Clarifying note: since Cabinet agreed to this paper the emissions reduction plan has undergone several iterations and the detail within some of the recommendations relating to the specific policies has changed.



**In Confidence**

Office of the Minister of Transport

Chair, Cabinet Economic Development Committee

## Transport Content for the emissions reduction plan

### Proposal

1 I am presenting the proposed transport content for the final emissions reduction plan (ERP), which builds on the content this Committee approved for public consultation.

2 I ask you to:

2.1 agree to four overarching targets for transport

2.2 agree to an integrated package of transport initiatives, subject in some cases to further policy work and future funding

2.3 note initiatives where work is already underway

2.4 note initiatives that Cabinet has already agreed to.

3 These proposals require investment in Budget 2022, and subsequent Budgets.

### Relation to government priorities

4 On 2 December 2020, the Government declared a climate emergency and committed to take urgent action to reduce emissions.

5 As part of this, legislation sets a domestic target for New Zealand to reduce net emissions by 2050 and requires emission budgets to be set to act as stepping-stones towards this long-term target.

6 Government must publish the first three emissions budgets, and an ERP, by May 2022. The ERP will set out the policies and strategies needed to meet the first emissions budget and put New Zealand on a pathway to meeting its 2050 target.

7 Additionally, there are a number of cooperation area agreements with the Green Party to reduce transport emissions.

8 This Cabinet paper covers the proposed transport content of the ERP.

### Executive Summary

9 To put us on a pathway for achieving Government's net emissions targets, I am presenting an integrated package of transport initiatives for the ERP that meet the first emissions budget for transport (for 2022-2025). The package also contains policies that need to be started now for us to deliver on emissions budgets 2 and 3 (covering

2026-2030 and 2031-2035). More policies will need to be developed and implemented in the future (as signalled in this package) to meet our emissions reduction targets.

10 The package proposed in this paper is similar to that presented to Cabinet previously as a discussion document and for the ERP consultation, as feedback on previous versions has indicated it is on the right track.

11 I am seeking agreement in principle to four ambitious decarbonisation targets for the transport system, which align with the Climate Change Commission's (the Commission's) advice that transport emissions should reduce by 13 percent by 2030, and 41 percent by 2035.

12 Cabinet has already agreed to some parts of the package and work is underway. Some initiatives require further development and are yet to be funded, and I will return to Cabinet on individual initiatives as required. Nine initiatives are pending Budget 2022 decisions. With significant investment and some challenging decisions, a 41 percent reduction in transport emissions can be delivered by 2035. However, New Zealanders will experience and need to be prepared for significant change in how they travel.

13 There are implementation risks to manage. The transport sector does not currently have the capabilities, capacity or funding needed to deliver all the commitments in the proposed transport content of the ERP. We will need to significantly boost these capabilities and capacities and ensure there is sufficient funding to meet emission reduction targets up to 2035 and beyond.

14 Partnership and a joined-up approach within government and across multiple sectors beyond government and with iwi/Māori will be key to implementing many of the initiatives, some of which depend on changes to land use and urban planning. Government has a key role to play in ensuring the public are also ready for, and supported to make, the significant level of behaviour change needed to decarbonise the transport system.

15 Progressing this package today acknowledges that we are putting our best foot forward to reduce transport emissions, and that we understand the scale of change and commitment it will require.



## Background

*Deep reductions in transport emissions are needed for New Zealand to meet its climate change targets*

16 Major reductions in transport emissions and urgent policy and investment shifts are critical to achieving New Zealand's overall net zero target by 2050. The Commission recommends reducing transport emissions by 41 percent by 2035 (compared to 2019). This is equivalent to a 6.7 mega-tonne (Mt) reduction from 2019 levels.

17 Transport emissions increased by 90 percent between 1990 and 2018 and are forecast to keep increasing in a business-as-usual scenario. Te Manatū Waka Ministry of Transport (Te Manatū Waka) has projected that without any major interventions transport emissions will keep rising until around 2024 (see Figure 1), before slowly declining due to an increasing rate of electric vehicle (EV) uptake. This means transport emissions would be nearly double the recommended level in 2035.

18 Unless we introduce major new interventions starting now to put transport on a different pathway, we will not meet New Zealand's overall emission reduction targets.

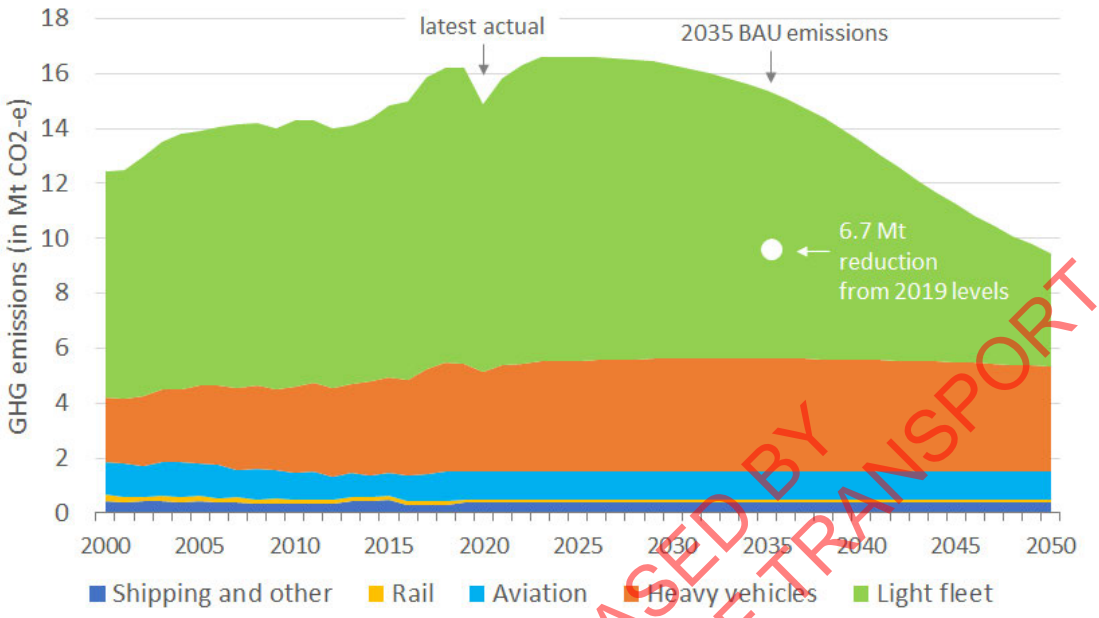


*Figure 1 Te Manatū Waka's emissions projections for transport*

**The Government has begun laying the groundwork to reduce transport emissions and transport is now on track for the first budget period**

19 The Government has committed to the following initiatives, but not necessarily committed full funding for all:

- Clean Vehicle Standard and Discount [CAB-21-MIN-0004, CAB-21-MIN-128.01, CAB-21-MIN-186, CAB-21-MIN-0316]
- Decarbonising public transport buses by 2035 [CBC-20-MIN-0118]
- Road User Charge exemptions for electric vehicles [CAB-21-MIN-0399]
- Sustainable Biofuels Mandate[1] [CAB-21-MIN-0448]

20 Figure 2 demonstrates that under high Emissions Trading Scheme (ETS) price settings, along with changes in the vehicle fleet's profile and fuel efficiencies over time, these policies are estimated to achieve the first emissions budget for transport.[2] But alone, they will not achieve this sector's modelled contribution to budgets 2 and 3.



[1] Referred to as Sustainable Biofuels Obligation in this paper.
[2] This was modelled by Te Manatū Waka and reflects the price path used in the Climate Change Commission's modelling, which uses a higher than the baseline ETS price settings.

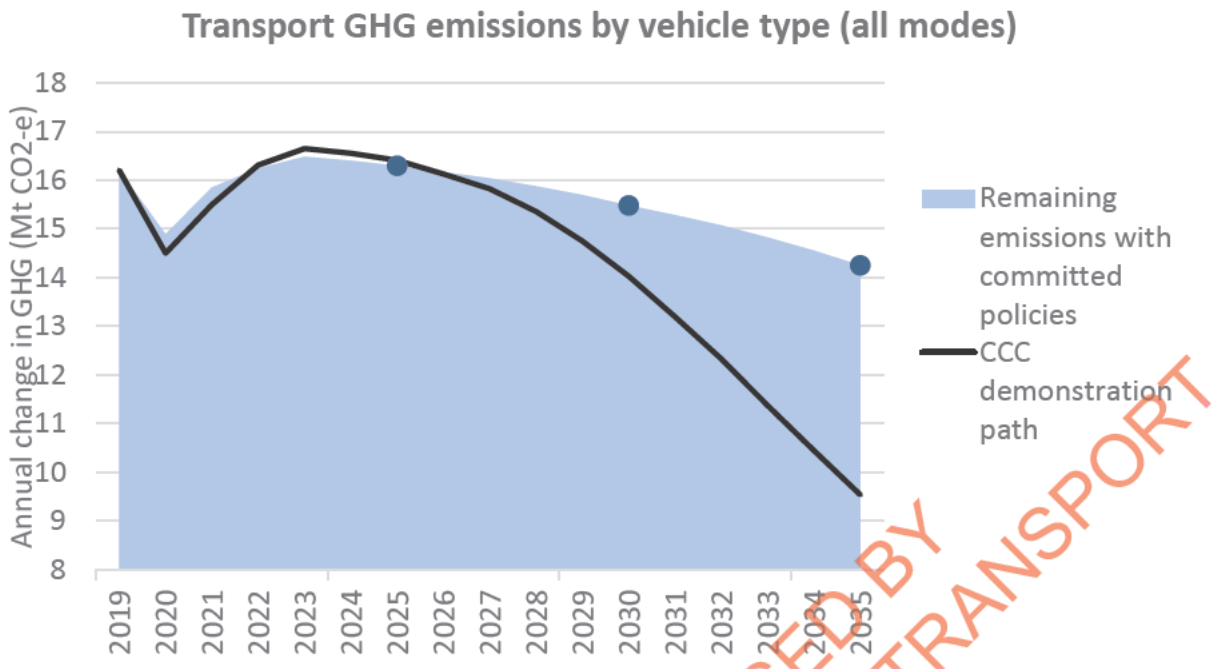


*Figure 2 Transport Greenhouse Gas (GHG) emissions with committed policies*



**The proposed transport content for the ERP is based on significant consultation**

*The Commission's advice*

21 The Commission undertook extensive public consultation, including with iwi/Māori, on its first three emissions budgets and a pathway to meet them.

