30 January 2026

Mary Craythorne

Manager Environment

Ministry of Transport

M.Craythorne@transport.govt.nz

Dear Mary,

Submission on the Review of the Clean Vehicle Standard (Stage One)

Drive Electric strongly advocates for the retention of a regulated $CO_2$ standard as a vital economic and environmental shield for Aotearoa New Zealand. While current market conditions are challenging, the Clean Vehicle Standard (CVS) is the primary mechanism preventing the country from becoming a dumping ground for obsolete, high-emission technology.

The transition to a clean fleet is not just a climate imperative but an economic one. Modelling shows that weakening or removing the standard would lock New Zealanders into billions of dollars in avoidable fuel costs and increase the national healthcare burden. Rather than abolition, Drive Electric supports evolving the standard toward more visible, customer-facing mechanisms at registration that reinforce the total cost-of-ownership advantage of electric vehicles.

1. Retention: Support for a Regulated $CO_2$ Standard

A mandatory regulatory framework is essential for the following reasons:

- International Alignment: New Zealand's 105g/km target is already five to eleven years behind leading markets; Japan achieved this in 2014 and the EU in 2020.[1]For further context, Norway had a national goal that 100% of all new light vehicles sold must be zero-emission (electric or hydrogen) by 2025. For the full year 2025 Norway had achieved 95.9% fully electric vehicles (BEV) market share of all new registrations in Norway.[2] China has set a fleet-wide average fuel consumption target of 4.0 L/100 km for 2025, which roughly converts to 95g $CO_2$/km.[3]

  As a primary manufacturing hub for brands sold in New Zealand (including Tesla, MG, Polestar, Geely, Smart, BMW, Dongfeng, Zeekr, Chery, Leapmotor and BYD), China's internal standards dictate what technology is available. If New Zealand's standards (105g/km) are significantly weaker than China's own domestic requirements (95g/km), we are effectively signalling to manufacturers that we are a preferred market for their older, less efficient surplus.

  - The Australia Shift: In July 2025, Australia moved from a voluntary system to a mandatory New Vehicle Efficiency Standard (NVES). By 2029, Australia's headline target for passenger vehicles will drop to 58g/km—nearly half of New Zealand's original 105g/km benchmark.
  - Penalty Disparity: Australia's maximum penalty is set at AU$100 per gram (approx. NZ$110)[4], whereas New Zealand has recently slashed its penalty to just NZ$15 per gram[5]. This makes it roughly seven times cheaper for a manufacturer to "dump" a high-emitting vehicle in New Zealand than in Australia.

---

[1] Regulation (EU) 2019/631: CO2 emission performance standards for new passenger cars and vans.
[2] Opplysningsrådet for veitrafikken (OFV), "New car registration statistics for the full year 2025," January 2026.
[3] International Council on Clean Transportation (ICCT). (2019). *China's Stage V Fuel Consumption Standards for Passenger Cars*.
[4] Australian Government NVES Regulator, "How infringement notices and penalties are applied
[5] Land Transport (Clean Vehicle Standard) Amendment 2025

- Regional Isolation: As Australia aligns its standards with leading global markets, New Zealand is becoming a dangerous outlier in the Right-Hand Drive (RHD) world. Because the US and EU are Left-Hand Drive (LHD), they cannot "dump" their domestic vehicle surplus here. However, our supply is tied to a specific set of global RHD manufacturing hubs in Thailand, Japan, and China that treat Australia and New Zealand as a single "Australasian" production block.
    - The Supply Siphon: Global manufacturers (OEMs) operate on a "compliance-first" model. With Australia's NVES now imposing a maximum NZ$110/g penalty, these manufacturing hubs will prioritise sending their limited supply of high-efficiency and electric RHD vehicles to Australia to avoid massive fines.
    - The Path of Least Resistance: Conversely, high-emission RHD vehicles—such as older-tech diesel utes and large SUVs—that would trigger significant penalties in Australia will be diverted to New Zealand. Because our penalty has been slashed to just $15/g, New Zealand has effectively signaled to these global hubs that we are the "low-cost outlet" for the region's least efficient stock.
    - Locked-In Obsolescence: This "gravity effect" ensures that while Australians get the latest, most efficient technology from Thailand and Japan, New Zealanders are sold the high-emitting leftovers. This doesn't just stall our transition; it fills our roads with vehicles that will be technologically and economically obsolete long before they reach the end of their 20-year lifespan.
- Economic Resilience: New Zealand currently spends between NZ$8 billion and $9 billion annually on imported fossil fuels—a significant drain on our national balance of payments. By maintaining the Clean Vehicle Standard, we are not just reducing emissions; we are actively redirecting that capital away from foreign oil markets and toward our own domestic, highly-renewable electricity

