industry and does not place any additional burden upon a supplier.