In Confidence

Minister of Transport and Minister of Energy and Resources

Cabinet Environment, Energy and Climate Committee

Finalising 2022 Clean Vehicle Programme Details

Proposal

1 This paper progresses the Clean Vehicle programme by seeking confirmation on outstanding decisions and details, notably the dollar amounts of rebates and charges for consumers and vehicle labelling.

2 The majority of this proposal is transport related, with a final section energy related, concerning both portfolios.

Relation to government priorities

3 This proposal is one of a number of actions taken in response to Parliament's declaration of a climate change emergency. It will give effect to the commitment in the Labour Party's Clean Energy Plan to accelerate the electrification of the transport sector and to our Cooperation Agreement with the Green Party of "increasing the uptake of zero-emission vehicles".

4 This policy will also be one of a number of transport policies to be included in the Government's first Emissions Reduction Plan (the ERP), which must be published by 31 May 2022. The ERP, led by the Minister of Climate Change, will outline the strategies and policies that will be used to achieve the first emissions budget for 2022–2025 and will be built on to deliver the second and third budgets (over the 2025-2030 and 2030-2035 periods).

5 New Zealand has adopted a stronger agreement to halve its net emissions under the Paris Agreement by 2030[1]. This calls for increased domestic transport emission reductions this decade.

Executive Summary

6 The Government introduced the Land Transport (Clean Vehicles) Amendment Bill (the Clean Vehicles Bill) into the House on 8 September 2021. The Clean Vehicles Bill advances the Government's work to rapidly decarbonise New Zealand's light vehicle fleet. It provides for policies that act on the supply and demand of new and used light vehicles imported into New Zealand, to lower overall carbon dioxide emissions (CO_2) over time.

7 Rebates on electric vehicles (EVs) and plug-in hybrid EVs (PHEVs) commenced on 1 July 2021 with the launch of the Clean Car Discount scheme (the Discount scheme). Expanding rebates to a wider range of low emitting vehicles and introducing charges on high emitting vehicles is scheduled to be implemented in 2022 and will complete the Discount scheme.

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[1] https://www.beehive.govt.nz/release/govt-increases-contribution-global-climate-target.

8 In May 2021, Cabinet agreed in principle to the dollar amounts that would apply to the rebates and charges in the complete Discount scheme, and these have been socialised with industry and the public [Cabinet Minute CAB-21-MIN-0186 refers; see paragraph 18 for summary].

9 As the Minister of Transport, I am proposing to retain these rebate and charge levels for 2022. The record increases in EV sales since July 2021, together with the positive response to the Discount scheme supports adopting the planned 2022 figures without change.

10 While some industry sectors have recommended that utes be removed from the Discount scheme, I consider they feature very strongly in our decarbonisation goals and should be kept in.

11 Delays to introducing the Clean Vehicles Bill due to the recent COVID-19 Delta outbreak mean that the complete Discount scheme is now expected to commence in April 2022 rather than January 2022 as originally announced. I issued a press release about the new timing on 21 September 2021. The current rebates for EVs and PHEVs will continue unchanged until the complete Discount scheme commences.

12 At the direction of the Minister of Agriculture and the Minister of Transport, officials are investigating the option to extend rebates (but initially not charges) to some small light vehicle types (for example, motorbikes, mopeds, and all-terrain-vehicles (ATVs)). This would increase equity for people and businesses in rural areas by providing rebates on a wider variety of zero and low emission vehicles they commonly use.

13 The Clean Vehicles Bill provides for amendments to the Land Transport Act 1998 to empower regulations concerning the manner in which CO_2 emissions of vehicles must be determined. This includes determining CO_2 emissions where insufficient data is available and to prescribe formulas for the purposes of converting CO_2 emissions calculated using one testing cycle to another testing cycle. I recommend that the Clean Vehicles Bill be amended to empower rules for these purposes.

14 The Land Transport Rule: Fuel Consumption Information 2008 (FCI Rule) is the current legislative vehicle used to capture CO_2 emissions data. Changes need to be made to the FCI Rule to require vehicle importers to provide accurate CO_2 information, make conversions between different test cycles and provide other data to support the complete Discount scheme.

15 I seek Cabinet confirmation of a number of technical changes that do not alter the policy intent, but rely on small changes to the Clean Vehicles Bill.

16 I also seek that Cabinet agree to delay a previously agreed plan for importers to provide more accurate emissions testing information from January 2022 by two more years to January 2024.

17 Many of these matters were discussed on 15 October 2021 at a Climate Response Ministerial Group (CRMG) meeting, and its discussions and recommendations are reflected in this paper.

18 Cabinet has also agreed to make the following information regarding the Clean Car Standard and Clean Car Discount visible to consumers at the point-of-purchase through clear labelling on the vehicle, and through electronic labelling if the vehicle is advertised online [CAB-21-MIN-0128.01 refers]:

18.1 a vehicle's CO_2 emissions in grams per kilometres,

18.2 a star rating (for the CO_2 emissions), and

18.3 the monetary amount of any rebates or fees/charges.