grid. Weakening the standard effectively votes for a multi-billion dollar ongoing subsidy to overseas oil producers at the expense of New Zealand households and businesses[6]

- Energy Security: As a net importer of fuel since the 2022 closure of Marsden Point, New Zealand is increasingly exposed to global oil price shocks. Utilising domestic renewable energy provides a strategic buffer.
- Health and Social Benefits:
- The Clean Vehicle Standard (CVS) acts as a critical health shield. Recent data from the HAPINZ 3.0 (2022) study confirms that the social cost of air pollution has risen to NZ$15.6 billion annually, with motor vehicles now identified as the single largest contributor ($10.5 billion). By reducing $NO_2$ and particulate matter, the CVS directly addresses a crisis responsible for 2,247 premature deaths and 13,200 cases of childhood asthma every year. Weakening the standard would effectively ignore an $8 billion opportunity to reduce social harm through 2050[7]

2. Alternatives: Why Voluntary Standards are Insufficient

Voluntary industry standards are not a viable alternative to a regulated standard:

- Lack of Accountability: Voluntary standards lack the enforcement mechanisms, such as per-gram penalties, required to ensure importers prioritise low-emission models.
- Failure of the Voluntary Path: Australia's move toward the mandatory New Vehicle Efficiency Standard (NVES) demonstrates that voluntary measures failed to prevent the country from receiving less efficient models than the US or EU.
- Market History: Before the CVS was introduced in 2023, New Zealand's light vehicle fleet was among the most fuel-inefficient in the OECD.

---

[6] Stats NZ (2025): *Overseas Merchandise Trade: September 2025 Quarter Data.*
*MBIE (2025): Energy in New Zealand 2025 - Oil and Petroleum Statistics*
[7] Kuschel et al. (2022), "Health and Air Pollution in New Zealand 2016 (HAPINZ 3.0): Findings and Implications

3. Charging at Registration and Renewal: Consumer Visibility

Drive Electric suggests exploring shifting costs from importers to a customer-facing point at registration and renewal:

- Upfront Visibility: Charging at registration makes the emissions profile visible at the moment of purchase.
- Total Cost of Ownership (TCO): Integrating emissions costs into annual renewal fees reinforces the TCO advantage of EVs, as lower-emission vehicles would pay significantly less over time.
- International Precedent: Tiered registration taxes based on CO2 are successfully used in several European markets to maintain clear market signals for consumers.

4. ETS Considerations: Why it is Not a Substitute:

While some argue transport emissions are priced through the Emissions Trading Scheme (ETS), this is insufficient alone:

- Low Responsiveness: Transport is one of the least responsive sectors to ETS price signals due to the high cost of switching technologies relative to carbon prices in fuel.
- Temporal Myopia: Carbon pricing at the pump does not adequately influence the initial vehicle purchase decision. (Car buyers focus almost exclusively on the "sticker price" of a vehicle while ignoring long-term fuel savings.)
- Regulatory Backsliding: Without a standard, ETS settings would need to rise to politically unacceptable levels to achieve the same emissions reductions.

