20 August 2019

Ministry of Transport
Attention: Clean Car Standard and Clean Car Discount

By email: cleancars@transport.govt.nz

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

Introduction

ChargeNet NZ Limited (ChargeNet) welcomes the opportunity to submit on this discussion paper. We consider this piece of work to be one of the most important pieces of draft policy in our nation's transition to a low carbon economy given the high proportion of transport-related emissions in this country.[1]

We commend the Ministry for the amount of work that has gone into developing this discussion paper. Implementing both a clean car standard (vehicle fuel emissions standard – VFES) and discount (feebate) in tandem has been an enormous piece of work. We are supportive of the Ministry's endeavours in this space and hope this is merely the beginning of a number of instruments that will completely revolutionise the light vehicle fleet.

Executive Summary

ChargeNet is supportive of measures that accelerate the uptake of electric vehicles (EVs) in New Zealand, and is also supportive of steps being taken to incentivise EVs in the light fleet over traditional internal combustion engines (ICE) that make up approximately 13% of our national emissions profile.[2]

ChargeNet is not directly affected by the practical implementation of this policy as motor vehicle traders may be and will not be commenting on that process or its operation. We understand you will be receiving far more detailed opinions in this consultation process on that topic.

What concerns us about this discussion paper and draft policy is the lack of ambition towards true zero or very low emissions vehicles and incentivising ICE where it need not occur[3], the immediate chilling effect on the current sales of EVs in New Zealand, and the overly complicated system of both a clean car discount and standard that has the general public confused about the clear benefits.

Our recommendations are as follows:

1. Implement a feebate system closely modelling the French Bonus-Malus System;
2. Provide incentives (rebates) for zero emissions or very low emissions vehicles only; and
3. Grandfathering a road user charge exemption policy immediately so as to prevent a chilling of the EV market until 2021.

[1] Transport remains 20% of New Zealand's emissions profile, see https://www.mfe.govt.nz/publications/climate-change/new-zealands-2020-emissions-target/new-zealands-2020-emissions-target

[2] See Ministry of Transport Annual Vehicle Fleet Statistics at https://www.transport.govt.nz/assets/Uploads/Research/Documents/Fleet-reports/1b33252a3d/The-NZ-Vehicle-Fleet-2017-Web.pdf

[3] Some of the top selling cars in New Zealand, like the Toyota Corolla and the Suzuki Swift are "efficient" small cars; they do not need further incentives as the uptake is already there.

Clean Car Discount and Standards discussion

While ChargeNet agrees in principle with any piece of policy put forward that accelerates electric vehicles (EVs), we believe the manner in which this policy has been drafted may complicate what is, essentially, a very simple proposition: the government must encourage the uptake of zero or very low emissions vehicles to combat the effects of climate change and reduce the country's emissions from transport. Given how crucial this policy is, it is necessary this policy is drafted and implemented in such a way that is easily digested by the general public; its benefits are obvious, and there is a clear pathway to our low emissions future.

New Zealand's EV infrastructure network has expanded 400% since the 2016 policy package directed toward EV uptake. It is the right time to implement more significant incentives towards EV drivers: the cars, the technology and the infrastructure is in place to successfully take hold and accelerate EV uptake. The public must feel this is policy they can engage with, understand, and support. They currently do not, and that risks the adoption of this policy.

The current policy analysis and what we support

We agree that New Zealand needs to implement a system to combat the transport emissions, particularly those coming from the light fleet. There is a need to incentivise purchases of zero or very low emissions vehicles, and the government is in a position to enable that type of behaviour change. We know we need to see rapid uptake of zero or very low emissions vehicles, and, given New Zealand's historic inaction in this space, we do not have 10 years to gradually reduce transport emissions as other countries may have done.

