



12 May 2022

OC220379

Hon Michael Wood
Minister of Transport

Action required by:
Thursday, 19 May 2022

ALTERNATIVE PHASING DATES FOR EURO 6/VI

Purpose

Provides you with alternative phasing options to implement Euro 6/VI for new imported vehicles.

Key points

- Last month we updated you on the Health and Air Pollution in New Zealand (HAPINZ) report, with options for progressing to the Euro 6/VI emissions standard (OC220137 refers).
- On 9 May 2022, you met with representatives from the Imported Motor Vehicle Association (VIA) and the Motor Industry Association (MIA) to discuss the phasing options and barriers to implementation.
- s 9(2)(b)(ii) [REDACTED]
- Officials agreed to provide you with alternative phasing options based on these conversations.
- **For used vehicles**, we have kept the same option as was proposed in our last briefing (OC220137 refers), as VIA representatives appeared to support what officials had suggested. These dates are set out below:
 - From January 2023, used light and heavy vehicles currently subject to Euro 4/VI, would be required to meet Euro 5/V and related standards, to align with the current standard imposed on new vehicles.
 - From January 2024, all used light petrol vehicles imported from Japan (and manufactured from 2024) would be required to meet Euro 6/VI and related standards. From 2028, all used vehicle imports would be required to meet Euro 6/VI and related standards.
- **For new vehicles**, the MIA provided some feedback, noting that de-coupling from Australia would increase overheads excessively for new vehicle distributors, causing

price increases for consumers. The MIA suggested progressing to more stringent standards for heavy vehicles would be easier than for light. Options for phasing Euro 6/VI implementation are outlined below, ordered from most to least ambitious:

	Option one	Option two	Option three	Option four
Light vehicles	Same as OC220137 recommendation. Euro 6d and related standards required from Jan 2024.	Allow a slightly weaker standard for the first year. Euro 6b/c and related standards required from January 2024. Euro 6d required from 2025 for all new vehicle imports.	Allow a further year for existing models. Euro 6d and related standards required for <i>new vehicle models</i> from January 2024. Euro 6d and related standards required for all new vehicle imports from January 2025.	Wait for Australia. Euro 6d required same date as Australian adoption.
Heavy vehicles	Euro VIe and related standards required from January 2025.	Euro VIa and related standards required from January 2025. Euro VIe and related standards required for all new heavy vehicle imports from January 2026.	Euro VIe and related standards required for <i>new vehicle models</i> from January 2025. Euro VIe and related standards required for all new heavy vehicle imports from January 2026.	Euro 6VIc required same date as Australian adoption.

- Option three (adding an extra year for existing models) would mean most vehicles will not be required to make any improvement in the first year. Option two (providing a grace period of a weaker standard for a year) would mean the majority of vehicles will at least have to make an interim improvement.
- Australia is likely to implement Euro VIc for its heavy vehicle fleet in 2025/2026, ^{s 6(b)}
- Options two, three, and four would make it harder for the Government to accurately review and set future carbon dioxide targets for the Clean Vehicle Standard because these options do not force standardisation of new light vehicles onto the Worldwide Harmonized Light-Duty Test Procedure (WLTP). Legislation requires a review of targets be conducted in the first half of 2024.
- Cabinet agreed to WLTP being a requirement on vehicles manufactured from 2024, so options two, three, and four would all rely on Cabinet amending that decision. We may be able to get a proportion of WLTP-tested vehicles with option two, but this won't be confirmed until later in the year when importers have had sufficient time to investigate technical detail with their parent companies.

- **Table one** below shows the total air pollution costs and benefits for implementing Euro 6/VI across four scenarios: adoption in 2024, 2025, 2027 and 2030. The total cost shows the cost of the emissions at net present value, and the benefits show the savings in air pollution social costs out to 2050.

Table one

Scenario	CO	VOC	NO _x	PM ₁₀	Total social cost	Benefit
	Cumulative emissions 2021 to 2050 (tonnes)				NPV \$2019 (in \$million)	NPV \$2019 (in \$million)
Base	684,205	32,625	503,490	29,685	\$ 68,744	-
Scenario 1: 2024	657,541	32,442	420,749	28,574	\$ 60,402	\$ 8,342
Scenario 2: 2025	662,984	32,473	435,633	28,759	\$ 62,083	\$ 6,662
Scenario 3: 2027	672,544	32,530	463,090	29,103	\$ 64,995	\$ 3,749
Scenario 4: 2030	680,641	32,591	490,774	29,471	\$ 67,668	\$ 1,076

- Option one would deliver the biggest savings in social costs, with option four delivering the least. We expect option two would deliver benefits similar to scenario two in the table, with option three delivering benefits between scenario two and three.
- If you wish to give industry more time than our original recommendation (option one), we recommend option two. Option two would deliver reductions in harmful emissions but would still give industry more lead time than requiring Euro 6d.
- Option three would take longer to deliver emissions reduction benefits, as Euro 5 *existing models* would likely continue to be imported until Euro 6d is mandatory for all vehicles in 2026. Option four would lock-in vehicles with higher levels of harmful emissions until Australia eventually adopts Euro 6/VI.

Next Steps

- On your agreement to one of the phasing options, officials will provide an updated letter to industry outlining your expectations for phasing to more stringent emissions standards. Waka Kotahi New Zealand Transport Agency will also receive drafting instructions to update the Land Transport: Vehicle Exhaust Emissions Rule 2007 (the Rule). Once drafted, the Rule would be circulated for public consultation. We would summarise industry consultation feedback to you, allowing you to make any final changes to the Rule, including altering dates further, if necessary, before the Rule is amended at the end of this year.
- Alternatively, you could also proceed for now with the original dates outlined by the previous briefing (option one) but consider following feedback from consultation on the draft Rule whether changing to one of the other timing options above is justified. This would enable Japanese automakers (and the MIA) sufficient time to rigorously assess and formally respond to us with details about if and why they cannot achieve option one.

Recommendations

We recommend you:

- 1 **indicate** which option you would like officials to proceed with
 - option one (most ambitious; no change from prior briefing) Yes/No
 - option two (allow a slightly weaker standard for the first year) Yes/No
 - option three (allow further year for existing models). Yes/No
 - option four (wait for Australia) Yes/No

- 2 **agree** used light and heavy vehicle imports, currently subject to Euro 4/VI, be required to meet Euro 5/V and related standards from January 2023, matching the current standard imposed on new vehicles Yes/No

- 3 **agree** used light vehicle imports move to Euro 6d and related standards at the same time as new vehicles, though used Japanese petrol imports are phased in up to 2028 to avoid supply constraints Yes/No

 Ewan Delany Manager, Environment, Emissions and Adaptation 12 / 5 / 22	Hon Michael Wood Minister of Transport / /
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- Minister's office to complete:**
- Approved Declined
 - Seen by Minister Not seen by Minister
 - Overtaken by events

Comments

Contacts

Name	Telephone	First contact
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