

SUBMISSION on CLEAN CAR STANDARD and CLEAN CAR DISCOUNT

Where referenced the phrase “MoT paper” refers to:

“Ministry of Transport (2019). Moving the light vehicle fleet to low-emissions: discussion paper on a Clean Car Standard and Clean Car Discount. Wellington. Ministry of Transport”

Responses to questions posed in the discussion paper and on the submission website

Q 1 – Is the Clean Car Standard appropriate for New Zealand? If not, why?

Answer: YES

Why:

It is absolutely needed.

The fact that NZ has not kept up with other OECD countries in reducing emissions shows that regulation is needed to achieve this. Our current emissions behaviour is inconsistent with the image we portray of NZ as ‘clean and green’.

The standard is needed to:

- show our commitment to join with other countries to honour Paris climate change targets
- improve air quality with reduced health impacts
- create fuel savings for consumers

In Paris we agreed to cut NZ emissions to net zero by 2050. Transportation is the ‘low hanging fruit’ in this quest. If we cannot achieve improvements in transportation we will not be able to do our part to achieve the global goal alongside other nations.

Q 2 – Is an average emissions target of 105 g CO₂/km by 2025 an appropriate target for NZ? If not, why?

Answer: YES

Why:

But we can achieve a more ambitious target.

105 gm/km is a feasible target for 2025 for used cars given that:

- most used cars are imported from Japan
- the median age for those imported cars is around 10 years.
- the fleet average in Japan in 2015 was about 105 gm/km

It is realistic to have a target for *used* cars that lags 10 years behind Japan, in order to be able to supply market needs and not overly hurt business and consumers.

However, consider that the fleet average for NEW cars being produced in Japan today is already trending to 82gm/km by 2020. (MoT discussion paper)

In addition, many manufacturers are promising electrified models from 2020 through to 2025. The electric models tend to have fuel consumption figures half, or less, than those for petrol vehicles.

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By 2025 importers of **new** cars will undoubtedly have electric options available that will allow them to meet the 105gm/km target easily without incurring penalties.

Therefore a more ambitious target should be set.

Consider setting either a fleet average target of 70gm/km for **new** cars by 2025 (separate from a used car target), or an overall fleet average of 95gm/km by 2025, with new cars pulling the fleet average lower. The revised average would depend on the relative numbers of new vehicles imported compared to used vehicles.

A more aggressive target, while remaining realistic, is needed as our emissions are already unlikely to meet climate targets for 2030 and 2050 (MoT discussion paper)

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

Answer: NO

Why:

Supply –

I do NOT expect a drop in the availability of vehicles. The manufacturers we ultimately source our vehicles from are already producing vehicles which meet the standards of the other OECD countries, who require lower emissions than this standard proposes. As NZ is a small market in the global context there should be no problem with sourcing vehicles that meet the proposed standard.

Prices –

I expect the ‘sticker price’ to increase when the standard is implemented because I expect that a fuel-efficient vehicle costs more than an equivalent inefficient vehicle. However, I believe that consumers will accept paying more if they understand that the fuel savings will more than offset the extra price, so that overall there will not be a negative financial impact for the consumer.

Q 4 – Do you consider the overall process outlined for the CCS is workable? If not, why?

Answer: YES

Why:

The process outlined is workable – it does not seem at all burdensome.

The challenge of making a process work is minor compared to the challenge of reacting to climate change.

Furthermore, a process which is needed to achieve the required objectives should not be sacrificed for a lesser process because it is easier to administer.

Q 5 – The CCS will cover new vehicles and used vehicles being brought into NZ. Should people who import 3 vehicles or less be exempted?

Answer: YES

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Why:

However, the government should track the cars being imported by exempt people to ensure that the total volume of imported cars in this category remains small compared to the overall volume of cars imported, and to track the emissions average for cars imported in this way to ensure this is not used as a loophole to bypass emissions standards.

This exemption can be revised in the years to come.

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

Answer: Adopting multiple targets progressively lowering to 105g/km

Why:

Multiple targets will encourage suppliers to improve the efficiency of all their vehicles across all weight bands every year.

