

Talking points – Approval to introduce the Land Transport (Clean Vehicles) Amendment Bill (No 2)

Cabinet meeting: Monday 14 November 2022

Portfolio: Transport

- This paper seeks approval to introduce the Land Transport (Clean Vehicles) Amendment Bill (No 2). Cabinet agreed, on 31 October 2022, that it would take this decision directly without prior consideration by the Cabinet Legislation Committee.
- The Bill amends the primary legislation for the Clean Vehicle Standard. The Standard sets annual targets that require light vehicle importers to progressively reduce the CO2 emissions of the vehicles they import. It is a crucial policy to transition the light vehicle fleet to be low-emission. It will also help lower the cost of living because it increases the import of fuel efficient vehicles that cost less to run.
- The Standard's requirements start on 1 December 2022. The purpose of the Bill is to ensure the Standard's commencement is as successful as it can be, by making compliance as smooth as possible for the vehicle industry. Compliance is key to realising the benefits of the Standard.
- Specifically, the Bill will provide a six-month phase-in. It will also remedy the inadvertent inclusion of mopeds and motorcycles in part of the Standard's requirements.

The six-month phase-in

- The Standard's requirements start on 1 December 2022. From this date all vehicle importers must hold a CO2 account, where the CO2 emission ratings of their vehicles will be recorded. Without this information, vehicles will not be able to complete entry to New Zealand and be registered.
- From 1 January 2023, the CO2 emission ratings of vehicles start to count towards the achievement of the CO2 targets. For vehicle importers complying on a "pay-as-you-go" basis, each vehicle will incur a charge, or a credit, based on its CO2 emissions. Credits can be used to offset charges or be transferred to other importers.
- The Bill provides a six-month phase-in that will defer from 1 January 2023 the:
 - requirement to pay charges to 1 June 2023. Charges will still be incurred from 1 January 2023 but would not be payable until 1 June 2023
 - ability to transfer emission credits from 1 June 2023. Credits will still be accrued from 1 January 2023
 - requirement for a publicly available record of account holders to apply from 1 June 2023. Between 1 December 2022 and 31 May 2023, importers and the public would need to apply to Waka Kotahi to access information from the record of account holders.

- The phase-in will give vehicle importers time to become accustomed to operating with the new requirements and the online system run by Waka Kotahi. It makes it less likely that vehicle importers will be penalised by charges because they were unfamiliar with the requirements of the Standard's CO2 targets.
- The phase-in will also give Waka Kotahi time to have a fully automated system in place to support the Standard. A system with elements of manual processing would undermine confidence in the Standard because of the resultant increased processing times, compliance costs and heightened potential for errors and fraud.

Exclusion for motorcycles and mopeds

- The Bill also corrects the Ministry of Transport's inadvertent inclusion of mopeds and motorcycles in part of the requirements of the Standard. Officials overlooked that mopeds and motorcycles are classed as light vehicles when the legislation was drafted. Without the Bill's correction, importers of motorcycles and mopeds would need to unnecessarily hold CO2 accounts and record emissions.

Urgency is sought for the Bill

- I am seeking approval for the Bill to be introduced on 22 November 2022 under urgency and passed no later than 25 November 2022. Urgency is needed because the requirements on motorcycle and moped importers will otherwise take effect on 1 December 2022. Processes and systems to pay charges and transfer credits would otherwise be required from 1 January 2023.

Back-pocket questions and answers

Does the six-month phase-in delay the Clean Vehicle Standard?

- No. The purpose of this is to give vehicle importers time to become accustomed to operating with the new requirements. This is important to securing compliance with the Standard's emissions targets. However, the phase-in does not defer the obligation to achieve the CO2 emission targets for 2023. It only defers the obligation for vehicle importers to pay charges for any vehicles exceeding the targets from 1 January 2023 to 31 May 2023. Similarly, it defers the ability to transfer emission credits from 1 January 2023 to 1 June 2023.
- Importantly, the phase-in increases the certainty that the CO2 emissions reductions from the Clean Vehicle Standard will be achieved.

Could you amend the Regulations rather than amending the primary legislation?

- I asked officials to thoroughly explore the legislative options to give effect to the six-month phase-in and the exclusion of motorcycles and mopeds. This included receiving a legal opinion from Crown Law. The conclusion was that the empowering provisions in the Land Transport Act 1998 do not allow for the making of regulations to give effect to either the phase-in or the exclusion.

Will the official new vehicle distributors be affected by the phase-in?

- It is expected that all official new vehicle distributors will comply with the Standard's targets annually and on a 'fleet average' basis. Consequently, they will be unaffected by the phase-in.

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TE MANATU WAKA MINISTRY OF TRANSPORT