22 The Commission's pathway relies heavily on increasing the uptake of low-emission vehicles to achieve emission reductions. However, following public consultation, the Commission assumed a slower transition to cleaner vehicles and fuels, and was more ambitious around shifting the way New Zealanders travel, including supporting people to walk, cycle and use public transport. The Commission also took a broader and more ambitious approach to heavy transport and freight, including considering opportunities to improve freight efficiency and shifting to lower-emission alternatives, such as shipping and rail. The Commission's revised stance is closer to Te Manatū Waka's own modelling.

23 The Commission's recommendations are based on reducing transport emissions by 13 percent by 2030, and 41 percent by 2035 (compared to 2019 levels). Following the steer of Climate Response Ministers, the proposed transport content for the ERP is based on achieving these levels of reduction and the Commission's recommendations for transport.

*Hīkina te Kohupara – Kia mauri ora ai te iwi – Transport Emissions: Pathways to Net Zero by 2050 (Hīkina te Kohupara)*

24 In May 2021, I launched the discussion document Hīkina te Kohupara, produced by Te Manatū Waka. This identified potential pathways and opportunities to phase out emissions across the transport system, and highlighted co-benefits that support wider social, economic and environmental benefits, including supporting an equitable transition.

25 Many submitters were supportive of the intent and direction of this discussion document. Several submitters, particularly Non-Governmental Organisations and community groups, called for the transport chapter of the ERP to go further and faster than outlined in Hīkina te Kohupara to make up for the risk that other sectors may be unable to reduce emissions quickly enough at the scale required.

26 The proposed transport content of the ERP consultation document draws on the opportunities set out in Hīkina te Kohupara and the feedback received from submitters.

*Public consultation on the policies for the emissions reduction plan*

27 Public consultation on the ERP discussion document '*Te hau mārohi ki anamata Transitioning to a low-emissions and climate-resilient future'* concluded on 24 November 2021.

28 Submission analysis showed that most submitters urged the Government to be more ambitious in setting targets for the transport sector and to take greater action to prioritise mode shift away from high emitting modes of transport towards low emitting modes. Some submitters said the targets were too ambitious and unachievable within a 15-year timeframe. Many submitters were in favour of more nature-based solutions[3] being incorporated across the plan.

29 Most submitters supported introducing a vehicle kilometres travelled (VKT) reduction target for light vehicles, although many wanted it to be more ambitious. Many submitters stated the Government should aim to ensure active, public, or shared transport options were the most convenient options in towns and cities. These submitters sought large-scale Government investment in public and active transport infrastructure in conjunction with incentives for individuals, households, and communities to shift away from private light vehicles. These submitters also suggested measures to disincentivise continued private light vehicle use. Many submitters supported free public transport and electric bike subsidies.

30 Many submitters discussed the difficulties of reducing transport emissions for rural communities. These submitters described limited opportunities for rural communities to reduce light vehicle use and considered this unlikely to change soon.

31 Most submitters supported the proposed target to make 30 percent of the light vehicle fleet zero-emissions vehicles by 2035. Submitters encouraged the Government to further incentivise the uptake of EVs through rebate schemes, financial support to low-income households, charging stations and other EV infrastructure. Many submitters caveated support on the low emission vehicle target being situated within a broader emphasis on mode shift. Many submitters were concerned about the upfront cost of electric vehicles or supply constraints linked to the size of the country's market.

32 Most submitters supported limiting light internal combustion engine (ICE) vehicles entering New Zealand by 2030 in line with the Commission's advice. Many submitters discussed the need for clear messaging well in advance to enable households,

[3] The International Union for Conservation of Nature (IUCN) defines nature-based solutions as "actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human wellbeing and biodiversity benefits" https://www.iucn.org/commissions/commission-ecosystem-management/our-work/nature-based-solutions.

councils, importers, and businesses to make informed decisions. Submitters emphasised equity and that a phase-out of ICE vehicles should be implemented alongside other programmes, including investment in public transport and support for low-income households. Some submitters opposed the Commission's recommendation. Most of these submitters advocated for shifting the timeline further into the future. They described a current lack of zero-emission light vehicles suitable for rural communities and considered this unlikely to change prior to 2030.

33 Most submitters supported the target to reduce emissions from freight transport by 25 percent, but many wanted it to be more ambitious. There was significant support for achieving the freight target through shifting freight to rail, followed by coastal shipping. A few submitters opposed using mode shift to achieve the target. They were sceptical of increasing the role of rail and coastal freight, considering it would require significant capital investment. They argued for a technology-neutral, mode-neutral target.

34 Most submitters supported the target to reduce fuel intensity of transport fuel by 15 percent by 2035. They also supported biofuels and synthetic diesel as a transitional measure aimed at decarbonising the existing vehicle fleet. Some submitters were concerned that biofuels could perpetuate reliance on light vehicles, trucks and roads, that new biofuel plant species could become weeds, and that biofuel distracted from addressing systemic change in the transport system. A few submitters advocated for the Government to take a leading role in enabling biofuel development and production, as well as highlighting opportunities for sustainable aviation fuels.

35 A few submissions were from iwi/Māori representatives, or organisations that commented on the impacts of emissions reductions on iwi/Māori. Submitters generally supported the transport proposals; and emphasised the need for equity, inclusion and an equitable transition to underpin policies. Submitters noted there needs to be more focus on community-based solutions for iwi/Māori in rural and smaller communities, and that future policies should include iwi/Māori in the design of potential solutions.

36 The proposed transport content for the ERP draws on the feedback received from submissions on the discussion document.

*Iwi and Māori engagement*

37 Iwi/Māori have a strong interest in transport outcomes and desire to understand the impact policies might have on access, affordability, and the environment. Iwi and hapū also have an important role to play in New Zealand's planning system via the Resource Management Act and the reforms that are underway. Additionally, iwi/Māori have economic interests that rely on the transport system. They also want to ensure that an equitable transition is part of the wider considerations for the changes ahead for transport.

38 Te Manatū Waka has begun discussions with some iwi/Māori groups on transport climate change policies in addition to the general public consultation that has been undertaken. This is just the start of the strong and enduring partnership between the Crown and iwi/Māori that is required for successful transition to a low emissions transport system.

39 The current focus of the early discussions is how to make engagement manageable for iwi/Māori given the demands on their time (engagement with Government is often

voluntary), available resources and the diversity across iwi/Māori. Additionally, it is undertaken alongside other key priorities, such as providing an iwi/Māori response to Covid. Te Manatū Waka has started to work with the Climate Change lead for the Iwi Chairs Forum, and the Ihirangi group to share and discuss proposed transport content for the ERP (including modelling data) and future policy considerations. An immediate aim from this is to identify priority areas for partnership. Te Manatū Waka will engage with the Ministerial advisory group (as proposed by the Minister for the Environment), which is to be established to provide guidance on Māori priorities and engagement across the ERP.

40 Te Manatū Waka intends to establish regional hubs of iwi/Māori groups on transport policies, focusing initially on the Nelson, Rotorua, Auckland, Christchurch and East Coast regions.

**I am seeking Cabinet's support for the proposed transport content of the ERP**

*The full transport content for the final emissions reduction plan is shown in Annex 1 and 2*

41 The proposed transport content for the ERP is annexed and includes:

- Chapter 17: Transport – which sets out why reducing transport emissions is important and summarises the actions we are taking to reduce transport emissions. It explains how we must plan to address the distributional impacts of change, ensure an equitable transition for Māori and partner with iwi/Māori to develop solutions.

- Appendix A – which outlines the transport actions in more detail.

42 This transport content includes some initiatives that are already agreed and underway, and some that require further work, such as: detailed design of the policy, funding; future regulatory impact statements (RIS's); further engagement with iwi/Māori; and further public consultation.