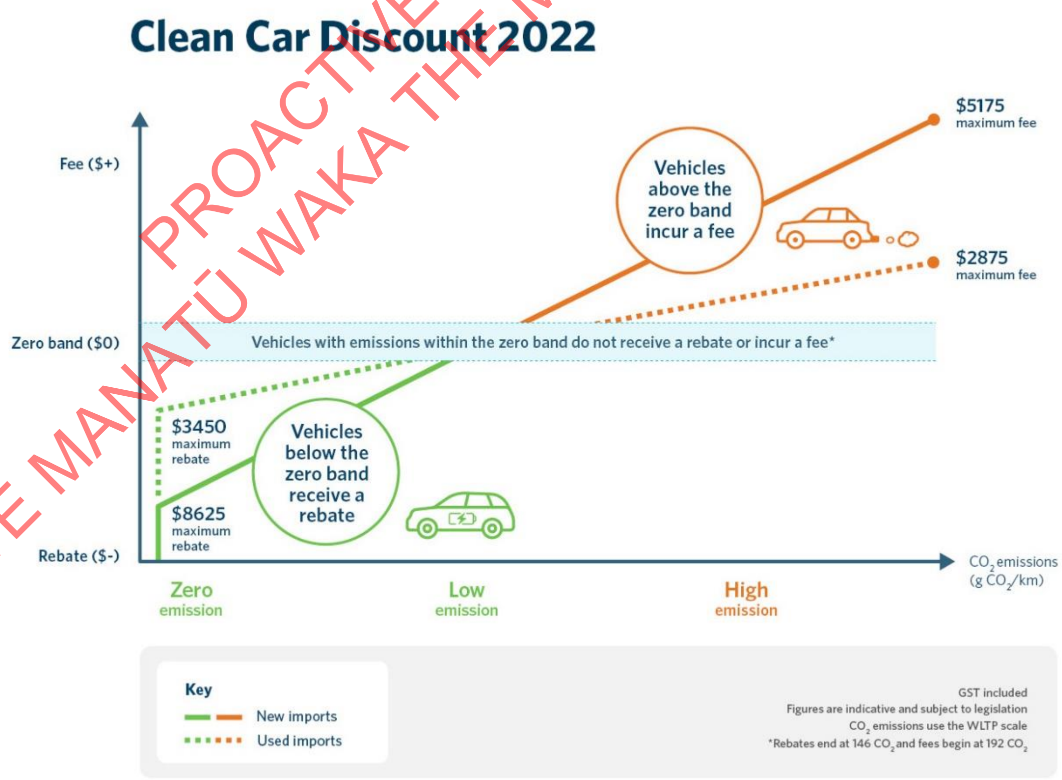
19 To implement Cabinet's decision, we are also seeking Cabinet's approval to release the discussion document 'Options for providing Clean Vehicle information to consumers'. It presents the preferred option of amending the existing vehicle fuel economy labelling scheme to include information about vehicle emissions and any rebates or charges associated with those emissions at point-of-purchase.

20 The Minister of Energy and Resources intends to have a minimum four week period of public consultation pending your approval to release the discussion document.

Cabinet agreed to 'in-principle' rebates and charges earlier this year

21 In May 2021, Cabinet agreed to in-principle dollar amounts for 2022 rebates and charges and that these would be confirmed later in the year. This allowed for public comments and analysis of the impact of rebates on the market [Cabinet Minute CAB-21-MIN-0186 refers].

22 These figures were publicly announced in June 2021 and are summarised by the image below and detailed in Annex 1.



23 Rebates on EVs and PHEVs commenced on 1 July 2021.

There has been a strong market response to rebates since July 2021

Sales of brand-new passenger EVs and PHEVs have at least tripled in response to the Discount scheme rebates

24 During the first half of 2021, sales of new EVs and PHEVs accounted for 3 percent of new passenger vehicle registrations. In July this rose to 12 percent, in August this held at 9 percent, and in September this reached 17 percent. These are now New Zealand's top three highest EV sale months by market share.

25 For the first time ever, in September an EV held the number one position in the new passenger car segment.

26 This surge in registrations has resulted in the average monthly emissions of new passenger vehicles falling a significant 15 percent in just three months.[2] This is almost exactly the proposed 2023 CO_2 target, and close to half of the progress needed to reach the 2025 target. It previously took eight years for this segment to attain a 15% reduction in CO_2. (This is graphed in Annex 2).

27 As a result of the higher demand for EVs, I understand wait times for some vehicle models have increased to several months. This shows that at the current rebate levels, much higher volumes of EV registrations are possible once supply constraints improve. COVID-19 impacts on vehicle manufacturing and shipping may cause the registration of higher and lower emissions vehicles to fluctuate month to month.

28 I am pleased to see suppliers dropping vehicle prices to fit within the maximum $80,000 purchase price cap to be eligible for rebates, and, that several brands have announced they will fast-track the entry of new models to New Zealand (e.g., Skoda, Peugeot, Renault, BYD, Volvo Polestar, Lexus). Several brands have begun more prominent advertising of their EVs, showcasing that Government rebates are available. This shows the amount of the rebate and policy design are working.

Sales volumes of brand new commercial EVs (vans, utes) have not changed significantly

29 The lack of commercial EVs is due to the lack of immediate supply. However, the July 2021 policy announcement generated significant market discussion.

