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Ministry of Transport
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By email: cleancars@transport.govt.nz

SUBMISSION – CLEAN CAR STANDARD and CLEAN CAR DISCOUNT

Introduction and Overview

1. This submission is made by Drive Electric Incorporated (DE). DE represents a member base comprising new car OEMs, used car importers and distributors, infrastructure organisations (electricity generators, distributors and retailers, electric vehicle service equipment suppliers), finance and insurance companies, along with electric vehicle users. We are an advocacy organisation for the uptake and mainstreaming of electric vehicles (EVs) in New Zealand, as well as decarbonizing transport, and consequently seeing NZ become more energy independent.
2. DE has brought together feedback from our board members who represent all aspects of the converging EV industry, to inform our submission to the Ministry.
3. Subject to our recommendations below, DE strongly supports the Clean Car Discount (CCD) as the primary method to achieve the desired CO2 reduction levels. If the Clean Car Standard (CCS) was to be introduced, we believe revision will be necessary to ensure its effectiveness.
4. DE's members' recognise that the adoption of EVs (in its widest sense, so both Plug-in Hybrid EVs (PHEVs) and Battery EVs (BEVs)) represents the greatest opportunity to reduce transport emissions, and we congratulate the Ministry on taking action to encourage the adoption of EVs by New Zealanders.
5. DE firmly believes that the long time period before implementation of the proposals will result in serious negative consequences, including a) the delay of purchasing EVs and b) a spike in the purchase of high-emitting vehicles. We therefore urge mitigation by accelerating the start of the CCD. Our view is informed by the experiences of our sister organizations in Sweden and Norway where similar feebate programs have been enacted.
6. DE considers that any intervention in a free market can have unintended consequences as market participants seek to circumvent rules and unforeseen effects occur. We urge that the program be reviewed annually, and changes be made possible by regulation instead of legislation, so that momentum be maintained.
7. DE considers that the action proposed ignores some alternative methods of reducing emissions from New Zealand's transport fleet, namely subsidizing the permanent deregistration of older high-emitting vehicles, and altering the Fringe Benefit Taxation of Electric Vehicles to ensure EV users do not pay higher taxes when an emitting vehicle replaces a non-emitting one. We encourage the Ministry to investigate these options, which can also be implemented in a fiscally neutral manner.

Clean Car Standard

8. Our member organisations consist of both vehicle OEMs and their NZ distributors, and also second hand EV importers. As these types of members have differing abilities to respond to the proposed Clean Car Standard (CCS), rather than claiming to speak for our members, we will keep our comments general with the intent of promoting the uptake of EVs in New Zealand. We will not respond to individual questions of consultation, but only make general comments.

9. The system as proposed is complex, and not particularly transparent. The proposal for importers to create groups for the purpose of offset only results in increased complexity and opportunities for participants to "game the system".

10. NZ is an automotive technology-taker rather than a technology-producer. Our ability to influence fleet composition at an importer level is diminished. The proposal as made puts a burden on specific market participants such as vehicle OEMs and distributors who will not be able to respond in the timeframe proposed for adoption of the CCS.

11. The targets proposed are not particularly aggressive considering the current state of technology when averaged across the New Zealand fleet registered each year. DE considers that the targets should be more aggressive.

12. DE recommends that the emission targets align with the rules that have been in place in Europe since 2015, perhaps with a one, or two, year lag. These rules are well known to the automotive OEMs and so easily adopted. Experience has shown that these targets have been achieved in advance of the due dates, and this is driving the move to battery electric vehicles as these targets, as of next year and for next decade will be getting harder.

13. A strong statement of when Internal Combustion Engine (ICE) vehicle imports will be stopped is important and will be more effective to drive OEM behaviour than the proposed CCS. DE believes that New Zealand should follow other countries examples and set a hard limit of 2032 for when this will happen. We propose 2032, being 2 years after 2030, when many European countries have proposed stopping the sale of ICE vehicles. The major right-hand drive markets i.e. United Kingdom and Japan, will largely determine the model line-up for NZ going forward- we should be early adopters/fast followers.

14. DE believes that the incentives (and penalties) should be with end-users rather than with importers, and that changing user behaviour is the better way to reduce emissions. We propose an alternative CCS mechanism below.

15. DE proposes that purchasers of High-Emitting Vehicles instead pay an increased registration fee for the first five years after registration. This emissions target could be set each year and be reduced over time to encourage adoption of newer technologies. For example, a vehicle emitting 130gm/km first registered in 2021 might be exempt from higher registration costs. A vehicle emitting 130gm/km first registered in 2025 could be subject to a higher registration cost for the next five years.