*The proposed transport content is framed around four focus areas*

43 Focus areas 1 to 3 align with the Commission's advice and with the three themes developed by Te Manatū Waka in the discussion document Hīkina te Kohupara. They provide an enduring framework that underpins Government's intentions to reduce transport emissions. They are unchanged from the ERP consultation document. Focus area 4 reflects the importance of some critical cross-cutting and enabling actions that are required for the success of the whole package:

43.1 Focus area 1: Reducing reliance on cars and supporting people to walk, cycle and use public transport

43.2 Focus area 2: Rapidly adopting low-emission vehicles and fuels

43.3 Focus area 3: Beginning work now to decarbonise heavy transport and freight

43.4 Focus area 4: Cross-cutting and enabling actions

44 These focus areas and the policies underpinning them are inter-dependent. For example, reducing reliance on cars (focus area 1) reduces the number of vehicles and the amount of fuel that needs to be decarbonised (focus area 2). This means that any changes to each of these focus areas and policies would have implications for other focus areas, and our ability to meet our emissions reduction targets for transport. The focus areas need to be advanced together, not traded-off against each other.

*I propose four transport targets that highlight where change is required across the focus areas to put transport on a pathway to zero carbon by 2050*

45 Setting transport targets provides direction on what needs to change in different parts of the system to meet our emissions reduction targets for transport as a whole. I propose the following four targets:

1. reduce VKT by cars and light vehicles[4] by 20 percent by 2035 through improved urban form and providing better travel options, particularly in our largest cities[5]
2. increase zero-emission vehicles to 30 percent of the light fleet by 2035
3. reduce emissions from freight transport by 35 percent by 2035[6]
4. reduce the emissions intensity of transport fuel by 10 percent by 2035.

46 Targets 1, 2 and 4 reflect changes compared to baseline projections for 2035. Target 3 is compared to 2019 levels.

47 **I propose the national VKT reduction target remains at 20 percent**, although as noted earlier, most submitters wanted the Government to set a more ambitious VKT target. A 20 percent reduction is already a very ambitious target, especially when it will predominantly need to be met through much higher VKT reductions in urban areas relative to more rural regions within New Zealand.

48 Te Manatū Waka has undertaken some indicative modelling of what achieving the current 20 percent target could mean for each area of New Zealand. For Tier 1 urban areas (Auckland, Wellington, Hamilton, Tauranga, and Christchurch), it could be a VKT reduction of between 30 and 40 percent. For Tier 2 areas, it could be a 20 percent VKT reduction, and for Tier 3 and the rest of New Zealand (small provincial towns and rural areas) less than 5 percent.[7] This reflects the varying abilities of different areas of New Zealand to achieve mode-shift and reduce VKT.



[4] Light vehicles have a gross vehicle mass maximum of 3.5 tonnes.
[5] Compared to the ERP discussion document, the target description includes 'improved urban form' to make clearer the link with land use and urban planning.
[6] In this case, freight transport includes trucks, rail and ships. It excludes light vehicles and aviation.
[7] Urban tiers are based on definitions used in the National Policy Statement of Urban Development. Tier 2 includes Whangarei, Rotorua, New Plymouth, Napier-Hastings-Havelock North, Palmerston North, Nelson-Richmond, Queenstown, Dunedin. Tier 3 includes towns serving markets of at least 10,000 people and outer major urban areas e.g. Taupō, Motueka, Oamaru, Invercargill, Greymouth, Gisborne and Whākatane.

49 **The zero-emission vehicle target has also not changed from the discussion document.** [redacted] Active consideration [redacted] I do not propose changing this target given its high existing ambition level, as well as the notable supply uncertainty of zero-emission vehicles.

50 **The freight target is more ambitious than the 25 percent target in the discussion document**. This is based on submissions from industry that supported a higher target and provided supporting evidence for achieving greater emissions reductions, particularly through opportunities for increased efficiency in the heavy vehicle fleet.

51 **The fuel target has been reduced from 15 percent to 10 percent** to align more closely with Ministers' recent decisions on the provisional targets for the Sustainable Biofuels Obligation. These targets envisage emissions from transport fuels reducing by 9 percent in 2035. The provisional targets were set at a level that could be expected to facilitate growth in biofuel supply and reduce emissions without:

51.1 introducing significant fuel supply risks;

51.2 breaching the sustainability criteria;

51.3 generating fuel price increases at a magnitude that could reduce economic activity and living standards; and

51.4 breaching the blend wall limits of New Zealand's light and heavy road fleets in the use of conventional biofuels.

52 If we achieve these four revised transport targets, we would be on track to meet the Commission's suggested 41 percent reduction in transport emissions by 2035 from 2019 levels, provided there are complementary Government policies in other areas, such as a strong ETS price.

53 Initiatives to achieve these targets will also provide New Zealanders with better transport options, cleaner and more efficient vehicles, and a safer and more resilient transport network. They will also have significant positive impact on public health and the liveability of our cities and towns, with less congestion and improved air quality, improvements in public health and safety, and improved biodiversity outcomes.

**The four focus areas need to be progressed in parallel**

54 The challenge and opportunity for each focus area is discussed below:

*Focus area 1: Reducing reliance on cars and supporting people to walk, cycle and use public transport*

55 The amount of travel in fossil-fuelled vehicles is at the heart of the transport emissions challenge for New Zealand. It is not feasible to rely on just decarbonising the vehicle fleet quickly, as there are global supply constraints on importing enough low- and zero-emission vehicles into New Zealand and these vehicles are currently still more expensive than ICE alternatives. Further, there are currently no or only very limited lower emission vehicle alternatives suitable for some local industry transport needs.

56 There is plenty of potential to reduce private vehicle use by improving other transport options. A third of all car trips in New Zealand are under two kilometres, which is a distance that is easy for most people to walk or bike if appropriate infrastructure exists. There are also major opportunities to improve public health and safety, and support urban intensification and liveability, by making places better to get around by public transport, bike, and foot.

57 We need to partner with councils, iwi/Māori and communities to plan, design and then deliver major programmes in our largest cities to reduce VKT, where more people are likely to be able to access good alternatives to using a car. We can build on existing partnerships with local government and mana whenua, established through the Urban Growth Agenda, and reaffirm the need to prioritise urban development around frequent public transport services and active travel networks. This includes making changes to existing urban environments and infrastructure and promoting active modes and public transport as part of forward planning and new developments.

58 Quick, cost effective wins are possible if local authorities are supported and required to rapidly roll out dedicated bus lanes, bike/scooter networks, and pedestrian improvements by reallocating road space that is currently used for other purposes, such as car parking/storage. Current regulatory and funding settings make it unnecessarily difficult for local authorities to make street changes that support public transport, walking, and cycling. We need to consider regulatory changes to make it simpler and quicker for local authorities to make these street changes. Te Manatū Waka and Waka Kotahi NZ Transport Agency (Waka Kotahi) are currently developing proposed regulatory changes, for Cabinet to consider later this year. There is strong support from local authorities for regulatory changes. Funding settings also need to incentivise local authorities to prioritise quick and relatively low-cost changes to existing streets, to make better use of existing infrastructure.

59 Initial steps have been taken as part of Government Policy Statement on land transport (GPS-LT) 2018 and GPS-LT 2021 to progress more of these types of projects (such as the Innovating Streets work where Waka Kotahi provided greater funding assistance to eligible projects). As part of GPS-LT 2024 development Te Manatū Waka will ensure funding settings incentivise these types of projects as part of business-as-usual investment.

60 Managing transport demand (including through measures such as congestion charging) will be critical for reducing VKT. However, there needs to be good alternatives in place to enable people to change their behaviour and mitigate impact on household budgets and access to goods and services. This reinforces the need for early and major improvements to public transport infrastructure and services and to deliver safe and connected infrastructure for both walking and cycling.

61 Reducing our reliance on cars and supporting mode shift will not solely rely on physical infrastructure changes. National directions, GPS signals and other regulatory interventions will also play a strong role in setting direction for councils to make planning and funding decisions that do not necessarily involve capital investment.

62 Deferring action risks locking in emissions-intensive transport patterns that will make it harder and more expensive to reduce emissions at the scale and pace required. Every new road built for a car-centric system will expand the network and lock-in car

dependency – and many of these cars will continue to generate emissions for decades to come.

63 The transport content at Annex 1 and 2 provides further detail on the actions I propose we take to support focus area 1. This includes actions to better integrate land-use, urban development and transport planning and investments, make significant improvements to public transport, walking and cycling, enable congestion pricing, ensure further investment for additional highway and road capacity for light vehicles is consistent with climate change targets, and embed nature-based solutions as part of our response to reducing transport emissions. To ensure an equitable transition, this package also includes initiatives that will make low emission transport modes more accessible and more affordable for low-income New Zealanders.

*Focus area 2: Rapidly adopting low-emission vehicles and fuels*

64 Two-thirds of transport emissions come from the light vehicle fleet. Therefore, alongside reducing reliance on light vehicles, decarbonising the light vehicle fleet is critical for meeting our targets. We need to increase the supply of clean vehicles, support New Zealanders to buy low-emissions vehicles, and put the infrastructure in place that matches their increased use. There are initiatives underway to support investment in renewable electricity and associated infrastructure to support electrification, and work to support development of low emissions fuels. Policies to support the uptake of alternative fuels are included in focus area 3 because they apply to both light and heavy vehicles.

65 The scale of uptake required to increase zero-emission vehicles to 30 percent of the light vehicle fleet by 2035 is substantial. Currently, EVs comprise less than one percent of the light vehicle fleet.

66 The Government recently announced the Clean Vehicle Standard and Discount, which is a significant step forwards in this area.[8] Early data show a major shift to low emissions vehicles resulting from this policy. Over time we will seek to ensure more New Zealanders (including in rural areas) are supported into suitable low emissions vehicle options.

