

Hon Julie Anne Genter
Associate Minister of Transport
Ministry of Transport

By email cleancars@transport.govt.nz

19 August 2019

Dear Minister,

SUBMISSIONS ON CLEAN CAR STANDARD AND CLEAN CAR DISCOUNT DISCUSSION PAPER

Thank you for the opportunity to provide feedback on the Ministry of Transport's "Moving the light vehicle fleet to low-emissions: a discussion paper on a Clean Car Standard and Clean Car Discount".

Mercury supports of these two initiatives. They are in line with recent independent reviews which confirm that the most cost-effective action to reduce New Zealand's carbon emissions is to replace fossil fuels in transport with renewable electricity.

We have set out in attachment our responses to the questions raised in the discussion paper. Please note that we have only included the questions for which we have provided a submission.

Please contact Jo Christie on [REDACTED] or [REDACTED] if you have any queries.

Yours sincerely



Nick Wilson
Manager Regulatory and Government Affairs



Jo Christie
Regulatory Strategist



Attachment: Mercury - **Submissions on Ministry of Transport's** Clean car Standard and Clean Car Discount

Question	Mercury Response
Part 2A: How the clean Car Standard would work	
Is the Clean Car Standard appropriate for New Zealand? If not, why?	Mercury supports the introduction of the Clean Car Standard and believes that it is appropriate for New Zealand. These proposals are positive steps, offering support and encouragement for the uptake of electric vehicles and the move towards de-carbonisation of the national fleet.
Is an average emissions target of 105 grams CO₂ per kilometre by 2025 an appropriate target for New Zealand? If not, why?	Mercury supports the average emissions target of 105 grams CO ₂ /km by 2025 as an appropriate initial target for New Zealand. This is a positive first step in New Zealand's transition to electric vehicles and reducing our dependence on imported fossil fuels.
What effect do you think the Clean Car Standard would have on vehicle supply and prices?	Based on the evidence provided Mercury agrees that the impact that the Clean Car Standard may have on supply and price of vehicles entering New Zealand will be outweighed by the long-term benefits gained by the reduction in carbon emissions and the significant reduction in fuel costs to vehicle owners.
Part 2B: How could the Clean Car Standard be implemented?	
Do you support the timeframe for the phase in period?	Mercury welcomes the Government's pragmatic approach to the implementation of the proposals by phasing in the obligations and giving flexibility to participants to manage any impacts across their organisations.
Do you agree with the proposed process for setting future emission targets? If not, what would you change and why?	<p>Mercury supports the setting of stronger emissions targets beyond 2025 to continue the move to a low emissions vehicle fleet. We agree that the process and timeframes for setting future targets should be aligned with the new Climate Change Commission's system of quantified greenhouse gas emissions budgets.</p> <p>Mercury also agrees that a flexible approach be adopted by the Ministry and that it is important to be able to change targets if critical factors necessitate change.</p>
Part 3A: How the Clean Car Discount would work	
Is the Clean Car Discount appropriate for New Zealand? If not, why?	Mercury supports the introduction of the Clean Car Discount. The benefits of these proposals are clear not only for the country's carbon emissions but for the reduction in household energy costs that will result from powering EV's with renewable electricity.



Part 3B: How could the clean car discount be implemented?	
Is the emissions benchmark of 105 grams CO₂ per kilometre by 2025 an appropriate one to have for the Clean Car Discount? If not, why?	Based on the evidence provided, 105 grams CO ₂ per kilometre by 2025 would be an appropriate emissions benchmark for the Clean Car Discount.
Would an initial emissions benchmark of 150 grams CO₂ per kilometre be suitable for the first year of the Clean Car Discount? If not, why?	<p>The discussion paper is unclear on the rationale behind the benchmark being slowly phased in so that the lower target of 105 grams would only apply by 2025.</p> <p>If the rationale is to encourage early uptake by applying the discount to vehicles at the 150gram CO₂ level because they are in greater supply, we would support the proposal.</p>
Would the level of fees and discounts in the example feebate schedules (Appendix 4) increase demand for low-emission vehicles? If not, what changes would you make?	Mercury supports the feebate scheme as proposed but has no specific comment in relation to the quantum. This is an appropriate starting point but should be subject to review if it isn't achieving desired policy outcome.
In the example schedules the schedules change every year to lower the emissions benchmark and to keep the scheme self-financing. Do you think annual change is practical or should there be less change?	Flexibility is desirable to allow for change if desired outcomes in the uptake of fuel-efficient and low-emissions vehicles are not achieved. We would recommend that the NZTA exercise a discretion each year as to whether changes in the schedules were required.
Do you support the proposal to apply the fees and discounts directly at the point of vehicle purchase? If not, why?	<p>Mercury strongly supports the application of both fees and discounts directly at the point of vehicle purchase. It is essential to incentivise car buyers by giving them the immediate gratification of a discount or conversely the disincentive of a fee.</p> <p>While not under discussion in the current paper, Mercury believes the discount should also be factored into the cost price of electric vehicles for fringe benefit tax (FBT) purposes, which further supports the application of discounts at the point of vehicle purchase.</p> <p>FBT is calculated based on 20% of the cost price of a vehicle. Due to the relatively high cost price of electric vehicles compared with petrol or diesel vehicles, more tax is paid on electric vehicle fleet than equivalent petrol or diesel fleet. Conversely, the private benefit received by employees is less, as running costs are generally lower, and the ability to use the vehicle privately for longer distances is reduced due to range limitations.</p> <p>Mercury has previously submitted that the percentage applied to electric vehicles should be reduced to remove this disincentive towards investment by companies in electric vehicles and continues to</p>

	support this position. However, reducing the cost price of electric vehicles for FBT purposes would provide some relief from the current disincentive for companies to invest in low emission vehicles.
Do you support the penalties outlined in this section to ensure that fees and discounts are displayed on each vehicle and are correctly applied by vehicle suppliers? If not, why?	Mercury supports the penalties outlined in this section. For the Clean Car Discount to be effective it must be applied correctly by vehicle suppliers. Without penalties there is no consequence for failure to comply.