

Saturday, 17 August 2019

Bruce Jonson

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**Submission on the Ministry of Transport's discussion paper "Moving the light vehicle fleet to low emissions: discussion paper on a Clean Car Standard and a Clean Car Discount"**

This is a personal submission from **Bruce Jonson**.

I am also a member of the Better NZ Trust

I fully support this discussion paper which aims to transition the light passenger fleet to as close to carbon zero as we can by 2050. As an EV driver I already know the huge difference fuelling a car with electricity rather than petrol/diesel can make to my wallet, sanity and health.

**MY RESPONSES**

My responses are made below to all questions posed in the discussion paper.

*Q 1 – Is the Clean Car Standard appropriate for New Zealand? If not, why?*

**Answer: YES**

Regulation of air quality is long overdue in NZ, and we trail behind the OECD countries who addressed this issue some time ago. If we are to make the Paris targets set for 2030 and 2050 we desperately need to reduce our carbon emissions. More efficient cars will reduce our dependence on imported oil and make the transition to petrol-less cars easier, all the while improving the overall health of all New Zealanders.

*Q 2 – Is an average emissions target of 105 g CO<sub>2</sub>/km by 2025 an appropriate target for NZ? If not, why?*

**Answer: YES**

An emissions target is essential for NZ but I would prefer it were brought into alignment with OECD norms. According to the ICT LCV 2030 the EU has a 2025 target of 81g and Japan is hoping to get to 82g by 2020. Norway, has set a target of 82g for 2020, but reached the target in 2017. Although it is unlikely, we could achieve either of these low targets in the timeframe, if we set 130g in 2022 and then 115g in 2023, 100g in 2024 and 85g in 2025 we would be demonstrating how seriously transport emissions need to be reduced. Falling short of an ambitious target is better than achieving a lower target number. See **Appendix A** for the comparisons of CO<sub>2</sub> standards — existing and proposed.

*Q 3 – Do you think the Clean Car Standard would have an effect on vehicle supply and prices?*

**Answer: NO**

While in the short term some disruption is to be expected in both supply and price, if we continue importing mainly from Japan and the UK, where standards already exist, we should reap the benefits of lower emission vehicles from those two markets.

The up-front cost of an EV deters many buyers, but the running cost savings every day are substantial.

Consideration of offering low interest loans to those without access to capital, would offer families the possibility of saving fuel costs that can then become the loan payments. Most car loans cost 12.5% over 5 years; a Govt scheme offering a 10 year loan at say 4% would make loan repayments on many EVs less than the petrol/diesel costs – truly a win-win situation.

*Q 4 – Do you consider the overall process outlined for the CCS is workable? If not, why?*

**Answer: YES**

While there are challenges in implementing any new system, the detrimental effects of doing nothing far outweighs such challenges. The sooner we reduce our reliance on fossil fuels the sooner the whole country benefits.

*Q 5 – The CCS will cover new vehicles and used vehicles being brought into NZ. Should people who import 3 vehicles or less be exempted?*

**Answer: YES**

The discussion paper quotes 3 vehicles in any specified period but does not specify the length of that period. However, notwithstanding that detail, I assume that such importers represent a small number and should be exempted. Might it be better if an annual maximum number of cars was specified for exemption?

*Q 6 – Do you support phasing-in the 105g CO<sub>2</sub>/km emissions by: adopting multiple targets that progressively lower to 105g? OR using the increasing percentage of fleet approach? Please explain why.*

**Answer: Adopting multiple targets progressively**

Multiple targets encourage suppliers to improve the efficiency of all their vehicles every year. If the UK already has 17 light ICE vehicle models with an average 21% lower emissions than the corresponding cars in NZ we need to remove the old NZ higher emitting vehicles as soon as possible. The balancing and percentage approach keeps less efficient vehicles in the fleet longer. We would push for more aggressive timing – getting to 85g by 2025 would be preferable in my view.

*Q 7 -Do you support the time-frame for the phase-in period?*

**Answer: NO**

We should be looking to start the phase-in period as early as possible – hopefully in 2020. The discussion paper calls for ‘reporting obligations’ only to apply in the first year as a form of ‘dry run’ for activation of the scheme. We suggest instead that the scheme is activated in Year 1 but that compliance penalties should only apply from year 2 once the scheme has bedded down.

*Q 8 – Do you support adopting a weight-adjusted CCS?*

**Answer: YES**

Although it looks complicated, it does not disadvantage any vehicle sector/type.