5. Cumulative Policy Impact and Market Trends

The review must consider the cumulative effect of recent policy changes:

- Market Erosion: Following the removal of purchase incentives and the introduction of Road User Charges (RUC) for light EVs, (BEV plus PHEV) market share has dropped from a high of in 2023 27.2 % to 10.6% in 2024/5.[8]
- Lack of Tax Fairness: The reduction of CVS penalties by up to 80% signals a reduced commitment to clean transport, undermining business and investor confidence in EV infrastructure.

6. Impact: Risks of Abolishing the Standard

- Economic Cost: Removing the standard is estimated to cost the economy at least NZ$900 million cumulatively.[9]
- Household Impact: Families would lose average fuel savings of NZ$6,810 over the life of a vehicle by being forced into less efficient models.[10]
- Climate Failure: New Zealand is currently an OECD outlier, with a vehicle fleet that is nearly five years older than the UK's and significantly more carbon-intensive. With an average vehicle 'exit age' of over 20 years, every high-emission car we allow into the country today creates a two-decade tail of pollution and fuel costs. Without the CVS as a 'gatekeeper,' we are essentially guaranteeing a failure to meet our 2030 and 2050 climate obligations.[11]

Conclusion

We urge the Ministry to maintain the 105g/km target as a minimum baseline and to explicitly align New Zealand's trajectory and penalty rates with Australia's 2029 NVES targets.

---

[8] NZ Transport Agency Waka Kotahi. (2024). *Monthly New Registration Data - Fuel Type Breakdown*
[9] Ministry of Transport. (2024). *Regulatory Impact Analysis: Proposed changes to the Clean Car Standard*
[10] Ministry of Transport. (2023). *Briefing: Impact of the Clean Car Standard on Household Fuel Expenditure*
[11] EHINZ (2025): *Average age of motor vehicles - Surveillance Report (November 2025).*
Ministry of Transport (2025): *Annual Vehicle Fleet Statistics.*
MoneyHub (2025): *New Zealand Vehicle Fleet Statistics: Average Age, Lifespan & Mileage.*

Furthermore, we call for bipartisan regulatory consistency. While the Ministry may frame the recent changes as 'saving' consumers $264 million in compliance costs, this is a false economy. It trades a one-time saving at the dealership for:

- A 20-year commitment to high-cost imported fuel (part of an $8–9 billion annual national drain).
- The continued accumulation of $10.5 billion in annual social health costs linked to motor vehicle emissions.
- A fleet that is technologically obsolete compared to Australia, where penalties are up to 7x higher.

A 'working' standard should not be 'fixed' by making pollution cheaper; it should be fixed by ensuring New Zealanders have access to the same high-efficiency, low-cost technology that is now being prioritised for the Australian market.

Kind Regards

Kirsten Corson

Board Chair

Kirsten@driveelectric.org.nz

Tel: 021 356 874

References

International Precedent: Tiered registration taxes based on $CO_2$[12]

| Country | Mechanism | Maximum Penalty | BEV Treatment |
|---|---|---|---|
| France | Malus Écologique (Vehicles taxed on CO2 emissions per km) | €70,000 | Full Exemption |
| Netherlands | BPM (Registration Tax in various tiers) | €27,000+ | Full Exemption |
| Ireland | VRT (vehicle registration tax % of vehicle value) | 41% of OMSP (Open Market Selling Price) | Lowest tier (7%) + Relief |
| United Kingdom | First-Year VED | £5,490 | Lowest tier (£10) |

[12] International Council on Clean Transportation (ICCT). (2018).Vehicle Taxation Policies in Europe: Reducing Transport Emissions from Passenger Cars.
*Revenue Commissioners (Ireland). (2025). Calculating Vehicle Registration Tax (VRT).*
Transport & Environment (T&E). (2019). How vehicle taxes can accelerate electric car sales.European Automobile Manufacturers' Association (ACEA). (2022). "ACEA Tax Guide: CO2-based motor vehicle taxes in the EU.