The problems with the increasing percentage approach are:

- it allows less efficient vehicles to be imported for a number of years with no improvement in their efficiency
- importers of vehicles with mainly high emissions may not be able to meet this requirement from the outset, whereas they could meet the multiple targets approach which gives them time to change

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

Answer: YES

Why:

I agree with the end of the timeframe - 2025 allows a reasonable time to reach a 105gm/km target.

But I do not agree with the start of the time frame which, in effect, is 2022 (the year regulatory obligation starts)

The process should start sooner, with a regulatory obligation to meet an annual emissions target starting in 2021.

There is no need to waste 2021 by reporting-only – especially as time is not on our side with respect to climate change.

Even with no regulations formally in place, vehicle suppliers have 2020 to self-monitor their fleet averages and learn what it takes to comply with the standard and how to source appropriate vehicles, rather than waiting for the standard to come into force and then starting monitoring. They can even analyse their current 2019 year right now to see how they would measure up today.

Vehicle suppliers now know what is coming, there is no reasonable excuse for them to wait until 2022 before they must truly implement the standard.

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Q 8 – Do you support adopting a weight-adjusted CCS?

Answer: YES

Q 9 – Do you support a penalty of \$100 per g CO₂/km that a supplier of new vehicles exceeds its fleet target?

Answer: YES

Q 10 – Do you support a penalty of \$50 per CO₂/km that a supplier of used imported vehicles exceeds its fleet target?

Answer: YES

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

Answer: NO

Why:

The aim of the proposals is to lower emissions as effectively as possible.

If a supplier has a ‘good’ year then we should accept the benefits that brings. Allowing those gains to be banked to be offset against a “bad year” eases the pressure on a supplier to keep improving. It would allow a supplier to bring in higher emitting vehicles again for a period of time, to move backwards from what they have already achieved, contrary to the aims of these proposals.

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

Answer: NO

Why:

The reason given in the MoT Paper is that for the new vehicle sector improvements tend to happen as part of model updates, every 5 years or so, and that therefore suppliers of new vehicles may be unable to meet their targets until suitable models become available; as this is out of their control they should be able to borrow from future years.

However lower emission vehicle models than those currently available in NZ are already available in other countries. (“Kiwis are also missing out on many of the fuel efficient vehicle models sold overseas” - MoT paper)

Furthermore, Japan and Europe are producing vehicles which already exceed our 2025 target (MoT paper).

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Therefore the reason for allowing borrowing is not supported; suitable models are already available.

Also, escaping a penalty by borrowing would defeat the purpose of the standard to influence the selection of models that suppliers choose to import (*“the purpose of our penalty regime would be to influence the selection of models that suppliers choose to import into New Zealand” (MoT paper)*)

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

Answer: NO

Why:

The aim of the standards should be to lower emissions across the board, in all classes of vehicle.

If a supplier of high-emitting vehicles were to pool with a supplier of very low emitting vehicles, such as an EV, then the low-emitting vehicles could pull the average down to such an extent that the supplier of the high-emitting vehicles does not need to make improvements in order for the group to comply with the standard. Pooling will reduce the drive to reduce emissions in high-emitting vehicles.

Q 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

Q 15 – Do you support having a fine not exceeding \$15,000 for an individual for misreporting data for the CCS?

Answer: YES

Q 16 – Do you support having a fine not exceeding \$75,000 for an organisation for misrepresenting the CCS?

Answer: YES

Q 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

Q 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

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Q 19 – Do you agree with the proposed process for setting future emission targets? If not, what would you change and why?

Answer: YES

Q 20 – Do you think the Clean Car Discount is appropriate for NZ?

Answer: YES

Why:

I support this absolutely.

The risk of irreversible of climate change demands we make a transition to low-emission vehicles, especially electric vehicles.

But as long as the price of an EV remains high compared to fossil-fuel burners the consumer will not change their buying habits.

A discount will change the buying behaviour of two categories of consumer:

- those who purchase mainly on price – for whom an EV car costs more than they want to pay. If an EV (including PHEV) was made more affordable via a discount then it becomes a real purchasing consideration
- those who would like to purchase an EV but who cannot afford it. A suitable discount would make an EV more affordable for those people, who are the very people who will create a momentum for change.