*Q 9 – Do you support a penalty of \$100 per g CO<sub>2</sub>/km that a supplier of new vehicles exceeds its fleet target?*

**Answer: YES**

*Q 10 – Do you support a penalty of \$50 per CO<sub>2</sub>/km that a supplier of used imported vehicles exceeds its fleet target?*

**Answer: YES**

*Q 11 - Do you support the “banking” mechanism to provide flexibility for vehicle suppliers?*

*If not, why?*

**Answer: NO**

The purpose of the limit is to require lower emissions. Allowing a supplier to move backwards from what they have already achieved is not getting to the end goal of lowering emissions.

*Q 12 – Do you agree that the new vehicle sector should have the added flexibility of “borrowing?”*

*If not, why?*

**Answer: NO**

If the sector can't meet the emissions guidelines at the start then borrowing only fudges the issue.

*Q 13 – Do you support an arrangement for suppliers to “pool” their vehicles together to comply as a group?*

**Answer: NO**

If the aim is to get rid of high emission vehicles asap, then “pooling” offers the possibility of high emission vehicles still entering the fleet. In addition, the extra paperwork required would be prohibitive in my view.

*Q 14 – Do you agree that new and used vehicle suppliers should not be able to “pool” their vehicles and comply as a group?*

**Answer: YES**

*Q 15 – Do you support having a fine not exceeding \$15,000 for an individual for misreporting data for the CCS?*

**Answer: YES**

The fine suggested is in line with those for any other failure in compliance on safety and vehicle regulation

*Q 16 – Do you support having a fine not exceeding \$75,000 for an organisation for misrepresenting the CCS?*

**Answer: YES**

The fine suggested is in line with those for any other failure in compliance on safety and vehicle regulation.

*Q 17 – Do you support the sanction of disqualification from being a registered motor vehicle dealer if a supplier deliberately attempts to evade meeting annual targets?*

**Answer: YES**

*Q 18 – Do you support amending the Fuel Consumption Information Rule so that only vehicles tested to the WLTP, NEDC, the JC08 and the American Federal Test Procedure meet requirements for entry certification?*

**Answer: YES**

*Q 19 – Do you agree with the proposed process for setting future emission targets? If not, what would you change and why?*

**Answer: YES**

Five-yearly budgets seem appropriate as the policy is rolled out, with the stated ambition of only EVs being imported into NZ after 2030. However, I would want the policy makers to be able to adjust the timing of these budgets if either the country is doing very well at meeting the budgets or if the country was falling woefully behind where we need to be.

Re-assessment would be vital.

*Q 20 – Do you think the Clean Car Discount is appropriate for NZ?*

**Answer: YES**

The CCD is appropriate for NZ with some caveats.

The ICCT Europe shows that well designed electric vehicle policies that apply both at time of purchase and throughout a vehicle's lifetime have greater influence on the car buying public, and therefore move the country towards emissions reductions.

The sooner this CCD could be implemented in NZ the better.

Driving an EV results in an 80% reduction in CO<sub>2</sub> emissions and the NZ Govt in 2016 mandated the RUC exemption until the end of 2021, hoping that the EV fleet might have reached 64,000 by that time. As an EV owner I can attest that it is the up-front cost that is the major barrier. So a well-designed discount structure at purchase and some 'sweeteners' during an EV's lifespan is essential.

Adding RUC (at the diesel rate) to an EV from the end of 2021 could perversely make petrol-PHEV cars more attractive, and although a PHEV is a 'stepping stone' down the EV pathway, it still generates CO<sub>2</sub> emissions, and we really do need to transition to zero-emission vehicles as quickly as possible.

In my view an EV RUC should be considerably less than that for a diesel car although I agree that at some point EVs should contribute to road maintenance. My recommendation is that RUCs on BEVs should be set at 50% of the prevailing rate that applies to other vehicles, for a 5 year period. This is required so that EVs bought in 2019 and 2020 would not be disadvantaged by having only a short period to enjoy RUC exemption.

*Q - 21 – Is the emissions benchmark of 105g CO<sub>2</sub>/km by 2025 an appropriate one to have for the CCD?*

**Answer: NO**

I would like low emissions targets for NZ sooner rather than later. Trying to catch up with the rest of the OECD will not be easy, but setting stringent targets and not quite getting there is better than 'easy-to-reach' targets.

We would prefer to see 130g in 2022, 115g in 2023, 100g in 2024 and 85g in 2025 to better align with the OECD countries by 2025.