67 Given the slow turnover of New Zealand's vehicle fleet, removing fossil-fuelled vehicles from the existing fleet early will be important. The proposed vehicle scrappage initiative for low-income households will support the disposal of fossil fuelled vehicles and create more demand for lower emission and safer vehicles. This will help to ensure that lower-income groups will benefit from the transition, including from lower and more stable transport costs and safer vehicles.

68 The Clean Car Standard sets progressively reducing average emissions standards until 2027. Further measures from 2027 will be required to increase the fuel efficiency of the imported fleet and avoid Aotearoa becoming a dumping group for high emitting vehicles to meet emissions budgets.

69 The transport content at Annex 1 and 2 provides further detail on actions to support focus area 2. This includes actions to further support New Zealanders to buy low-

[8] EVs must have a three-star safety rating or better to be eligible for a rebate.

emission vehicles, work with industry to address supply constraints facing low-emission vehicles, and tackle the highest emitting light vehicles.

*Focus area 3: Beginning work now to decarbonise heavy transport and freight*

70 Heavy vehicles, most of which are for freight, emit almost a quarter of our total transport emissions. Reducing emissions from freight transport by 35 percent by 2035 will require consideration of the entire supply chain.

71 We need to work with industry to develop a National Freight and Supply Chain Strategy, which will identify how the transport sector could reach this target by taking a whole of system, cross-sector approach, while improving the efficiency and competitiveness of the supply chain.

72 In the short term, we can progress opportunities to decarbonise heavy vehicles, including trucks and buses. Supporting the purchase of low-emission heavy vehicles will help to increase their uptake and test new technologies in the New Zealand context. In addition, we need to begin work now on other areas that will be challenging to decarbonise, such as aviation and maritime.

73 We also need to take action to reduce emissions from the fuels used for transport and improve EV charging infrastructure.

74 The transport content at Annex 1 and 2 provides further detail on the actions that support focus area 3. This includes actions to decarbonise freight transport and public transport buses, work with industry on opportunities to reduce aviation and maritime emissions, introduce a Sustainable Biofuels Obligation and plan for the large-scale rollout in EV charging.

*Focus area 4: Cross-cutting and enabling actions*

75 There are cross-cutting measures that are important to help us collectively understand the change required to reduce transport emissions and the impact of choices taken. These measures will help us to design a stronger, more equitable, zero-emissions transport system. This includes:

- ensuring that we have the evidence and data to understand the impact of policies, and support monitoring and evaluation
- ensuring that we promote behavioural change including incorporating behavioural insights into intervention development and implementation to maximise the intended effects
- ensuring that we understand how the effects of policy are distributed to enable development of any measures needed for an equitable transition
- ensuring that we understand long-term needs across the transport system, and set a long-term planning horizon that gives us greater confidence we're on track to achieve our targets
- providing people, iwi/Māori, communities, and businesses with the information and support they need to make changes that support the transition

- ensuring the right skills and capability are in place across the transport sector (central government, local government, communities, iwi/Māori, suppliers, infrastructure supply chains) to support the transition

- addressing any barriers to accessing the materials and labour that will be needed to deliver changes to transport infrastructure and services.

76 Officials will continue to develop work across these areas to inform future policy and support effective implementation.

**Investment in the transport sector and increased capacity and capability in central and local government will be essential**

*Budget 2022 will be a critical first step for delivering the proposed transport content in the ERP*

77 We have already taken steps to reduce transport emissions through for example, introducing the Clean Vehicle Programme, the Sustainable Biofuels Obligation and continuing road user charges exemptions for EVs. To date our interventions have largely been regulatory and Crown investment in decarbonisation has been limited.

78 The National Land Transport Fund (NLTF) has an investment focus on other core transport issues, such as safety, maintenance and resilience across the transport system, and is not adequately geared towards driving emissions reduction outcomes. The fund is stretched because it's trying to achieve multiple government priorities, which may not be sustainable over the medium-long term. As such, sustained investment over time will be required to deliver on these targets.

79 Through Budget 2022, I am seeking funding to advance the following initiatives in the ERP:

**Focus 1: Reducing reliance on cars and supporting people to walk, cycle and use public transport**

1) Delivering mode-shift and reducing VKT in New Zealand's main urban areas

2) Building a sustainable skilled workforce to support upscaling of bus networks

3) Making public transport more affordable for low-income New Zealanders

4) [redacted]

Active consideration

**Focus 2: Rapidly adopting low emission vehicles and fuels**

5) Assisting low-income New Zealanders to shift to cleaner vehicles

6) [redacted]

**Focus 3: Beginning work now to decarbonise heavy transport and freight**

7) Accelerating the decarbonisation of the public transport bus fleet

8) Accelerating the decarbonisation of the freight sector

9) Decarbonising regional passenger rail for the lower North Island and beyond

80 Bid 1 would support a contestable process to prioritise additional central funding to progress delivery of relatively low-cost and high value investments[9] that will incentivise mode-shift in the short-term, while we progress planning and development of much larger, more expensive, and longer-term projects, such as rapid-transit networks. It is critical for delivering many of the initiatives under focus area 1 relating to walking, cycling, public transport, school travel and equitable access.

*The scale of change required to deliver transport emissions reductions means that further funding will be required beyond Budget 2022 to progress changes*

81 The transport chapter of the ERP contains over 100 initiatives. Some are underway, some will be progressed under Budget 2022, and some are new policies that require more policy work to progress further. All areas will require funding, either to develop policy or to implement.

82 The Treasury, Te Manatū Waka, and Waka Kotahi will provide a report to Ministers in August 2022 on transport revenue tools [CAB-21-MIN-0337]. This will consider the suite of tools available to Ministers to pay for transport programmes, projects and activities to meet Government priorities as set out in the GPS-LT 2021.

83 The primary purpose of this work is to make sure the fuel excise duty (FED) and road user charges (RUC) system delivers a stable, predictable stream of revenue for the next decade. However, that system was not intended to pay for, nor can it afford, step or transformational change at the scale o pace required to transition to a low emissions transport system, meaning that all funding tools need to be considered.

84 This will feed into the Future of the Revenue System project being undertaken by Te Manatū Waka, which recognises that achieving the targets outlined in this paper will reduce current sources of revenue for the NLTF. This project will consider the options for a renewed revenue system that meets our needs over a 30 plus year timeframe. The current emissions budgets are based on the price of ETS units increasing, which will in turn impact the price of fuel, which could limit the ability to make additional increases to FED and RUC.

**Given the scope and scale of the challenge of reducing transport emissions there are risks**

*The transport sector does not currently have the capacity and capability to deliver the ERP*

85 The most pressing risk is that the ERP commits to significant pieces of work that the sector does not currently have the resource to deliver.

86 Additional resources will be needed to develop and implement the policies and regulation outlined in the rest of the ERP transport chapter, and to monitor and evaluate their effectiveness. We will need to address this in future Budgets. Waka Kotahi and other agencies will be expected to re-allocate existing resources from other areas, to support the delivery of the ERP.

[9] The types of activities that could be funded include programmes to rapidly roll out cycleways and improve public transport services in our major cities, especially where they use existing street space effectively and support broader networks (rather than piece-meal improvements).

87 The transport agencies, but particularly Waka Kotahi and local government, require significant support and resourcing to undertake new activities and accelerate existing activities, while also delivering on current commitments and undergoing significant system, process, and cultural change. Increasing capacity will mean less trading off emissions work against competing priorities, such as the New Zealand Upgrade Programme and Road to Zero. I expect there to be fewer trade-offs in the future, as emissions reduction priorities are better incorporated into wider transport programmes and mechanisms. Te Manatū Waka, Waka Kotahi and local government will need to work closely in the coming months to prepare as much as possible for the additional policy, planning, design and delivery programme of work that is committed to in the final ERP.

88 There is an opportunity for a wider range of partnerships to deliver new services. This should mean government partnering with different groups (e.g. iwi/Māori and community groups) that have not been part of traditional transport service delivery.

*Broader constraints to delivering infrastructure could limit delivery of the transport package*

89 Government will need to consider addressing wider market and industry constraints, and supply chain restrictions, which will otherwise limit the scale and pace of infrastructure delivery. The skills required will either need to be brought in from abroad, which interacts with the Government's immigration and workforce strategies, or will require training programmes that will take years to provide the trained staff we need. New Zealand's Reconnecting Strategy will play in important part in setting up our workforce to deliver on the initiatives in the transport package.

90 Some work is already underway to mitigate these risks. Te Waihanga (The Infrastructure Commission) is reviewing potential capacity constraints in the infrastructure system. Government will need to consider whether, given these constraints, the sector has the capacity to deliver across the total forward programme (i.e., across transport and other sectors). If this is the case, then the mix and timing of actions in the ERP may need to be reviewed.

91 Additionally, Te Manatū Waka has developed the Generational Investment Approach (GIA), which takes a 50-year cross-sectoral view of transport investment to respond to uncertainty, complexity and change. The GIA will assist with managing transport's emissions reduction programme adaptatively by identifying and ranking alternative initiatives, testing pathways of existing initiatives and facilitating new ways of identifying and delivering initiatives. This means we can alter settings and constraints that appear during delivery and see the alternative pathways to reach target emissions if things change. The approach will be applied to the ERP for the first time in 2022, which will set us up well to plan for emissions budgets 2 and 3.