The MoT paper also invites input on detailed aspects of the design of the Clean Car Discount.

RUC exemption

The Clean Car Discount proposes to introduce RUC for electric vehicles.

However, the RUC exemption for EVs should stay in place, alongside the Clean Car Discount, well beyond December 2021, until:

- a transition to EVs has gathered sufficient momentum. Advantages such as RUC exemption are needed as an extra incentive to push consumers to change to what, for many, is an unfamiliar technology.
- an RUC scheme is worked out that does not disadvantage pure battery EVs compared to PHEVs and “self-charging” petrol-hybrids.

Applying RUC to pure EVs will provide a purchasing disincentive compared to a plug-in EV or a petrol-hybrid.

Consider a savvy customer who purchases a PHEV. If they always charge their car at home then they can run on battery-only around town and pay ZERO RUC, as they are not purchasing petrol at the pump. A pure EV on the other hand, running on battery-only will pay RUC under the proposal. Two electric cars, one type pays RUC, the other does not. This is an imbalance which heavily favours one

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type of electric vehicle over another, and as such is inconsistent with the aims of the Clean Car initiative.

Furthermore a conventional hybrid because of its lower fuel consumption would pay less RUC than a pure battery EV, which would favour a fossil-fuel vehicle over a zero-emission vehicle. This is the opposite of what the Clean Car initiative is about.

Earlier Introduction of Discount

The Clean Car Discount proposes discounts to start from 2022. Once this policy becomes widely known it will act as a brake on EV sales as consumers wait until the discount becomes available. This slowdown will be inconsistent with the aims of the Clean Car Discount which is to foster the purchase of low-emission vehicles.

I recommend that the discounts be applied from the beginning of 2021, to reduce this window of reduced sales of low-emission vehicles.

Note an inconsistency: appendix 4 shows discounts applying in the 2021 year whereas the body of the MoT paper explains that discounts will start only after RUC finishes at the end of December 2021

That still leaves the latter part of 2019 and all of 2020 where sales may slow. I suggest that half-discounts be applied retrospectively to purchases of EVs and PHEVs made in 2020, with the case being made that savings in running costs for consumers who purchase in 2020 will help to offset the loss of half the discount. This action may counter the drop in EV sales that will otherwise occur prior to the Clean Car Discount coming into force.

Fee Bands

The bands to which the discount is applied should be narrowed, with a focus only on EV and PHEV only, as these are the vehicles that we ultimately want the fleet to be comprised of.

The size of the discount should be increased in these bands, for the same reason.

Q 21 – Is the emissions benchmark of 105g CO₂/km by 2025 an appropriate one to have for the CCD?

Answer: YES

Why:

But we can do much better.

The discount structure is not aggressive enough to create the sort of changes that are needed in the coming years.

- Clean car discounts should apply only to very clean cars – those under 50g/km – right from the outset.
- In addition the discount should only apply to cars having an electric-only range greater than 50km.

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In practice this means it would apply only to electric cars. This includes EVs and PHEVs but not low emission fossil fuel cars nor conventional hybrids.

Rationale with regard to new cars:

The aim of a clean car discount should be to change consumer purchasing decisions towards substantially cleaner cars, to assist NZ to meet its Paris commitments for emissions reductions.

1. Rewarding purchasers of new low emission fossil fuel cars (eg Suzuki Swift, Toyota Corolla) will not change consumer behaviour.
 - a. These customers are already choosing these cars because they provide the features they want at a price they can afford. They don't need financial assistance as they are already buying these cars without financial assistance. Rewarding them will not change their behaviour as their behaviour is already where we want it to be.
 - b. It is unlikely that someone who wishes to purchase a Corolla will be persuaded instead to buy a Swift on the basis of the discount, as they chose a Corolla based on particular needs and desires (passenger space, boot space, ...) and the Swift does not provide those needs, otherwise they would already have bought a Swift.
2. Rewards should be targeted at creating a new set of purchasing behaviours that are radically different from today's – because the climate targets NZ is working to adopt require we make radical changes in the way society works if we are to have any chance of meeting them. The clean car discount should be focused on, for example, getting a purchaser of a petrol Hyundai Ioniq to swap to an electric Ioniq rather than shifting them to a lower spec'd alternative fossil car.
3. Electric cars will make the biggest difference to lowering fleet emissions over time, but they cost substantially more today, making them unaffordable to most people. The aim should be to make these unaffordable cars more affordable, rather than to make an already affordable fossil fuel car more affordable. There are many people out there ready to buy an EV if the price were lower.

