By Email

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Ministry of Transport
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Counties Power Submission,

Moving the light vehicle fleet to low-emissions: discussion paper on a Clean Car Standard and Clean Car Discount

Counties Power welcomes the opportunity to provide feedback on the discussion paper on a clean car standard and clean car discount dated 9 July 2019 (the Paper).

Counties Power is a consumer owned lines company operating in the rural South Auckland and northern Waikato regions. The Company is actively investing in new technology in the electricity industry with one of the highest penetrations of smart meters, a grid scale battery and electric vehicle fast chargers. The company also has a small fleet of electric vehicles and plug-in hybrid electric vehicles.

By way of background, Counties Power notes the importance for New Zealand to meet its Paris Agreement obligations in order to keep the average global temperature well below 2°C pre-industrial levels, while pursuing efforts to limit the temperature increase to 1.5°C. Counties Power agrees with the Ministry of Environment's conclusion that "New Zealand should adopt two separate targets – one for biogenic methane and one for all other greenhouse gases"[1] on the basis that methane chemically oxides in the atmosphere and New Zealand's pastures absorb emissions[2].

Once agricultural methane is corrected out of the country's total greenhouse emissions, emissions from diesel and petrol contribute 60% of New Zealand's greenhouse gas emissions[3]. The next significant source for emissions is natural gas, making up another 30%, split almost evenly through reticulated natural gas and electricity generation. Reducing emissions from

[1] Clause 10, Climate Change Chief Executives Board – Advice on a new 2050 emissions reduction target. https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/Climate%20Change%20Chief%20Executives%20Board%20%E2%80%93%20Advice%20on%20a%20new%202050%20emissions%20reduction%20target%20%5B2018-B-05126%5D.pdf

[2] Effectively the agricultural impact is limited to being the annual net change in agricultural output, which could be positive or negative depending on the net methane change from New Zealand's total grazing stock.

[3] EECA energy end use database 2016, https://www.eeca.govt.nz/resources-and-tools/tools/energy-end-use-database/

the use of reticulated natural gas is more difficult than transport because of the long-life of the associated assets[4] (e.g. reticulated gas distribution networks and industrial boilers) and the low cost of using gas for heating. Consequently, targeting transport emissions is the most effective mechanism available to the country to meet its Paris Agreement targets. It then follows that the most effective measure that New Zealand households and businesses can take to reduce their emissions is to invest in EVs for daily transport.

Therefore, while many OECD countries[5] have for many years financially incentivised investment in photovoltaic arrays, for New Zealand to meet its Paris Agreement obligations the government needs to make a similar commitment by incentivising New Zealand households and businesses to invest in electric vehicles. Low emission internal combustion vehicles will not achieve this outcome, which is reflected in the Paper where these low emission vehicles[6] switch from having a discount to paying a fee within seven years.

Consequently, Counties Power does not support the Clean Car Discount proposal of incentivising low emission petrol and diesel vehicles. Counties Power does support the Clean Car Discount proposal of penalising high emission vehicles and recommends that the proposal be modified so that the fees and discounts taking effect from 2028 be applied in 2021 to encourage the necessary EV uptake to achieve climate targets. Higher EV discounts are also required to broaden the economic demographic that can afford an EV, especially if the discounts were limited to EVs priced under $60k (an $80k purchase price is significantly beyond the reach of many households and businesses).

Furthermore, a commitment to discount EVs would increase the supply of EVs into New Zealand and the supply of low cost EVs if the price eligibility for the discount were to come down to around $60k. A major factor limiting EV sales is the limited retail supply of new EVs, with a backlog of orders for the latest EVs. This is in large part because of a lack of EV scale in the New Zealand market. Vehicle manufacturers would see an electric vehicle subsidy as a major financial support that would encourage them to increase supply to the New Zealand market.

In regard to the Clean Car Standard, this appears to be theoretically flawed and difficult to enforce. It is theoretically flawed because measuring fuel efficiency based on vehicle weights is a crude measure of energy efficiency, which is measured as energy use per passenger-kilometre. This is important because under the proposal a two-seater Lotus Elise would be deemed efficient because of its low weight, whereas a seven-seater Mazda MPV would not, despite the Mazda being more energy efficient on a per passenger-kilometre basis[7]. In regard to enforcement, this would be difficult because the fines appear to be too small to be of concern for car dealers. Counties Power suspects that the car dealer's average gross margin[8]

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[4] It should be noted that New Zealand continues to allow the growth of reticulated gas and the construction of new thermal plants, which is further adding to New Zealand's long-term greenhouse gas emissions.

[5] Examples being Australia, UK and Germany.

[6] Appendix 4: Proposed feebate schedule for new vehicles this shows the VW Golf, Kia Rhio and Nissan X-trial having a $1,800 grant in 2021, which changes to a $500 penalty by 2028.

[7] It should be noted that a major factor in New Zealand is the high number of single occupant vehicle trips especially related to travelling to work.

[8] Gross margin for the overall operation, with car-yard dealers making a lower return because part of the gross margin is made by the company's New Zealand based head office.

on a new car, or second-hand import, is between 40% and 50% and so any fine is easily recovered in the vehicle sale.

Conclusion

Incentivising the uptake of electric vehicles is the most effective option that the government has for reducing New Zealand's carbon dioxide emissions, and unlike Australia or the UK the government has no other programme making a material difference to New Zealand's emissions reductions. Furthermore, unlike many European countries the government can take an aggressive approach to incentivising EVs because there is no vehicle manufacturing base that needs to be protected through the transition to an EV future.

Counties Power recognises that there would be public push-back from a fee payed at the time of purchasing the vehicle and, therefore, would recommend that any fees are charged on a similar basis to alcohol, cigarettes and petrol so that the government fees are not evident in the sale price. For internal combustion vehicles this would require New Zealand Customs charging the vehicle importer at the border. The discount should be obtained on purchase and would need to be twice the initial amount proposed and limited to EVs priced under $60k so that they are available to a wider demographic.

Finally, Counties Power notes the Labour Party's stated position that "National promised to reduce emissions to 5% below 1990 levels by 2020 but, with no actual plan to achieve that, emissions have continued to rise. Making pledges for emissions reductions is not enough. There needs to be meaningful policy to back it up"[9]. Unless the Clean Car Discount proposals are modified to target only EVs the government will still have no meaningful programmes to meet the New Zealand's Paris Agreement commitments.

Yours sincerely

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[9] https://www.labour.org.nz/climatechange