*More initiatives than those outlined in this ERP will be needed to deliver against emissions budgets 2 and 3*

92 To achieve the transport targets, we will work with key partners to take the initial actions included in this ERP over the first emissions budget period. Further action, and refinement, will be needed in emissions budgets 2 and 3 depending on progress.

93 Te Manatū Waka will need to monitor progress and evaluate policy decisions over time, to continuously assess how we are tracking and if additional actions are required, or if

current or planned interventions need to be improved during the first three emissions budget periods.

94 The long lead in time to plan, design and implement policies, and assess their impact on emissions reductions, means we need to take as much action as possible now but leave space to accommodate new technologies and ideas that may help us go further, faster.

*Achieving the ERP transport targets will depend on interventions across sectors and agencies, and the actions of many communities and businesses*

95 Many of the policies depend on uptake by the transport sector and the public. We need to strategically plan and indicate to all New Zealanders the direction we will take to reduce transport emissions. This package makes clear the level of transformation needed but change needs to be spearheaded from the centre. Government has a role to play in modelling and enabling system change and supporting effective, but hard to do, interventions such as pricing and road space reallocation. Government should learn from the behavioural insights gained so we can tailor our ongoing approach.

96 Many of the polices will only succeed if delivered alongside efforts in other sectors. A joined-up approach will be essential. For example, increasing EV uptake will impact the electricity sector. Work is underway on measures to support the development of new renewable electricity generation and associated infrastructure that will be needed to support decarbonisation of transport. Detailed work will be required to see how reducing VKT can help to temper demand on electricity generation, and whether EVs can offer resilience to the grid through energy storage.

97 Achieving the transport targets will require Government to address the broader systems that affect transport. In particular, the planning system needs to support the VKT reduction target for light vehicles (and the overall emissions reduction target) by closely integrating land use and transport planning and funding so that more people can live and work in areas well-connected by public transport and active travel networks. The Climate Change Response Ministerial Group and Climate Change Chief Executives Board will also need to play a key role in ensuring progress is made against the transport targets.

98 Achieving the transport targets may also create challenges and trade-offs between reducing transport emissions and achieving other outcomes, including reducing emissions in other sectors. Other sections of the ERP will discuss cross-sectoral impacts and supporting an equitable transition in more detail.

*Turning community support for action on climate change into changes on the ground will be a significant challenge*

99 Most New Zealanders support action on climate change, but the changes that we need to collectively, and individually, make will affect the way that all of us live. Transport will be one of the first areas very visibly exposed to change. The need to build the social mandate for specific changes, gain public acceptance, and support people, iwi/Māori, businesses and communities through these changes will be a significant challenge – further dedicated resource is likely to be needed to support this work. Central and local government will need to engage effectively with communities on these changes and invest in communications campaigns to foster the needed changes.

## Implementation

100 Implementation planning to take forward the ERP is underway but is yet to be completed. As flagged, Te Manatū Waka faces resource constraints and will review its current work programme.

101 Local government, iwi/Māori, communities, and business will have a significant role to play alongside central government in implementing the transport policies. Local government will have a particularly important role to play, as they plan, co-fund, and manage local roads and public transport services and shape urban development through planning. They will be key in communicating New Zealand's emissions reduction strategy at the local level. However, given the number of reforms currently underway across many topics, local government may have limited capacity to engage. Local government's key role makes it a necessity to partner with them in policy design and development.

## Financial Implications

Active consideration

102 Nine initiatives have been put forward for the CERF in Budget 2022 at a total quantum of around [redacted] mostly over 2022/23 – 2025/26. To maximise the total investment leveraged from the direct crown investment, the design of each CERF initiative seeks to encourage alternative funding sources to be exhausted first or alongside, where appropriate. Other funding sources include the NLTF, local council revenue sources, direct user charges, and partnerships with the not-for-profit and private sectors.

103 Due to the nature of and timeframes for the ERP, many costs are likely to be realised progressively over time as foundational work is undertaken and initiatives become ready for funding and implementation. We expect the nature of the costs associated with the remaining policies in the ERP to be for:

- policy, business case development, contract management, communication and engagement activities, research, modelling, monitoring and evaluation capability requirements which will likely be in the millions.
- specific capital expenditure for pilots and subsequent roll-out, which will likely be in the billions.

104 The overall costs of the proposed transport interventions are expected to be borne by a range of government and non-government funding sources beyond the CERF. Costs may be eased by partnership with the private and not-for-profit sector, or fast-fail trials to test outcomes before wider roll-out.

## Legislative Implications

105 There are no legislative implications arising directly from this paper. However, the release of the final ERP will require the development of future policies that could have legislative implications.

## Impact Analysis

### Regulatory Impact Statement

106 An overarching Regulatory Impact Statement has been produced by the Ministry for the Environment (MfE) (with input from other agencies) to support the overall ERP.

107 Cabinet's regulatory impact analysis (RIA) requirements apply to one proposal, relating to setting a maximum $CO_2$ limit or penalties for light ICE vehicle imports (recommendation 29), but there is no accompanying RIS and the Treasury has not exempted the proposal from RIA requirements. Therefore, this proposal does not meet Cabinet's RIA requirements. On behalf of respective Ministers, the Treasury's RIA team and Te Manatū Waka will work together to determine when supplementary analysis on this proposal will be provided.

108 Most of the remaining proposals in this paper do not seek Cabinet agreement to policies with immediate regulatory implications, except where Cabinet consideration with impact analysis has already occurred, so the RIA requirements do not apply. Some proposals (recommendations 17, 21 and 22) seek Cabinet's agreement to consider regulatory changes, which must not preclude other alternative options being considered in future. As the proposals with regulatory implications are further developed in the near future, Te Manatū Waka will undertake impact analysis to support Cabinet decisions in consultation with the Treasury's RIA team.

### Climate Implications of Policy Assessment

109 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements apply as a number of proposals in this paper will have a significant impact on emissions.

110 A number of proposals within the transport chapter have already had emissions impacts disclosed to Cabinet as decisions have been taken as part of their specific work programmes. The wider package of policies in this paper have not had a full quantitative CIPA disclosure prepared because it proposes a collection of initiatives, each at different stages.

111 The proposals within the transport chapter of the ERP will have a significant impact on emissions through reducing reliance on cars and supporting people to walk, cycle and use public transport, rapidly adopting low-emission vehicles and fuels, and beginning to decarbonise heavy transport and freight. Some of these proposals will directly impact emissions, while others will enable and indirectly support future emissions reductions.

112 The proposed approach to the transport chapter of the ERP is broadly consistent with the Commission's recommendations for actions within the transport sector. The Commission included a high level of emissions reductions from the transport sector (0.6, 7.3 and 23.8 MT $CO_2$-e respectively across the first three emissions budgets) within its demonstration pathway to achieve its recommended emissions budgets.

113 Currently quantified proposals within the transport chapter of the ERP (including the impact of an ETS price) sum to a reduction of emissions of 1.8, 6.3 and 9.4 MT $CO_2$e

across the first three emissions budgets. This does not include the full suite of proposals within the transport chapter at this stage.

114 Some of the policies that will be included in the transport chapter of the ERP will require a CIPA as further decisions are required. Te Manatū Waka will work with the CIPA team to disclose the emissions impacts of proposals to Cabinet as further decisions are sought, as appropriate.

**Population Implications**

115 There are no implications arising as a direct result of this paper for specific population groups as it proposes a collection of initiatives, each at different stages, many of which are yet to be designed in detail.

116 The development of future transport policies may have gender implications, implications for Māori, Pasifika, disabled people, rural communities, and low-income households. For example, people who already experience social/economic disadvantages are likely to be disproportionately affected by any rise in transport costs (as already occurs when fuel prices rise). To make an Equitable Transition, Government needs to mitigate the impacts of interventions that could increase transport disadvantage.

117 Such implications will be considered during policy development of individual initiatives and reflected in the relevant future Cabinet papers. This includes considering current and future accessibility legislation and New Zealand's commitments in the New Zealand Disability Strategy to ensure access to all places, services and information with ease and dignity.

**Human Rights**

118 This paper does not have implications for human rights.

**Consultation**

*Consultation on the proposed transport content for the emissions reduction plan*

119 Please see paragraphs 21 – 40 which discuss the consultation on reducing transport emissions.

*Consultation on this paper*

120 The following departments were consulted during the development of this paper: MfE, Treasury; Ministry of Foreign Affairs and Trade; Ministry of Business, Innovation and Employment; Energy, Efficiency and Conservation Authority; Ministry of Social Development; Te Tūāpapa Kura Kainga - Ministry of Housing and Urban Development; Department of Prime Minister and Cabinet; Te Puni Kōkiri; Te Waihanga, Waka Kotahi, Kāinga Ora, Department of Internal Affairs, Department of Conservation, and Te Arawhiti.

121 The Green Party were consulted on the paper and support the direction of the proposed transport content for the final ERP. The Green Party would like to see more ambition, particularly on the reducing VKT target and initiatives.

122 The proposed transport content for the final ERP may be subject to editorial changes and content update by Te Manatū Waka, which I propose will be agreed with me where necessary.

**Communications**

123 Subject to Cabinet's agreement, MfE will publish the final ERP by May 2022.

**Proactive Release**

124 Subject to Cabinet's agreement, this paper will be proactively released by publishing it on Te Manatū Waka's website when the final ERP is published.