30 Although they are not able to provide EV models, I understand that several key brands locally are beginning to select different engine sizes and specifications for diesel utes that enable lower emissions, and thus, attract lower charges under the Discount scheme in 2022. I consider this to be a positive move.

31 I understand LDV (a vehicle brand) may become the first distributor to bring an electric ute model to New Zealand and has a very high level of customer enquiry about its upcoming product. It is hoped this will be available in 2022.

32 Brand new electric vans (by LDV and Renault) and plug-in hybrid vans (by Ford) are available for commercial users today and are eligible to receive rebates.

[2] From 173g in June 2021 to 147g in September 2021 (CO_2 per kilometre using WLTP 3phase test).

Sales volumes of used import EVs (including PHEVs) rose about 50% in July 2021[3]

33 Following the large increase in registrations in July 2021, volumes have reverted to historical levels during August and September. EVs are making up around 3 percent of the used vehicle import market.

34 This relatively low figure is likely contributed by the significant and ongoing disruption in all parts of the used vehicle supply chain due to COVID-19. The overall volume of used imports during July and September is down a third on typical levels. Used import electric vehicle registrations in Auckland are usually double those of each of Wellington and Christchurch but in September, Auckland volumes were less than these cities; this coincides with Auckland's current COVID-19 lockdown.

35 Uptake of EVs within the used import market may also be lower than the new segment because there are fewer used EV models available in Japan compared to new EV models being sold in New Zealand. There is a significant supply of used conventional hybrid models in Japan. These will become eligible for rebates in 2022, and I am comfortable there will be a greater response to the Discount scheme in the used vehicle segment at that time.

36 I also expect the mandatory labelling of rebates and charges displayed on vehicles for sale introduced next year will motivate customer behaviour and increase purchase rates of hybrid and electric used imports.

37 Overall, I consider the market has made significant and positive responses in terms of sales volumes, greater supply, and price reductions. The introduction of rebates and policy announcements have created a large increase in EV market share.

Some industry and stakeholder bodies are supportive of the Discount scheme while others continue to question the inclusion of utes, and the Clean Car Standard targets

38 *The Motor Industry Association (MIA),* representing distributors of new vehicles, publicly welcomed the Discount scheme and noted the level of rebates as 'significant'.[4] The MIA did not suggest changes to the thresholds and dollar amounts for the charges being introduced in 2022, however it has questioned whether utes, used by tradespeople, could be excluded from charges. The MIA noted farmers already receive an exemption from the Emissions Trading Scheme (ETS) and did not seek that farmers be given an exemption from charges on utes under this policy.

39 Since the introduction of the Clean Vehicles Bill in the House in September 2021, the MIA has commented publicly that it is 'withdrawing support' for the Clean Car Standard due to the strength of the targets for later in the decade.[5] The MIA has, however, never supported the Standard's targets.

40 In addition to New Zealand's 2025 target levels having already been met in some jurisdictions, the UK, Norway and other countries and states are moving to prohibit the sale of petrol and diesel vehicles between 2025 and 2030. We must move quickly to avoid becoming a 'dumping ground' for these kinds of vehicles.

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[3] This figure ignores June sales that appear to have been postponed into July in order to receive a rebate.

[4] https://www.mia.org.nz/Portals/0/At%20Last%20incentives%20for%20EVs.pdf.

[5] https://www.mia.org.nz/Portals/0/MIA%20withdraws%20support%20for%20the%20clean%20car%20standard.pdf.

41 Initial data from the first phase of the Clean Car Discount roll-out indicates that our emissions targets should be achievable. Once charges on high-emitting vehicles are added, I expect the market to move further. Some claims and reporting on this issue have applied the 2025 targets to the current mix of vehicles entering our fleet, failing to acknowledge that the supply of vehicles and consumer preferences are changing.

42 The *Imported Motor Vehicle Industry Association (VIA)* – focussed on used vehicles – has changed its policy stance and is now publicly backing the government's initiatives to cut transport emissions. VIA's council, made up of about 20 members, announced on October 14 it has voted "to support the clean car programme in principle and to work closely with the government to develop the clean car discount and standard proposals." VIA stated it recognises that New Zealand's commitments under the Paris Climate Change Accord will require a transition to EVs and other low-emitting vehicles, with hybrids being a transitional step.[6]

43 The *Automobile Association* described the policy as "a well-balanced and positive package", and *the Motor Trade Association* made similar comments.

44 A number of parties representing rural and farming groups, including Federated Farmers, DairyNZ, and Groundswell asked that certain customer segments be excluded from paying the charges on utes where such vehicles are necessary for work purposes. They did not ask that the level of charges be changed.

45 A number of advocacy groups showed strong support. Drive Electric noted the size of rebates and charges means global automakers will prioritise EVs for the New Zealand market. Greenpeace called the policy 'welcome' but stated more was needed, such as an internal combustion engine vehicle import ban from 2030 and reduced dependence on cars.

46 Public awareness is increasing. While I have not formally consulted with the public since the policy announcement, we can get some insights from quarterly phone-based market research on EV consumer sentiment undertaken by the Energy Efficiency and Conservation Authority (EECA). EECA's research shows that since the public announcement of the Discount scheme in June, there has been a noticeable increase in the number of people reporting being aware of the environmental benefits of EVs, however there has also an increase in people considering them to be unsuitable, largely due to concerns of purchase price and battery characteristics.

