Low Carbon Kāpiti (LCK) response to Government consultation on proposed 'clean car standard' and 'clean car discount'

Due 20 August 2019

MoT Policy summary document:

https://transport.cwp.govt.nz/assets/Import/Uploads/Our-Work/Documents/11de862c28/LEV-consultation-document-final.pdf

Summary of policies from the Electric Vehicle Association of NZ:

New Zealand is one of only three developed countries in the world that has **no regulations on vehicle emissions quality**, and as a result, **we have the most fuel inefficient and polluting fleet out of any OECD country.** This harms the health of New Zealanders and costs us more in fuel.

New Zealand's light vehicle fleet has an **average emissions profile of 180 gram of CO2 per kilometre driven**. The Clean Car Standard proposes a maximum of 105 gram of CO2/km, with a gradual phase in over 5 years, making 2025 the year the limit would actually be in place.

While more and more EVs are being sold in New Zealand each year, there is also an increasing supply of larger, higher-emission vehicles. As a result, **the average vehicle fuel efficiency and emission intensity of vehicles coming into New Zealand is not improving.**

The government is committed to taking action on climate change. The New Zealand Productivity Commission and the Interim Climate Change Committee have both recommended prioritising action to reduce transport emissions. This action requires c**urbing the annual increases in transport emissions and setting the transport sector on a path to net zero carbon emissions.**

The Ministry of Transport projections suggest that only around 40 percent of vehicles entering New Zealand will be electric in 2030 without further government intervention or incentives, when a net-zero pathway would have all new vehicles being electric from 2030.

The Clean Car Discount seeks to incentivise cleaner car purchase by putting a surcharge on higher polluting vehicle purchases and giving a rebate to cleaner vehicle purchases. The surcharge/rebate amount would change over time in size and applicability. **The discount would only apply to new registrations entering the country, so existing stock would not be applicable.**

Cars within certain emissions bands that are not EVs are also eligible for a rebate for number of years under the proposals. There is also a 'zero band' of vehicles in the middle that are unaffected. **The scheme is proposed to start in 2021.**

Overall position:

The introduction of these policies is a good thing and should be supported. Getting the policies approved is the first step, later they can be more finely adjusted to ensure that EV uptake in New Zealand is protected and that a move to a cleaner, more efficient fleet is properly supported and moves at the necessary rate. International experience of car

purchase 'feebate' schemes shows that settings are best refined using real world feedback that can only be gained from implementation and in response to market conditions.

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.

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 air quality emission 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, demand on fossil fuels, and to reduce the price of fuel for every New Zealander. We need healthier cities, as vehicle emissions contribute to poor health impacts for all New Zealanders and cost us $496 million annually, according to the most recent Health and Air Pollution Report. 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

LCK 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. According to the ICCT LCV 2030 update, EU has a 2025 target of 81g. As it stands, this policy states that the current proposed step is not enough to get is 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. We need every tool available to tackle CO2 emissions, so I support a policy whose overall processes work towards CO2 reduction. By implementing emission standards in the transport sector we will hopefully see a knock-on effect for the introduction of similar standards in other sectors.

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, and that there are efficient regulatory standards to prevent importers from using end-of-line customers to mask exceeding quantity restrictions.

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: YES

Why: The proposal is the minimum acceptable phase in rate. Action on emissions needs to happen urgently. Other OECD countries implemented emissions standards over a decade ago. Waiting for three years for a Clean Car Standard to take effect and then another year for compliance, is too long. The policy is needed as soon as possible. A short phase in period to allow industries to respond is appropriate, but 4 years (between 2021 and 2024) is too long.

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: Pool arrangements have been shown in other countries to flat-line emission reduction. In effect, pooling cleaner vehicles with higher emission vehicles allows high-emission vehicles to come in more easily. This would negate some of the potential for progress made by the Clean Car Standard.

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

Why: The fees suggested are the same as those for any other failure for compliance on safety or other vehicle regulation.

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

Answer: YES

Why: The fees suggested are the same as those for any other failure for compliance on safety or other vehicle regulation.

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 and more encouraging steps to meet the stated aims and better implementation of the system to avoid adverse effects.

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 single, time-of-purchase policy alone.

Since 2016, the New Zealand government has recognized EVs represent a technology well-suited to our country. Driving an EV results in 80% reduction in CO2 emissions. 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 then 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.

<u>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 is at a much lower level than for fossil fuelled vehicles.</u>

Currently, with the publication of this potential policy, there is the concern that it will put a dampener on EV sales over the next 3 years, thus cementing the failure of New Zealand to meet the previous Government's goal of 64,000 EVs by 2021. By committing to continue the RUC until 2% of the fleet, 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.

<u>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.</u>

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: LCK 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 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. According to the ICCT LCV 2030 update, European Union has a 2025 target of 81g. 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: LCK supports 150 grams CO2/km as a minimum, but the Government can and should aim for better. The Clean Car Standards exist 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 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 massive 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

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 discount should be shown on the window card of a vehicle for sale and form part of the sale agreement. However refunds to be laid clear in the policy to ensure everyone is on the same page in advance. 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.