*Q 22 – Would an initial emissions benchmark of 150g CO<sub>2</sub>/km be suitable for the first year of the CCD? If not, why?*

**Answer: YES**

I do, however, disagree with offering discounts to ICE cars in the first two years of the policy, whose emission levels would soon be outstripped by the benchmark figure. That would have the effect of holding ICE cars in the fleet for far too long – with the average age of 19 years for the fleet they could still be around into 2040.

*Q 23 – Do you think the level of the fees and discounts in the example CCD schedules (Appendix 4) would increase demand for low-emission vehicles? If not what changes would you make?*

**Answer: NO**

It is a well-known fact the higher purchase price of an EV which is the greatest barrier to uptake, although the myths of battery degradation, range anxiety and a myriad of other perceived problems of driving an EV is making mass adoption difficult. The 'status quo' is a comforting place to be; and changing people's perception takes time.

Hence price support at the point of purchase is essential to increase the uptake of this amazing technology. I would push for the zero bands in Appendix 4 to be brought back to the left on the table, to include all the ICE cars, whether new or newly imported, currently in the 106-120g/km and higher emission columns in year 1.

The fossil fuelled cars, that the proposed CCD currently offers small discounts on, are cars that are already very well priced, and therefore sell well without any financial assistance. We would posit that

it is unlikely that someone who might purchase a petrol Corolla would choose a Suzuki Swift on the basis of the discount, as they chose the Corolla based on particular needs (passenger space, boot space). Discounting an efficient ICE car is still adding a carbon emitter to the fleet and the policy is attempting to reduce the carbon footprint of light transport.

So the discounts should be targeted at creating new purchasing behaviours that are radically different; I would therefore **implore** you to only offer discounts to cars with a battery.

Any vehicle with emissions over 105g/km in Year 1 should attract no discount at all, no-plug hybrids should attract 25% of whatever final figure discount is selected, petrol-PHEV (with a stated electric range over 50km on a single charge) 50% and full BEV 100% and then the incentive structure is easy to administer.

As battery technology increases, and the price per kWh decreases, there is talk of price parity of ICE v EV by 2025, if not earlier. However, in the meantime the CCD should be seen as a move to get the comparable costs of ICE and EV nearer together, such that 'doing the right thing' for the country's emission targets is not expensive altruism for a purchaser.

**I would wish to see discounts ONLY for cars with a plug and the fees for ICE vehicles increased commensurately.**

We would also wish to suggest an increase in the top rate of discount for a brand new EV, say to \$10,000 which would bring an electric Ioniq to \$49,990 – breaking the psychological \$50k barrier! We must strive for the 2050 goal of net zero emissions at all costs.

*Q 24 – 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?*

**Answer: Annual changes are practical**

The CCS are designed to change annually and so the discounts should be in lock-step and change annually also. Demand for all cars will probably dip as the change approaches, reflecting the 'wait and see' mentality, but we see no way to get around that. In the UK for instance car sales peak at the beginning of a new registration period as it denotes a 'brand new' car. In NZ that problem is not seen.

We have a target to achieve and keeping the change of target front and centre of everyone's mind is the only way to achieve the momentum required.

*Q 25 – Should new vehicles include near-new vehicles less than 3 years old?*

**Answer: YES**

As the NZ public are very used to buying imported cars from Japan and the UK as near-new I see no reason to move away from that concept. We see it as a positive encouragement for New Zealanders to buy cars with better safety standards and fewer emissions.

*Q 26 – Do you think a zero band is appropriate?*

**Answer: YES**

The zero band is appropriate and gives the public time to adjust their thoughts on good ICE, bad ICE and EV cars. However, I would like to see the zero band start at 105g CO<sub>2</sub> in the first year of implementation, which would move more ICE cars away from receiving any discount.

**Discounts should be only for cars with a battery.**

*Q 27 – Do you think the size of the zero band in the example feebate schedules is appropriate?*

**Answer: NO**

The zero band should start at 105g of CO<sub>2</sub> in the first year, not 151g, so swelling the ranks of ICE cars therein.

*Q 28 – Do you support the proposal to apply the fees and discounts directly at the point of vehicle purchase? If not, why?*

**Answer: YES**

This must be the easiest from an administrative point of view. The CCD should be clearly marked on all advertising, sale contracts and invoices.

*Q 29 – 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 suppliers? If not, why?*

**Answer: YES**

This is standard within the motor vehicle industry and does not place any additional burden on a supplier.