47 75 percent of those contacted in the latest EECA survey stated they had heard of the Discount scheme.

48 We can also determine public interest stemming from the clean car policies from information published by TradeMe. TradeMe noted EV and hybrid search queries rose 400 percent in the week following the public announcement of the Discount scheme. Interest in utes appeared also to climb (diesel vehicle searches also increased by 24 percent).

I seek to proceed with the rebate and charge figures Cabinet agreed earlier

49 I have reviewed the public and industry discourse and the increased purchase of EVs since rebates were introduced on 1 July 2021. I consider that this increase supports

[6] https://autofile.co.nz/via-backs-government-over-clean-cars-.

adopting the figures Cabinet discussed earlier and illustrated in paragraph 16. Refer to Annex 1 for detailed figures.

50 I consider it is important that utes remain in the Discount scheme as they comprise such a significant proportion of our vehicle emissions. The rise in demand for utes this year indicates the public are motivated to avoid charges when introduced and suggest that, once implemented, the Discount scheme will encourage more lower-emission diesel utes to be purchased when charges are in effect.

51 Helpfully, together with CO_2 targets imposed on importers, this would also apply pressure to the global automotive sector to prioritise New Zealand in supplying zero-emission utes.

52 For example, Ford in Europe has announced that its entire commercial vehicle line up (including utes) will be electric or hybrid by 2024, and that electric and hybrid ute sales will commence in the USA in 2022[7], whereas Ford New Zealand has not made any announcement about the availability of hybrid or electric utes here.

Implementation of the complete Discount scheme has been delayed three months due to COVID-19

53 Delays to introducing the Clean Vehicles Bill due to the recent COVID-19 Delta outbreak mean that the complete Discount scheme is now expected to commence in April 2022 rather than January 2022 as originally announced. I issued a press release about the new timing on 21 September 2021[8].

54 This means that the rebates offered on new and used EVs will continue under current settings for a longer period of time until the complete Discount scheme is in place. The level of funding provided through Budget 2021 is sufficient to carry the Discount scheme through this period[9].

55 The exact date of when the complete Discount scheme will begin is reliant on the enactment of the Clean Vehicles Bill, together with associated regulations.

Under active consideration

[redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[7] https://media.ford.com/content/fordmedia/feu/en/news/2021/02/17/ford-europe-goes-all-in-on-evs-on-road-to-sustainable-profitabil.html.
[8] https://www.beehive.govt.nz/release/clean-vehicles-bill-passes-first-checkpoint.
[9] For the four-month period that rebates have been offered (1 July to 31 October 2021), $27.6 million worth of rebates has been paid out. This has utilised less than 10% of the available funding provided through Budget 2021 and shows there is sufficient funding through to 31 March 2022.

[redacted]

[redacted]

[redacted]

[redacted]

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I recommend the Fuel Consumption Information Rule is amended to support the Clean Vehicle programme, and will undertake targeted consultation on changes

67 The Clean Vehicles Bill provides for amendments to the Land Transport Act 1998 to empower regulations concerning the manner in which CO_2 emissions of vehicles must be determined. This includes determining CO_2 emissions where insufficient data is available and to prescribe formulas for the purposes of converting CO_2 emissions calculated using one testing cycle to another testing cycle. I recommend the Clean Vehicles Bill be amended to empower rules for these purposes.

68 Land Transport Rule: Fuel Consumption Information 2008 is the current legislative vehicle used to capture fuel consumption and CO_2 emissions data. It is therefore appropriate to amend and update this rule to capture data in support of the

implementation of the Clean Vehicle programme. The information required by the FCI Rule is critical to enable the correct charges and rebates to be applied to vehicles for both the Discount scheme and the Standard.

69 These changes need to be made to the FCI Rule by April 2022 to require vehicle importers to provide accurate CO_2 information, make conversions between different test cycles and provide other data to support the Discount scheme. I will undertake targeted consultation with the motor vehicle industry on the proposed changes

70 The proposed amendments to the FCI Rule will also address the following issues:

70.1 The current FCI Rule does not allow for, or ask for, some specific types of information needed by the policy. For example, it does not currently allow the entry of vehicles tested on the 3-phase Worldwide Harmonised Light Vehicles Test Procedure (WLTP).[10] This is despite increasing numbers of vehicles using this test cycle arriving as Japanese used imports and this test procedure being the basis on which much of the Standard and Discount scheme is based upon.

70.2 The current FCI Rule does not require sufficient information on PHEVs to be collected, and this is needed to allow the Government to accurately determine their CO_2 emissions level.

70.3 The current FCI Rule has provisions based on the assumption that data relates to units of liquid fuels, which EVs cannot provide. The FCI Rule needs to make allowance for EVs and specify what data must be collected about them.

70.4 The current FCI Rule requires that Waka Kotahi notify the registered party of a vehicle if its emissions level changes. We will be converting the values of all vehicles in the fleet to a newer (WLTP) test procedure to ensure consistency of measurement. The current wording would unnecessarily obligate us having to notify most car owners.

70.5 We need legislation to specify the formulas and methodology to be used to make conversions between the various different test cycles, that are then used for the purposes of the Clean Vehicle programme. By putting these into the FCI Rule we can avoid the conversion formulas being duplicated in several locations.