**Recommendations**

The Minister of Transport recommends that the Committee:

1 **note** that under the Climate Change Response Act 2002, the Government must prepare an emissions reduction plan (ERP) by May 2022 that responds to the emission budgets recommended by the Climate Change Commission (the Commission) to put New Zealand on pathway to reduce net emissions of all greenhouse gases (except biogenic methane) to zero by 2050;

2 **note** that transport is responsible for almost half of New Zealand's carbon dioxide ($CO_2$) emissions and major reductions in transport emissions are therefore critical to achieving New Zealand's 2050 target;

3 **note** that current policies are not enough for transport to play its part in meeting New Zealand's emission reduction obligations and targets;

*Engagement on the proposed transport content for the emissions reduction plan*

4 **note** the proposed transport content of the final ERP is based on advice from the Commission, Hīkina te Kohupara, and insights from feedback on Hīkina te Kohupara, and consultation on the ERP discussion document;

5 **note** initial engagement with iwi/Māori has commenced and ongoing partnership will underpin the design of transport policies agreed for the ERP;

*The proposed transport content of the emissions reduction plan is a package of interdependent policies*

6 **note** the proposed transport content for the ERP has been developed as an interdependent package of initiatives that need to be delivered as a whole to put us on track for meeting our transport emission reduction targets;

7 **note** Te Manatū Waka Ministry of Transport (Te Manatū Waka) modelling shows that the transport policy package will put New Zealand on a pathway to achieve the emissions reduction required from transport for emissions budget 1;

8 **note** the transport policy package is framed around 4 focus areas which are:

- Focus area 1: Reducing reliance on cars and supporting people to walk, cycle and use public transport;
- Focus area 2: Rapidly adopting low-emission vehicles and fuels;
- Focus area 3: Beginning work now to decarbonise heavy transport and freight;
- Focus area 4: Cross-cutting and enabling actions;

*Proposed transport targets*

9 **agree** to the following transport targets:

- reduce total vehicle kilometres travelled (VKT) by the light fleet by 20 percent by 2035;
- increase zero-emission vehicles to 30 percent of the light fleet by 2035;
- reduce emissions from freight transport by 35 percent by 2035; and
- reduce the emissions intensity of transport fuel by 10 percent by 2035.

10 **note** that submissions analysis shows support for the transport targets;

*Transport package of initiatives*

11 **note** some initiatives in the transport package require further policy work and funding;

12 **agree** to the integrated package of transport initiatives, attached at Annex 1 and 2 [RECOMMENDED];

OR **agree** to initiatives individually as listed below, noting that not adopting individual initiatives will likely undermine the ability of transport to deliver expected emissions reductions:

*Focus area 1: Reducing reliance on cars and supporting people to walk, cycle and use public transport*

| Recommendations | Actions (policies/activities) |
|---|---|
| 13 **Agree** to these initiatives. | **1.1. Integrating land use, urban development and transport planning and investments to reduce transport emissions**<br>Transport and planning system reform:<br>• Strengthen the relationship between Regional Land Transport Plans (RLTP) and Regional Spatial Strategies (RSS), implementation agreements and Natural and Built Environment Act (NBA) plans.<br>Impact assessments:<br>• Assess joint spatial plans and associated implementation plans for all Urban Growth Partnerships to understand transport emission and funding impacts, and to identify key risks and opportunities for reducing transport emissions.<br>• Develop the evidence base and tools to quantify and assess transport emissions from proposed transport and urban developments. This will form part of the evidence base for assessing the lifetime emissions impacts of proposed urban developments (covered in the Planning and Infrastructure Chapter).<br>• Incorporate assessments of vehicle kilometres travelled (VKT) by light vehicles, mode share, and transport emissions into RLTPs and amended RMA plans, including how to manage/reduce emissions. These assessments will be required to meet eligibility for transport funding (see funding settings below).<br>Funding settings:<br>• Identify transport sector and planning sector incentives and investment rules to incentivise low-emission urban form that avoids/reduces travel and encourages travel by public transport and active modes (e.g. use of targeted funding assistance rates for allocating the National Land Transport Fund).<br>• Require bids for new transport investment to demonstrate how they contribute to emission reduction objectives when being considered for transport funding from central government.<br>• Establish a high threshold for new transport investments that are not consistent with emission reduction objectives. |
| 14 **Agree** to these initiatives. | **1.2. Supporting people to walk, cycle and use public transport**<br>*A. Planning – Designing and implementing programmes to reduce light vehicle VKT for our largest cities, and beginning planning for other urban areas*<br>• Implement activities approved for funding that are in the six existing mode-shift plans for Auckland, Tauranga, Hamilton, Wellington, Christchurch and Queenstown in partnership with local government.<br>• Implement 'no regrets' activities that are planned but not yet funded in the National Land Transport Programme (NLTP) or existing mode shift plans.<br>• Set sub-national (e.g. Tier 1 and 2[10]) light VKT and mode-shift targets for achieving the national target of reducing light VKT by 20 percent by 2035. This will be completed by the end of 2022, following consultation with local government, iwi/Māori, and community representatives.<br>• Revise Waka Kotahi's national mode-shift plan (Keeping Cities Moving) to align with the new national VKT reduction target.<br>• Leverage from the six existing urban mode-shift plans to develop urban VKT reduction programmes in partnership with local government, iwi/Māori, and community representatives. Revised programmes will need to clearly demonstrate how they will contribute to VKT targets for major urban centres, other urban areas, towns and rural areas.<br>• Partner with local government, iwi/Māori, and community representatives in Tier 2 urban areas to develop new VKT reduction programmes, aligned with sub-national VKT reduction targets. |
| 15 **Agree** to these initiatives. | **1.2. Supporting people to walk, cycle and use public transport**<br>*B. Public transport – Improving the reach, frequency, and quality of public transport*<br>National strategy, policy and enabling activities:<br>• Establish a national public transport strategy that provides a set of principles for planning and funding diverse kinds of public transport to enable the development of a national public transport network.<br>• Develop a business case toolkit, which will provide guidance on the viability of interregional passenger rail, coach and bus services, and improve the planning, funding and delivery of these projects.<br>• Complete the review of the Public Transport Operating Model, and subsequently consider making any reforms to the policy and legislative framework for the planning and procurement of public transport, including public ownership options. |

[10] Tier 1: Auckland, Hamilton, Tauranga, Wellington, Christchurch. Tier 2: Whangārei, Rotorua, New Plymouth, Napier Hastings, Palmerston North, Nelson Tasman, Queenstown, Dunedin

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| | • Identify and consider addressing barriers to integrating public transport with active and micromobility modes and networks.<br><br>Delivery:<br><br>• Deliver major public transport service and infrastructure improvements aligned to existing mode-shift plans and new VKT reduction programmes in Auckland, Wellington and Christchurch.<br>• Deliver national integrated ticketing for public transport.<br>• Significantly improve urban public transport services nationwide to support a major uplift in all urban bus networks.<br>• Consider improvements to, and new opportunities for, interregional rail services. |
| 16 **Agree** to these initiatives. | **1.2. Supporting people to walk, cycle and use public transport**<br>*C. Walking and cycling – Providing national direction to deliver a step-change in cycling and walking rates*<br><br>Policy and enabling activities:<br><br>• Deliver a co-ordinated national programme of funding, capability-building, change leadership, and regulatory initiatives to deliver a step-change in cycling and walking rates in Aotearoa. This includes increasing funding for cycling and walking improvements, implementing Accessible Streets proposals nationwide to support safe walking, cycling/scootering and other active modes, and building sector capability in engagement and communications.<br><br>Delivery:<br><br>• Deliver a national plan to significantly improve and increase the safety and attractiveness of cycling and micromobility.<br>• Deliver a national plan to significantly increase the safety and attractiveness of walking.<br>• Provide support for local authorities to develop network plans for walking and cycling, and boost capabilities in designing and delivering cycling/scootering and walking improvements at speed.<br>• Develop and implement an e-bike incentive scheme and support for employer-led initiatives to make e-bikes more affordable. |
| 17 **Agree** to these initiatives. | **1.2. Supporting people to walk, cycle and use public transport**<br>*D. Reshaping streets – Supporting local government to accelerate widespread street/road changes to support public transport, active travel and placemaking*<br><br>Policy and enabling activities:<br><br>• Deliver a co-ordinated programme of regulatory and funding initiatives to support and encourage changes to existing streets/roads, including:<br>  ○ changing funding levels, settings and requirements to strongly incentivise street changes<br>  ○ reviewing changes to policy and funding settings to ensure delivery agencies maximise opportunities to 'build back better' when doing street renewals, to make streets safer and better places for people travelling by foot, bike, other wheeled mobility, and public transport, and to improve the urban environment<br>  ○ considering regulatory changes to make it simpler and quicker for road controlling authorities to change streets to support travel by public transport, walking and cycling<br>  ○ building sector capability in engagement and communications.<br><br>Delivery:<br><br>• Scale up Waka Kotahi's existing Innovating Streets for People programme to deliver experimental street changes rapidly.<br>• Use Network Operating Frameworks, Network Operating Plans and the One Network Framework to support mode-shift objectives and enable delivery of reshaping street activities.<br>• Provide support for local authorities to boost capabilities in designing and delivering cycling/scooting networks and walking improvements at pace. |
| 18 **Agree** to these initiatives. | **1.2. Supporting people to walk, cycle and use public transport**<br>*E. School travel – Making school travel greener and healthier*<br><br>Policy and enabling activities:<br><br>• Explore dedicated active transport funding and/or education programmes to schools, including funding for school bike-leasing schemes and bike education classes.<br>• Set targets for active travel to/from schools.<br>• Consider opportunities to improve school bus services, including those provided by the Ministry of Education and regional councils. |