To those who would say that incentivising electric cars will only assist people who are already wealthy – there are many people who are not wealthy but who wish to drive an electric car. The discount will enable them to purchase an EV, which will give them the advantage of a vehicle with lower running costs than a fossil-fuel vehicle, helping them to be better off.

With regard to PHEVs, while they have a carbon emissions-component they are worth supporting with discounts as they will encourage another group of people into electrification who otherwise wouldn't change, those for whom range anxiety is a factor. Once they realise the convenience and savings that come from charging up at home, they will operate in electric mode more often which will bring significant emissions reductions. Furthermore, they will share their experience with those around them creating further understanding on the capability of electric vehicles in the general population.

Q 22 – Would an initial emissions benchmark of 150g CO₂/km be suitable for the first year of the CCD? If not, why?

Answer: NO

Why:

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We should not offer discounts on vehicles which fall outside the proposed target for 2025. To do so is to incentivise the purchase of a vehicle which will remain outside the Clean Car Standard until 2040. Such purchases will happen, but they should not be incentivised.

Furthermore, discounts should be focussed more heavily on the outcome we want – really low emissions. They should only be given to electric cars with a battery-only range of more than 50km (and hydrogen if that becomes a reality), as explained in the response to the previous question.

Discounts should not be given to purchase fossil-fuel cars or conventional hybrids.

Q 23 – Do you think the level of the fees and discounts in the example CCD schedules (Appendix 4) would increase demand for low-emission vehicles? If not what changes would you make?

Answer: YES

But only in certain cases.

The level of *fees* will not generally increase demand for low emission vehicles:

- In general, a person intending to buy a vehicle that attracts a fee will not be able to find an equivalent specified vehicle that will not attract a fee.
- The size of the fee will not be enough to put a purchaser off. The prices of the higher-emitting vehicles are usually at a price point where the people who can afford them now will be able to afford the fee, even if they don't like it.

However, a fee must be implemented for high emission vehicles to begin the process of costing in the additional harm that a high emission vehicle causes over its lifetime. There should be a cost for the privilege of *choosing* a vehicle that creates more environmental harm through excessive carbon emissions. And we should understand that the extra fee proposed will in no way be able to cover costs in dealing with future sea level rise and weather events exacerbated by climate change. In that context it is merely a token gesture. But the cost is necessary to begin a mindset change – which is that one should avoid a choice that will cause harm to future generations as a by-product. These changes always take at least a generation to become normalised.

The level of *discounts* for *fossil-fuelled* vehicles will not generally increase their demand.

- There are few cases where a purchaser could find a discounted vehicle which matches the specification they are looking for. A purchaser who is considering a Corolla is unlikely to choose a Swift because of its discount – as they chose the Corolla for certain characteristics that the Swift doesn't have; if a Swift had met their criteria then they would have bought it anyway, even with no discount.
- And if the purchaser was always going to buy a Swift then a discount on it is not going to change their behaviour. But they will be getting a 'reward' for no change in their behaviour.
- There are some cases where a vehicle with a discount has a superior specification to a non-discounted vehicle being considered. However, it will invariably turn out that the discounted vehicle has a higher purchase price which is not offset by the discount on that vehicle; it will be a price beyond what the purchaser had intended to pay.

In addition,

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- I do not consider a discount of less than \$1000 will be enough to entice a purchaser to a lesser spec'd vehicle.
- The fossil-fuelled cars that the proposed CCD offers small discounts on are cars that are already well priced, and therefore sell well without any financial assistance or incentive needed

The level of *discounts* for EVs will increase their demand.