71 I intend to recommend the amendment of the FCI Rule by Order in Council under section 152A of the Land Transport Act 1998. This will ensure the timing of the FCI Rule aligns with the regulations for the Clean Car Discount scheme. Although public notification is not mandatory in the Order in Council process, I intend to carry out a two-week period of targeted industry consultation on the draft FCI Rule.

72 The amendments to the FCI Rule need to be in place by April 2022 to align with the timing of the regulations for the Discount scheme.

73 I consider a short targeted consultation period is appropriate because:

[10] The Worldwide Harmonised Light Vehicles Test Procedure specifies a variant with three phases of testing (low, medium and high speed) and four phases (adding extra high speed). New Zealand will adopt the three phase variant.

73.1 This consultation is not seeking any overall change to policy design, but rather, on implementation detail.

73.2 These issues we are looking to resolve have already been discussed in a technical and detailed fashion with key industry stakeholders including the MIA and the VIA. The draft proposed FCI Rule will reflect these discussions.

73.3 Targeted consultation on the final FCI Rule will ensure we test the technical accuracy of changes and ensure it informs the outcomes we are looking for in the Clean Vehicle programme.

I seek agreement to alter the previously agreed determination of CO_2 values

74 Cabinet previously agreed that a vehicle's CO_2 emissions would be determined by its manufacturer and that where vehicles have no manufacturer's CO_2 value, Waka Kotahi will ascribe a suitable value based on authoritative information on the same or similar vehicles[11]. Cabinet also agreed that for the Standard if no information existed the vehicle will be deemed to exceed its weight-adjusted target by 50g (CAB-21-MIN-0004, rec 15)[12].

75 I now seek Cabinet agreement to change this approach, because "the manufacturer" is too narrow and an inflexible term. In practice, we would instead define the source of CO_2 emissions in a more complex fashion, using a prioritised list. For example, we would propose to define authoritative data as coming from:

75.1 a test cycle performed as part of the process for approval of vehicles in a relevant jurisdiction, and if no such test cycle has been performed;

75.2 a test cycle performed as otherwise required by law in a relevant jurisdiction, and if no such test cycle has been performed;

75.3 a test cycle carried out by an independent testing body, and if no such test cycle has been performed;

75.4 a test cycle carried out by the vehicle maker, and if no such test cycle has been performed;

75.5 software modelling by the vehicle maker of the likely results of performing a test cycle.

76 Likewise, we would define preferred test cycles and authorised sources using prioritised lists.

77 I recommend that this detail sits in the FCI Rule rather than in Discount scheme and Standard Regulations.

78 I also seek Cabinet agreement that where sufficient data is not available, or a vehicle has no CO_2 value, its emissions will be determined according to the process in the amended FCI Rule. The methodology and conversion formulas for converting or estimating CO_2 emissions will be prescribed in the updated FCI Rule. This will allow

[11] CAB-21-MIN-0004, recommendation 14.
CAB-21-MIN-0004, recommendation 15.
[12] CAB-21-MIN-0004, recommendation 15.

for more accurate data collection than Waka Kotahi ascribing suitable value based on authoritative information on the same or similar vehicles, as previously agreed.

79 To support these changes, I recommend that the Clean Vehicles Bill be amended as necessary to empower land transport rules to prescribe the manner in which CO_2 emissions of vehicles must be determined, including requiring fit for purpose data and information, determination of CO_2 where insufficient data is available and to prescribe formulas or methodology for the purposes of converting or estimating CO_2 emissions. If agreed, officials will recommend these changes to the Clean Vehicles Bill through the Departmental Report in November 2021.

I seek agreement to delay a requirement for more accurate vehicle test procedures

80 In January 2021 Cabinet agreed to adopt a requirement that vehicles manufactured from January 2022 must be tested to the WLTP vehicle emissions procedure to enter New Zealand (CAB-21-MIN-004 refers). This is the contemporary global approach and an enacted requirement for vehicles sold into Europe, U.K., Japan, and several other major markets.

81 A significant hurdle is that 80% of new vehicles entering New Zealand do so by showing they meet Australian requirements, and Australia is some years away from requiring WLTP. Almost half of new vehicle distributors would need to significantly change commercial relationships and practices to supply vehicles with WLTP documentation if we move ahead of Australia, and hence would not be ready by January 2022, and they have asked for at-least two year's delay.

82 Delaying the WLTP requirement would temporarily reduce the accuracy of vehicle carbon dioxide emissions measurements used by the Standard and Discount on new vehicles. It will have little impact on used imports, as they will increasingly move to WLTP due to Japanese domestic requirements for that procedure starting in 2018.

83 I have already indicated to the vehicle industry that I would seek agreement to delay introducing this requirement and have not begun any process to develop legislation needed to implement it.

84 Therefore I recommend Cabinet agree that this requirement is delayed. Officials are now developing a new proposal and will report back separately on this once consultation and policy development is complete.