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| | Delivery:<br>• Prioritise improving walking and cycling infrastructure to/along school routes, in schools, and in surrounding neighbourhoods (including reallocating street space).<br>• Implement the Tackling Unsafe Speeds programme to reduce speed limits around schools. |
| 19 **Agree** to these initiatives. | **1.2. Supporting people to walk, cycle and use public transport**<br>*F. Equity – Improving access and travel choice for the transport disadvantaged*<br>Policy and enabling activities:<br>• Deliver a co-ordinated programme of funding, support and monitoring to improve clean and healthy transport options for transport disadvantaged[11] communities.<br>Delivery:<br>• Work with local authorities to deliver public transport, cycling and walking improvements in low socio-economic areas and for transport disadvantaged groups (including people with disabilities).<br>• Investigate opportunities to improve access for people living in social housing through shared mobility schemes, such as car share, carpool, and bike/scooter schemes.<br>• Implement a three-year Community Connect pilot of a 50 percent concession to Community Service cardholders in Auckland.<br>• Work with local authorities to ensure that public transport fares are affordable. This could include extending the Community Connect pilot to other areas, support other forms of targeted public transport fare subsidies, or investigating how public transport fare pricing structures could be adapted to improve equity and encourage mode-shift. |
| 20 **Agree** to these initiatives. | **1.2. Supporting people to walk, cycle and use public transport**<br>*G. Rural areas – Investigating the potential for public transport, walking and cycling in rural and provincial areas*<br>• Investigate the potential for public transport, walking and cycling in rural and provincial areas, particularly for the transport disadvantaged.<br>• Investigate further opportunities to provide on-demand public transport in provincial towns, noting positive signs from the MyWay trial in Timaru. |
| 21 **Agree** to these initiatives, including considering legislative changes to enable congestion charging, following further advice from officials. | **1.3. Enabling congestion charging and investigating other pricing and other demand management tools to reduce emissions from land transport**<br>Congestion charging:<br>• Consider legislative changes to enable congestion charging in Aotearoa, taking into account how best to align network efficiency objectives with ERP targets and objectives.<br>• Work with Auckland Council on a detailed congestion charging design for Auckland.<br>• Investigate ways to mitigate the adverse impacts of congestion charging on low-income individuals and households.<br>• Engage with Wellington City Council and Wellington Regional Council in response to their request for congestion charging.<br>• Monitor interest in congestion charging from other councils and engage with them as necessary. |
| 22 **Agree** to these initiatives. | **1.3. Enabling congestion charging and investigating other pricing and other demand management tools to reduce emissions from land transport**<br>Pricing tools<br>• Investigate the most effective combination of additional pricing tools and appropriate sequencing to reduce emissions from land transport (including parking pricing, VKT pricing and low emission zones) and consider changes to legislative settings to enable local government to use them. This includes investigating potential equity impacts from using these tools.<br>Future of the Revenue System:<br>• Reconsider the revenue system in response to longer-term changes in the way New Zealanders travel, and in response to the shifting expectations about the purpose and function of the transport system.<br>Mobility as a Service: |



[11] 'Transport disadvantage' includes people who have limited options to participate in everyday activities because of a lack of transport choices, and people who overcome lack of transport choice by paying more than they can reasonably afford for mobility. This includes disabled people, who are more likely than others to experience transport poverty, and have specific accessibility needs, which reduces their choices.

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| | • Explore, and potentially deliver, a pilot Mobility as a Service project in Aotearoa, to determine the effectiveness of the platform to shape transport outcomes and to encourage mode-shift. |
| 23 **Agree** to this initiative. | **1.4. Requiring roadway expansion and investment in new highways to be consistent with climate change targets**<br>• Establish a high threshold for receiving funding to expand roads, including new highway projects (beyond investments already confirmed), so new investments avoid inducing further travel by private vehicles. |
| 24 **Agree** to these initiatives. | **1.5. Embedding nature-based solutions as part of our response to reducing transport emissions and improving climate adaptation and biodiversity outcomes**<br>• Investigate the role that nature-based solutions could play in reducing transport emissions and contributing to other benefits. This will require analysing the transport system's potential to contribute to carbon sequestration, and whether there are any barriers to funding, delivering, and maintaining nature-based solutions in the transport system.<br>• Ensure transport policy and investment settings encourage the use of nature-based solutions, including protecting existing carbon sinks and support for new long-term carbon sequestration opportunities where appropriate. This includes through the Government Policy Statement on land transport. |

*Focus area 2: Rapidly adopting low-emission vehicles and fuels*

| Recommendations | Actions (policies/activities) |
|---|---|
| 25 **Note** this is an existing initiative. | **2.1. Accelerating the uptake of low-emission vehicles**<br>*A. The Clean Vehicle Standard and Discount Scheme*<br>• Continue to implement the Clean Vehicle Discount and implement the Clean Vehicle Standard (which is subject to legislation passing in 2022).<br>• Update vehicle labelling requirements to inform New Zealanders about the $CO_2$ emissions of individual vehicles prior to their purchase.<br>• Investigate extending the Discount approach to other vehicle types (such as e-bikes and motorbikes). |
| 26 **Note** this is an existing initiative. | **2.1. Accelerating the uptake of low-emission vehicles**<br>*B. The Low Emission Transport Fund*<br>• The fund is delivered by the Energy Efficiency and Conservation Authority (EECA). It provides co-funding to support the demonstration and adoption of low-emission transport technology, innovation, and infrastructure to accelerate the decarbonisation of Aotearoa's transport sector. The Low Emission Transport Fund expands the scope and size of the previous Low Emission Vehicle Contestable Fund. |
| 27 **Note** this is an existing initiative. | **2.1. Accelerating the uptake of low-emission vehicles**<br>*C. Light electric vehicle Road User Charge (RUC) exemption*<br>• The RUC exemption for light electric vehicles has been extended to 31 March 2024, continuing its contribution to supporting the uptake of EVs. |
| 28 **Agree** to this initiative. | **2.1. Accelerating the uptake of low-emission vehicles**<br>*D. Avoid Aotearoa New Zealand becoming a dumping ground for high emitting vehicles*<br>○ Consider what further measures from 2027 will be required to increase the fuel efficiency of the imported fleet and avoid Aotearoa New Zealand becoming a dumping ground for high emitting vehicles and to meet emissions budgets. |
| 29 **Agree** to this initiative. | **2.1. Accelerating the uptake of low-emission vehicles**<br>*E. Limiting imports of the highest emitting vehicles: Setting a maximum $CO_2$ limit or penalties for individual light ICE vehicle imports to tackle the highest emitting vehicles*<br>• Set a maximum $CO_2$ limit and/or penalties for individual light ICE vehicle imports. This would operate as a grams $CO_2$ per kilometre threshold above which vehicles could not be imported or by setting very high penalties for these types of vehicles as part of the Clean Vehicle Discount. |
| 30 **Agree** to this initiative. | **2.1. Accelerating the uptake of low-emission vehicles**<br>*F. Investigating how the tax system could support clean transport options*<br>• Review aspects of the tax system to ensure low-emissions transport options are at least not disadvantaged, in particular in relation to the work-related vehicle definition in the fringe benefit tax (FBT) rules and the application of FBT to employer-provided public transport. |
| 31 **Note** this is an existing initiative. | **2.1. Accelerating the uptake of low-emission vehicles**<br>*G. Partnering on solutions to address supply constraints for low-emissions vehicles* |

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| | • A Clean Car Sector Leadership Group was established in August 2021 to advise the Minister of Transport on measures to accelerate the uptake of clean vehicles, including those to address future supply constraints. |
| 32 **Agree** to this initiative. | **2.1. Accelerating the uptake of low-emission vehicles**<br>*H. Determining whether there are legislative barriers to the use of some types of low-emission vehicles*<br>• Determine if there are inappropriate legislative barriers to the use of some types of low-emission vehicles in Aotearoa. This will require considering if allowing these vehicles into the national fleet can be achieved without unduly compromising our safety or other objectives. |
| 33 **Note** this is an existing initiative. | **2.1. Accelerating the uptake of low-emission vehicles**<br>*I. Transitioning to a low-emissions government fleet*<br>Where practicable, government agencies are now required to:<br>• optimise their fleets with the aim of reducing the number of vehicles in the government fleet<br>• choose a battery electric vehicle (BEV), or a PHEV if a BEV is not appropriate for the proposed use, unless there are operational requirements or other circumstances that prevent them from doing so. |
| 34 **Agree** to these initiatives. | **2.2. Making low-emission vehicles more accessible for low-income New Zealanders**<br>Social vehicle leasing:<br>• Trial, with a view to establishing, social leasing schemes of EVs for low-income households. Participants would pay an affordable weekly set fee to cover running costs (except fuel), depreciation and scheme administration.<br>Equity-oriented vehicle scrap and replace scheme:<br>• Trial, with a view to establishing, an equity-oriented vehicle scrappage scheme that will make cleaner vehicles affordable for low-income people. On scrapping a vehicle, eligible participants could receive financial vouchers for the purchase of safe low- and zero- emission vehicles or the alternative of vouchers for use on public transport and other low-emission services.<br>Further targeted support to make low-emission vehicles more accessible:<br>• Investigate whether further targeted support is required to make low-emission vehicles more affordable for other disadvantaged groups and communities. This includes considering whether additional support is required to support disabled people to purchase suitable electric vehicles (e.g., larger vehicles to transport wheelchairs). |