- For every EV there is generally a similar spec'd fossil-fuel vehicle. A generous discount for EVs will increase demand for them, even though the purchase price is still more expensive than the equivalent fossil-fuel vehicle.

The level of *discounts* for pure EVs should be increased to create greater demand

- Overseas, the size of discounts on EVs has been between 9000-10000NZD when their programs started. I suggest to not discount any fossil-fuel cars (reasons above) and apply those savings to increasing the discount on pure EVs to the psychological barrier of \$10000. It is pure EVs that are needed in the fleet to combat climate change and which we need to encourage in particular.
- Consider removing GST on pure electric vehicles for a few years to really kick start change.

The impact of this can be seen by applying this formula to vehicles which have both EV and petrol variants.:

Ioniq EV \$64000 – 10000 = \$54000, -GST 7000 = \$47000 ... compare Ioniq hybrid \$47000

Kona EV \$75000 – 10000 = \$65000 – GST 8500 = \$56500compare Kona petrol \$38000

The above discount plan brings the price of an EV down to be competitive with the fossil-fuel variant. Even at price parity the EV is not a bargain – there are perceived limitations with EVs which may still prove to be a barrier to many. But for those who are prepared to make some compromises the above incentive plan will make it practical for them to choose an EV.

FBT rules encourage high emitting vehicles

The MoT document explains that one of the reasons why vehicles entering our light fleet have a relatively poor emissions performance is that the share of UTEs and large SUVs coming into our fleet has been increasing.

Yet it seems that UTEs (including double cab UTEs) get special treatment with regard to FBT that creates a bias towards purchasing them.

The current special treatment for UTEs is in effect an incentive for UTEs - which are now commonly seen on our roads in private use. And these vehicles are at the higher end of the emissions spectrum.

This situation creates behaviour in emissions opposite to what is required.

Therefore, this discrepancy should be addressed – or counteracted by creating a special treatment for EVs.

Related to this is the possibility of a backlash relating to trade vehicles. The choice of vehicle to fit a particular trade may be limited, and these tend to be at the high emissions end of the spectrum – UTEs again. The argument could be made that 'tradies' would have an additional burden because the sort of vehicles that are suitable for them will generally incur a fee.

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This could be addressed by a policy:

- “to retain the FBT exemption for UTEs and trade vehicles” to offset the fee which may apply to high-emission vehicles used in that context

until such time that lower-emitting trade vehicles become available.

Q 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: Annual change is practical

It seems reasonable to change the fees and discounts schedule in sync with changes in the Clean Car Standard.

As the standard improves, more of the high-emission bands should be included into the fee-paying group of vehicles. Because the standard will change every year, so the fee-paying group should be extended every year, and therefore the schedule should change every year.

The discounted group of vehicles and the level of discounts doesn't necessarily need to change every year.

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

Answer: YES

Many near-new vehicles are imported into NZ and these are already discounted relative to their original price. Allowing these to receive the 'new vehicle' Clean Car Discount will give an additional boost to the discount on clean vehicles which will make them more affordable to more people.

Q 26 – Do you think a zero band is appropriate?

Answer: YES

A zero band is essential. Purchasing behaviour should be changed by manipulating prices at the extremes of the spectrum.

It is fair to reward people for purchasing very clean cars.

On the other hand, applying a fee to all other vehicles could be seen as a punitive tax. Smaller vehicles with moderate emissions are the only practical choice for people who have less money to spend. They should not pay a fee when effectively they have little freedom of choice.

However, vehicles at the high end of the emissions spectrum tend to be a personal lifestyle or vanity choice much of the time. The word 'choice' is key here. Because of the nature of 'choice' these vehicles should attract a fee for their higher emissions. (Note the comment made previously about trade vehicles and FBT).

Therefore, in conclusion a zero band is essential.

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

Answer: NO

The upper boundary of the zero band, marking the fee boundary, is appropriate.

The lower boundary of the zero band, marking the discount boundary, is not appropriate.

The discount boundary should align with plug-in hybrids and below. At the very least it should not be greater than the 105g/km boundary which marks the 2025 target

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

Answer: YES

It simplifies administration and financing.

Q 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 suppliers? If not, why?

Answer: YES