Consultation on options to make Clean Vehicle information available to consumers

Consultation requirements

85 Cabinet has previously agreed to make the following information regarding the Clean Car Standard and Clean Car Discount visible to consumers at the point-of-purchase through clear labelling on the vehicle, and through electronic labelling if the vehicle is advertised online [CAB-21-MIN-0128.01 refers]:

85.1 a vehicle's CO_2 emissions in grams per kilometres,

85.2 a star rating (for the CO_2 emissions), and

85.3 the monetary amount of any rebates or fees/charges.

86 Officials have looked at different ways of implementing Cabinet's decision and communicating Clean Vehicle information to consumers. Officials have concluded

that the most effective option is to change the existing vehicle fuel economy labelling scheme to include this information. This option requires changes to the following legislation:

86.1 The Energy Efficiency and Conservation Act 2000 (the EEC Act) allows regulations to be made, which prescribe labelling requirements for energy-using products, including vehicles, which pertain to energy efficiency, or proficiency in conserving energy.

86.2 The Energy Efficiency (Vehicle Fuel Economy Labelling) Regulations 2007 (the VFEL Regulations) are made under this regulation-making power. The VFEL Regulations currently prescribe that all light vehicles under 3.5 tonnes being sold, except for motorbikes, display fuel saver information, which relates to their fuel economy, with a corresponding 'star' rating, provided the information is available.

87 The relevant amendments to the EEC Act are already being progressed through the Clean Vehicle Bill. The Bill provides for regulations to be made in relation to the labelling of vehicles in terms of their carbon dioxide emissions and any financial rebates receivable or fees/charges payable relating to those emissions under a new paragraph in section 36(1)(ba) of the EEC Act.

Timeline to make Clean Vehicle information available to consumers

88 The amended VFEL Regulations ought to come into force on the same date as the complete Discount scheme, so that consumers have access to the information they need at the point-of-purchase from the start of the scheme. Otherwise, consumers will be required to seek out the information for each potential vehicle purchase independently.

89 In order for the proposed amendment to the VFEL Regulations to commence on 1 April 2022, draft amendment regulations need to be considered by the Cabinet Legislation Committee in early 2022.

90 Section 36(2) of the EEC Act requires that the Minister of Energy and Resources give interested persons a "reasonable time" to make submissions on the proposed amendment to the VFEL Regulations. To meet this requirement whilst ensuring the regulatory change comes into force on 1 April 2022, consultation needs to occur prior to the creation of the new regulation-making power in the Clean Vehicle Bill (anticipated to occur in March 2022).

91 Consultation prior to the creation of the new regulation-making power in the Clean Vehicle Bill has been enabled by a transitional validating provision inserted into the Schedule of the Clean Vehicle Bill.

92 The transitional validating provision allows for any action taken for the purpose of meeting the section 36(2) consultation requirements under the EEC Act relating to regulations made under section 36(1)(ba) of the EEC Act to be treated as having been validly taken, if those actions were taken prior to the commencement of the Clean Vehicle Bill. Under this validating transitional provision, consultation through the attached discussion document can satisfy the consultation requirements under the EEC Act.

The Minister of Energy and Resources seeks to publicly release a discussion document

93 The Minister of Energy and Resources seeks Cabinet's approval to release the discussion document Options for providing Clean Vehicle information to consumers. It presents the preferred option of amending the existing vehicle fuel economy labelling scheme to include a requirement to display the following information at the point-of-purchase:

93.1 a vehicle's CO_2 emissions in grams per kilometres,

93.2 a star rating (for the CO_2 emissions), and

93.3 the monetary amount of any rebates or fees/charges.

94 The document also analyses and seeks views on other options to communicate this information to consumers at point-of-purchase. The Minister of Energy and Resources intends to commence public consultation in November 2021 for a period of four weeks, pending your approval to release the discussion document.

95 Following analysis of submissions on the consultation, The Minister of Energy and Resources will provide further advice to Cabinet in early 2022 on the outcome of the consultation and any regulatory changes required.

Other technical matters need to be confirmed

Reporting requirements for the Clean Car Standard should be brought forward, to late 2022.

96 To give Waka Kotahi time to develop necessary IT systems for the Standard, and to provide necessary time to develop associated regulations, the Clean Vehicles Bill as drafted does not obligate importers to create a CO_2 account nor enter vehicle CO_2 information against a CO_2 account until 1 January 2023, which is when charges commence on importers that do not meet CO_2 targets.

97 This date could result in a rush of importers signing up for a CO_2 account, or seeking customer support to use the system during a time where Waka Kotahi staff have limited capacity or are on statutory holidays. This could create bottlenecks and frustration.

98 To improve implementation, I (the Minister of Transport) recommend that one month earlier, from 1 December 2022, a reporting obligation commence whereby vehicles may only be entry-certified where they have been associated with a CO_2 account. This would compel importers to sign up for a CO_2 account and associate vehicles with their account.

99 The CO_2 values on vehicles imported during 2022 would not have any bearing on achieving any importer's target, and the date from which charges are measured and apply from would remain 1 January 2023.

100 I seek Cabinet's approval to introduce this reporting obligation. Officials plan to propose this reporting obligation in the Departmental Report on the Bill.

Regulatory Impact

101 Regulatory impact assessments of the policies outlined by this paper have already been provided in January 2021 for the Clean Car Standard [CAB-21-MIN-0004 refers] and in April 2021 for the Clean Car Discount [CAB-21-MIN-128.01 refers]. The

associated Regulatory Impact Statements have been published to the support the Bill. This paper does not alter these impacts.