*Focus area 3: Beginning work now to decarbonise heavy transport and freight*

| Recommendations | Actions (policies/activities) |
|---|---|
| 35 **Note** this is an existing initiative. | **3.1. Decarbonising freight**<br>*A. Developing a Freight and Supply Chain strategy*<br>• Develop a national Freight and Supply Chain strategy with industry to identify how to decarbonise freight transport, while improving the efficiency and competitiveness of the supply chain. This strategy will set the direction for the national freight and supply chain for the next 30 years. This will provide a better understanding of the system and how it can help us reach several outcomes – including decarbonisation. The strategy will build on work being progressed below in the first budget period (3.1,3.3 3.4, 3.5, 3.6) and set the pathway for what actions we should take in the second and third budget periods. |
| 36 **Note** this is an existing initiative. | **3.1. Decarbonising freight**<br>*B. Implementing the New Zealand Rail Plan (the Rail Plan) and investigating options to encourage greater use of coastal shipping*<br>The New Zealand Rail Plan:<br>• Invest in the national rail network to restore rail freight and provide a platform for future investments for growth.<br>• Invest in the metropolitan rail network to support growth and productivity in our largest cities.<br>Coastal shipping:<br>• Waka Kotahi NZ Transport Agency will consider proposals from the sector to deliver coastal shipping activities from the $30 million – $45 million of investment allocated through the Government Policy Statement on land transport 2021 (GPS 2021). This could include new or enhanced domestic services, reducing sector emissions, new or enhanced inter-modal links, and new or enhanced maritime infrastructure. |

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| 37 | **Agree** to these initiatives. | **3.1. Decarbonising freight**<br>*C. Accelerating the decarbonisation of trucks*<br>• Progress decarbonising heavy vehicles programme in the first budget period. This includes:<br>  ○ introducing more funding to support the freight sector to purchase low and zero-emission trucks<br>  ○ establishing a freight decarbonisation unit to progress regulatory and investment work to decarbonise the freight sector<br>  ○ evaluating options to improve heavy vehicle fuel efficiency and identify the appropriate options for regulating heavy vehicle imports to reduce emissions of heavy vehicles entering New Zealand, support the development of infrastructure for green fuels and heavy vehicle fast charging, and evaluating options to reduce emissions of heavy vehicles operated or procured through government activities (this could include but is not limited to implementing green freight procurement through third-party contractor rules for government activities).<br>• Consider implementing the Euro VI standard for heavy vehicles. |
| 38 | **Note** Cabinet has agreed to consult on these initiatives [CAB-21-MIN-0488]. | **3.1. Decarbonising freight**<br>*C. Accelerating the decarbonisation of trucks*<br>• Evaluating options for RUC to support emissions reductions including whether to extend the heavy EV exemption for RUC, and whether to set RUC rates differently by fuel type/emissions. |
| 39 | **Note** Cabinet has already agreed to this initiative [CBC-20-MIN-0118]. | **3.2. Accelerating the decarbonisation of the public transport bus fleet**<br>• Require only zero-emission public transport buses to be purchased by 2025.<br>• Set a target to decarbonise the public transport bus fleet by 2035.<br>• Support regional councils to achieve these outcomes through a $50 million fund over four years.<br><br>Additional measures include:<br>• helping councils meet additional operating costs of deploying low- or zero-emission vehicles and/or<br>• enabling councils to own or take control of assets that are necessary to support the deployment of low- or zero-emission vehicles. |
| 40 | **Agree** to this initiative. | **3.3. Decarbonising aviation**<br>• Develop and set specific targets for decarbonising domestic aviation in line with New Zealand's climate targets. |
| 41 | **Note** these are existing initiatives. | **3.3. Decarbonising aviation**<br>• Establish a public-private leadership body focussed on decarbonising aviation, including operational efficiencies, infrastructure improvements, and frameworks to encourage research, development and innovation in sustainable aviation.<br>• Implement a Sustainable Aviation Fuel Mandate. |
| 42 | **Note** Cabinet has already agreed to this initiative [CAB-21-MIN-0165]. | **3.4. Decarbonising maritime**<br>• Implement international obligations to reduce emissions from ships. |
| 43 | **Agree** to these initiatives. | **3.4. Decarbonising maritime transport**<br>• Develop and implement a national action plan to reduce commercial and recreational maritime emissions in line with international and domestic decarbonisation ambitions.<br>• Set new targets for maritime, including:<br>  ○ All new small passenger, coastal fishing, and recreational vessels to be zero emissions by 2035<br>  ○ All new large passenger, cargo and offshore fishing vessels to meet highest carbon intensity reduction, as set by the International Maritime Organization, by 2035.<br>• Undertake research to advance the development and uptake of alternative low- and zero-carbon fuels for shipping in New Zealand and develop safety and environmental standards for their use.<br>• Work with other like-minded countries to put in place the conditions to allow low- or zero-carbon shipping on key trade routes by 2035. |
| 44 | **Note** Cabinet has agreed to implement a Sustainable [CAB-21-MIN-0448]. | **3.5. Biofuels obligation– a greenhouse gas reduction-based obligation to increase the use of sustainable transport biofuels**<br>• Introduce a Sustainable Biofuels Obligation to help overcome the cost and risk barriers to biofuels uptake in New Zealand. The obligation will be reviewed two years after being operational and can be expanded to include other low-carbon fuels at that time, such as hydrogen or electricity, subject to Cabinet's agreement. |
| 45 | **Agree** to these initiatives | **3.6. Producing a long-term national electric vehicle (EV) charging infrastructure plan**<br>• Continue to develop the cross-agency EV charging infrastructure work programme to provide a coordinated platform for existing and future government policy, investment and engagement with public and private stakeholders. |

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| | • Complete work on a long-term national electric vehicle charging infrastructure strategy to set out the Government's vision and policy objectives around EV charging over future emissions budget periods.<br>• Review of the Electricity (Safety) Regulations to cover the safety precautions associated with charging EVs. |

*Focus area 4: Cross-cutting and enabling actions*

| Recommendations | Actions (policies/activities) |
|---|---|
| 46 **Agree** to this initiative. | **4.1. Ensuring the next Government Policy Statement on land transport (GPS-LT) guides investment that is consistent with the ERP**<br>• Utilise all levers available to achieve emissions reductions. This includes the GPS-LT, which sets the Government's objectives for land transport investment and Crown funding for transport initiatives. GPS-LT 2024 development is underway. |
| 47 **Agree** to this initiative. | **4.2. Developing a strong evidence base to inform transport decarbonisation and an Equitable Transition**<br>• Invest in expanding the evidence base to support the Equitable Transition to a zero carbon transport system.<br>• Expand our tools for assessing interventions to ensure that we take a consistent approach across multiple issues, including how we treat uncertainty, account for multi-sector interactions, assess interrelated issues, and better account for risks and opportunities. |
| 48 **Agree** to this initiative. | **4.3. Embedding long-term transport planning**<br>• Set a longer-term planning horizon, with a pipeline that can change when needed. This will give greater confidence that we are on a path to eliminate emissions and achieve other goals. Te Manatū Waka is using the Generational Investment Approach to guide planning through to 30–50 years out. It is applying this with partner agencies, through cross-system strategies such as the National Supply Chain and Freight Strategy. |
| 49 **Agree** to this initiative. | **4.4. Investing in information and education to support change**<br>• Invest in information and education to support and encourage people and businesses to change their behaviour, while recognising that the biggest barrier is often a lack of good transport options. |
| 50 **Agree** to this initiative. | **4.5. Developing the skills and capability required to transition to a low emissions transport system and support a Equitable Transition**<br>• Ensure the right skills and capability are in place across the transport sector (central government, local government, communities, iwi/Māori, suppliers, infrastructure supply chain) to support the transition. We will consider what capability and capacity building will be needed, and work with the transport sector to plan for the transition. We will also investigate any barriers the transport sector faces accessing the materials and labour needed to deliver the transition. |

*Risks and mitigation*

51 **note** the transport sector does not currently have capacity and capability to deliver all transport initiatives in the ERP. This will require the transport sector and Government to complete longer-term work to:

a) determine the cost of delivering the transport content of the ERP and suitable sources for funding;

b) consider the prioritisation of the work that is needed to deliver the change required for the transport sector;

c) significantly expand and retrain the sector to meet the capacity and capability needed to deliver the actions in the ERP;

52 **note** the proposed transport content for the final ERP may be subject to editorial changes and content update by Te Manatū Waka, which will be agreed with me where necessary;

53 **note** I will return to Cabinet for substantive decisions on individual policies, where required, as they are ready to progress to implementation

Authorised for lodgement

Hon Michael Wood

**Minister of Transport**

**Annex 1 – Transport Chapter 17 of the emissions reduction plan**

**Annex 2 - Appendix A of the emissions reduction plan**