16. Currently most vehicle owners in New Zealand don't know the emissions profile of their own vehicle. Making this available for all vehicles in New Zealand's fleet is the first step to

influence end-user behaviour. Making the annual registration cost of high-emitting vehicles more expensive would make consumers more sensitive to their own emissions profile. We note that vehicle registrations have gotten progressively cheaper over the past few years, where its less than $100.00 for a new car- probably the cheapest in the developed world. Whilst great for many, this is a lever than can influence behaviors and should be used.

17. A further step could be using funds generated from this penalty to subsidise the permanent deregistration of a high emitting vehicle.

Clean Car Discount

18. Subject to our comments below, Drive Electric strongly supports the implementation of the Clean Car Discount (CCD).

19. DE's feedback is the summary of our Board's input, and also the input from our sister organisations in Norway and Sweden who have experienced the implementation of similar systems.

20. Experience from Norway and Sweden suggests that users with intent to purchase High Emitting Vehicles will accelerate purchasing activity ahead of implementation of the Discount. As the vehicles we add to the New Zealand fleet will remain registered for an estimated 19 years, every High Emitting Vehicle we reduce from this number will have a large and lasting impact.

21. DE also considers that the extended time before the start of the CCD will lead to (and likely has already) delayed purchasing intentions of Electric Vehicles.

22. DE encourages the faster implementation of this program in order to ensure a faster impact. We would envisage this could be started three months after legislation passes.

23. Corporate users are the largest purchasers of new vehicles in any calendar year, and encouraging them to purchase Electric Vehicles will have the biggest impact in generating affordable used EVs that are purchasable by "average Kiwis". They are also able to buy more expensive vehicles than the $80,000 limit, and should be encouraged to do so with the goal of seeing more used EVs in the hands of New Zealand consumers.

24. DE believes that the $80,000 limit on the CCD is too low, and should be abandoned. Many models currently available are above this price, and in order to have maximum impact as soon as possible, this should be removed. A decision to purchase an emitting car or a non-emitting car still happens at the higher purchase price, and as above in point 22, these cars will still filter down in the form of used vehicles that would not otherwise have been available. A purchase of an expensive EV would still replace the import and registration of a high-emitting vehicle.

25. Experience from Norway and Sweden suggests that demand for EVs will increase substantially after the CCD is introduced. In Norway it is common for users to pay a deposit and then wait two years for delivery of an EV. In this environment, pricing power passes to the vendor. It is important to ensure that this discount is passed through to the

consumer.

26. DE supports the proposal for discounts to be applied at the point of purchase rather than the alternative of at the point of import. Consideration should be given to ensuring that discounts are passed to and received by the consumer and not pocketed by the dealer in a high-demand environment. It needs to be visible at all levels.

27. The consultation document also proposes the removal of RUC exemption for Electric Vehicles. DE believes that some consideration should be given to continuing preferential treatment of EVs until they consist of a more substantial proportion of the New Zealand fleet. Alternatively, existing registered EVs could have the RUC exemption grandfathered as they will not benefit from the CCD.

28. In Sweden, the penalty for buying a high-emitting vehicle is imposed by way of a more expensive registration fee over a period of years, instead of at point of purchase. DE believes that similarly changing the penalty to be imposed over a period of time will diminish the risk of the vendor offsetting the penalty with discounts available to their blended inventory, as the penalty would fall directly on the end-user.

29. The date of implementation for a registration fee change could be set earlier to help prevent high levels of purchase of high emitting vehicles in the period between this consultation and implementation of the CCD. For example, someone purchasing a high emitting vehicle after Jan 1, 2020, would be subject to an increased registration fee upon the implementation of the CCD, even if the CCD didn't start until March 2021.

30. The consultation document notes that the proposed standard of 105 gm/m2 by 2025 is behind where Japan and Europe are currently. DE believes that New Zealand has the ability to set more aggressive targets than a target effectively 6 years behind the current technology. Please see point 12 above.

Other Measures

31. DE believes that while not consulted on, other measures can be implemented in a fiscally neutral way to reduce New Zealand fleet emissions.

32. Adjusting Fringe Benefits Tax (FBT) to ensure that companies replacing ICE vehicles with EVs do not pay increased FBT for a period of time is one method of encouraging Corporate uptake of EVs. This would result in affordable used EVs being available for consumers on the secondhand market.

33. Using a registration penalty for new High Emitting Vehicles to subsidize a small payment to permanently de-register older High Emitting Vehicles ("Cash for Clunkers") would encourage users of older vehicles to remove them from our roads, removing the source of some of our most polluting vehicles.

Summary

The CCD system proposed is an excellent method of encouraging adoption of Electric Vehicles.

We believe that the CCS needs to be changed to be effective – changing OEM behaviour by setting a final date for ICE imports, and changing end-user behaviour by penalizing use of high-emissions vehicles.

Any program implemented should be reviewed frequently and adjusted to avoid unintended consequences.

Yours sincerely,

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