In relation to the proposed changes to vehicle labelling requirements, the Regulatory Impact Analysis panel at the Ministry of Business, Innovation and Employment has reviewed and confirmed that the discussion document 'Options for providing Clean Vehicle information to consumers' can substitute for an interim Regulatory Impact Statement. It will lead to effective consultation and support the eventual development of a quality Regulatory Impact Statement. **Consultation**

102 This paper was provided to the following agencies for consultation: Waka Kotahi NZ Transport Agency, Ministry for the Environment, Ministry for Primary Industries, Inland Revenue, Ministry of Business Innovation and Employment, Energy Efficiency and Conservation Authority, Ministry of Foreign Affairs and Trade, and The Treasury. The Department of Prime Minister and Cabinet were informed.

103 The Green Party were consulted on this paper. They do not support a two-year delay to more accurate (WLTP) vehicles emissions testing procedures.

Recommendations

The Minister of Transport recommends the Cabinet Environment, Energy and Climate Committee:

1. **note** that in May 2021, Cabinet (CAB-21-MIN 0186 refers)
   a. agreed in principle, a schedule of rebates and charges for the 2022 calendar year, subject to Cabinet confirmation later in the year;
   b. noted that the Minister of Transport intended to submit a paper to the Climate Change Response Ministers Group (CRMG) in September 2021, with options for a full schedule of fees and rebates for the Clean Car Discount in advance of a Cabinet decision on this matter.
2. **note** public and industry comments on Clean Car Discount rebate and charge figures and thresholds were positive overall, although some affected groups questioned utes being included in the Discount scheme.
3. **note** that, as utes are the largest segment of the new vehicle market and a significant source of CO_2 emissions, it is important they are in the Discount Scheme.
4. **note** that I submitted a paper to the Change Response Ministers Group (CRMG) in October 2021 and that CRMG Ministers met and endorsed proceeding with the dollar figures that had been previously agreed in principle by Cabinet in May 2021.
5. **agree** the figures previously agreed in principle by Cabinet (CAB-21-MIN-0186) are appropriate and that the Formula and Caps in Annex 1 be adopted in the complete Scheme of rebates and charges.
6. **note** that current rebates on electric vehicles (EVs) and plug-in hybrid EVs (PHEVs) will continue until the complete Discount scheme is in place following the enactment of the Clean Vehicles Bill and associated regulations for the Discount being made, and this change is now likely to commence in April 2022 rather than in January 2022, given the impacts of the COVID-19 Delta lockdown.

Under active consideration

7. [redacted]

[redacted]

8. **agree** vehicles manufactured from January 2024 onwards must have their fuel efficiency and CO_2 emission values assessed through a World Harmonized Light-Duty Vehicles Test Procedure (WLTP) cycle test, or if not available, by the American Environmental Protection Agency (EPA) test, unless further advice from officials states that this will place too significant a restriction on vehicle supply, replacing recommendation 17 as agreed in CAB-21-MIN-0004.

9. **agree** that carbon dioxide emissions for the purposes of the Clean Vehicle programme will be determined in accordance with the amended Land Transport Rule – Fuel Consumption Information 2008 (intended to be renamed to the Land Transport Rule: Fuel Consumption and Emissions Data) rather than by the vehicle manufacturer, replacing recommendation 14 in CAB-21-MIN-0004.

10. **agree** that where a CO_2 emissions value is not available, a CO_2 emissions value for the purpose of the Clean Vehicles programme will be assigned in accordance with the amended and renamed Land Transport Rule – Fuel Consumption Information 2008, replacing recommendation 14 in CAB-21-MIN-0004.

11. **agree** that formulas and methodology for converting or estimating CO_2 emissions for the purposes of the Clean Vehicles programme will be prescribed in the amended and renamed Land Transport Rule - Fuel Consumption Information 2008, replacing recommendation 15 in CAB-21-MIN-0004.

12. **agree** that officials from Waka Kotahi NZ Transport Agency may commence a short period of targeted consultation with motor vehicle industry representatives to test the technical accuracy of the proposed changes above, to be implemented in amendments to the Land Transport Rule: Fuel Consumption Information 2008.

13. **note** the intention of the Minister of Transport, subject to the outcome of consultation in 12, is to amend the Land Transport Rule: Fuel Consumption Information 2008 to enable accurate, reliable, and robust information to be collected about vehicle fuel consumption and carbon dioxide (CO_2) emissions, to inform policies under the Clean Vehicles programme.

14. **agree** that the Clean Vehicles Bill be amended as necessary to empower land transport rules to prescribe the manner in which CO_2 emissions of vehicles must be determined, including requiring fit for purpose data and information, determination of CO_2 where insufficient data is available and to prescribe formulas or methodology for the purposes of converting or estimating CO_2 emissions, and that officials recommend any necessary amendments through the Departmental Report on the Clean Vehicles Bill in November 2021.

15. **agree** that officials from Waka Kotahi NZ Transport Agency may consult with motor vehicle industry representatives on how to improve the legal definition of 'all terrain vehicle (ATV)' as defined in Land Transport: Vehicle Lighting Rule 2004, Road User Rule 2004, and Vehicle Standards Compliance Rule 2002, and Road User Charges (RUC) Exemption legislation, so that the definition in these Rules can support zero emission models being registered.

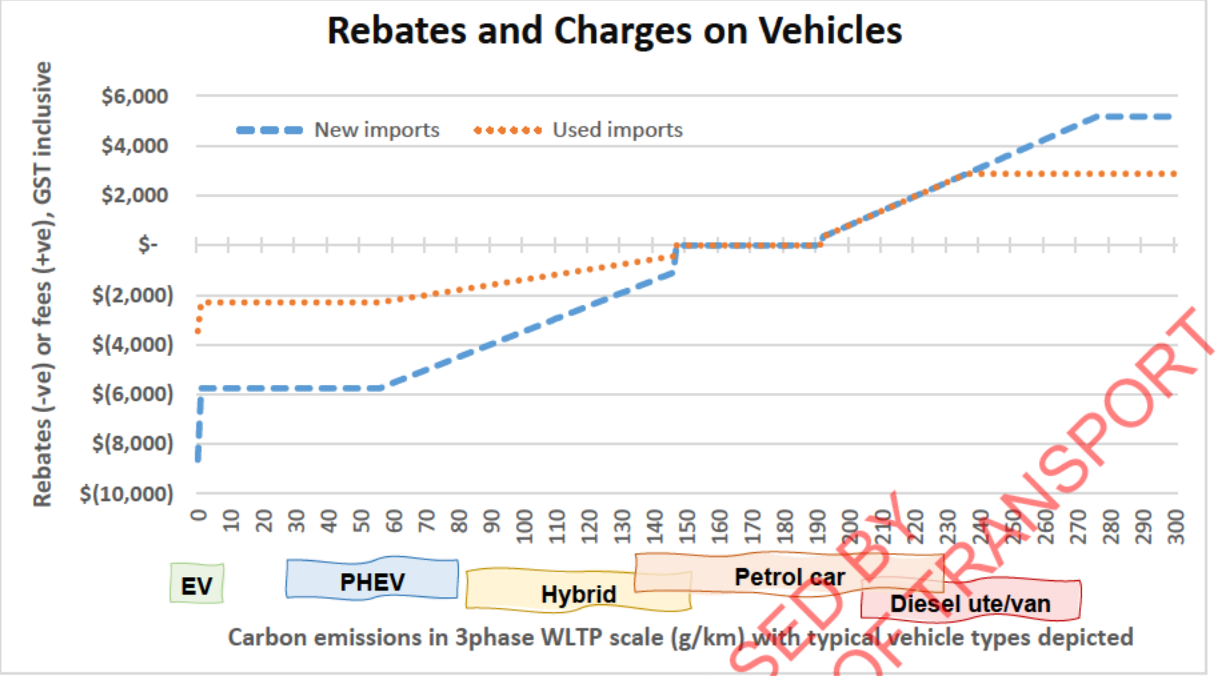
16. **note** the intention of the Minister of Transport is to include the above consultation in 15 in a planned consultation on Road User Charges and to amend the definition of ATV accordingly.

The Minister of Energy and Resources recommends the Cabinet Environment, Energy and Climate Committee:

17. **agree** that the Minister of Energy and Resources will release the attached public consultation document titled *Options for providing Clean Vehicle information to consumers.*

18. **agree** that public consultation commences in November 2021 for a period of four weeks.

Annex 1 – Proposed rebates and charges to be introduced from April 2022



Policy Design Overview

- Zero emission vehicles get a higher rebate as they offer the most decarbonisation.
- Low emission vehicles get a rebate correlating to the level of emissions, up to a cap.
- High emission vehicles pay a charge correlating to the level of emissions, up to a cap. These charges will fund the rebates in the Scheme.
- Vehicles emitting a moderate level of CO_2 attract neither a rebate nor a charge.
- Maximum rebate and charges on used import vehicles are set at a lesser rate than new vehicles because they have less decarbonisation/emission potential than new vehicles given their age.
- Rebates and charges apply only once, and when the vehicle is first registered.
- Variables will need to be reviewed and potentially adjusted on either an annual or biennial cycle to ensure revenue sustainability and stronger decarbonisation.

Formula and caps

Vehicle carbon emissions*	Used import vehicles	New vehicles
0 (zero emissions)	-$3000	-$7500
1 to 56	-$2000	-$5000
57 to 146	-$3000 + *emissions** X $20 X 130/145	-$7500 *emissions** X $50 X 130/145
147 to 191	$0	$0
192 and up	(*emissions** – 186) X $50. Capped at $2500	(*emissions** – 186) X $50. Capped at $4500

All figures plus 15% or GST unless applicant is a public authority.
**Emissions* are measured in grams of CO_2/km using the 3-phase WLTP test procedure.

Annex 2 – Average emissions and future targets for brand-new passenger cars

(Vertical scale and targets are shown in grams of CO_2/km using WLTP 3-phase test)

The above graph shows a significant reduction of average emissions in New Zealand between June 2021 (173 grams) to September (147 grams) due to a rise in brand-new electric passenger vehicle sales. This is a 15% reduction. It has taken approximately eight years to achieve the prior 15% improvement.