ChargeNet firmly supports significant incentives for zero and very low emissions vehicles. We do not, however, support incentives for fuel efficient cars. We are conscious even the fuel efficient vehicles will remain in circulation for the following 20 (plus) years. In short, all internal combustion engines pollute, and supporting those particulars of a policy that will incentivise purchase of those vehicles based on the degree to which they pollute is inexplicable in 2019.

A clear, simple pricing signal to the public of the intention to electrify our fleet is the most effective piece of policy this government could implement. This government needs to be more ambitious with the actions taken to reduce the nation's emissions profile and support the necessary rapid transition to electric.[4]

International leaders

In principle we agree with a fee / rebate (feebate) scheme and commend the work completed to date. ChargeNet, intimately involved in the global EV revolution, has seen such schemes successfully implemented in a number of countries around the world. We have also seen it implemented poorly.

[4] The Productivity Commission's report confirmed that *rapid* uptake of electric vehicles would be required if New Zealand was going to transition to a low carbon economy by 2050, see https://www.productivity.govt.nz/assets/Documents/28a35c5734/At-a-glance_Low-emissions-economy.pdf. This is further compounded by the most recent Interim Climate Change Committee report in July of this year stating the government must prioritise accelerated electrification of transport, and implement *ambitious* transport policies while also ensuring low-income and rural communities have low-emission transport options. See https://www.iccc.mfe.govt.nz/assets/PDF_Library/1bdb69084c/Interim-Climate-Change-Commitee-Accelerated-electrification-MEDIA-STATEMENT.pdf.

Globally, incentive schemes have been in place since 1996, though the sophisticated feebate scheme as we know it is mostly from 2008 onward. Because of New Zealand's slow uptake in this policy space, our policy makers are now in a unique position of being able to see what is effective at changing behaviour and reducing emissions, and what is not.

The most successful scheme we draw the Ministry's attention to is the French Bonus-Malus System. For the registration of vehicles that have been purchased or rented, a fee (malus) applies for vehicles with CO2 emissions above certain levels. If the vehicle's CO2 emissions are below certain limits, car buyers are entitled to receive a rebate (bonus). The scheme is designed to be revenue neutral, with malus revenues being used to finance the bonus payments. While the carbon standard or zero point has been adjusted multiple times, it provides very simple and easy to understand information to vehicle purchasers.

The scheme has been so successful at driving down sales of emissions-heavy vehicles that since 2017, only electric and hybrid vehicles have been eligible for bonus payments, and a much steeper fee curve was added to vehicles emitting over 117 grams of carbon per kilometre. In addition to this, a super malus scheme was introduced in 2018 to target luxury cars.

Too little, too late – New Zealand cannot wait 10 years

We appreciate the Clean Car Discount and Standards schemes likely took inspiration from the Bonus-Malus System, and is looking to achieve those results over a similar time period. However, we must acknowledge that our fleet looks demonstrably different from the French domestic light fleet[5] with more significant changes needed to drive down transport emissions. The Clean Car discussion paper itself identifies that vehicles brought into New Zealand will likely remain in circulation for the next 20 (plus) years, though the ICCC suggests closer to 30. ChargeNet would argue that the Clean Car Discount and Standards is too little and also too late, particularly when we factor in the implementation date of 2021.

'Chilling' of the current EV market

Our final issue with the discussion paper is the effect on current EV uptake. The national target for uptake of EVs is 64,000 by the end of 2021, and we are currently sitting at just below 16,000.[6] The last year has seen significant commentary on EV incentives, with Ministers stating that announcements were 'coming soon'.[7] With no immediate policy to hand, and the public's fear of missing subsidies were they to purchase too quickly, we have identified a chilling of EV sales across New Zealand. We will be following the sales data closely as it comes out in the subsequent months.

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[5] The average age of the French light vehicle fleet, for instance, is 8.8 years (2018 figures). Overall, the EU light vehicle average is 10.5 years. See European Automobile Manufacturers Association, https://www.acea.be/uploads/statistic_documents/ACEA_Report_Vehicles_in_use-Europe_2018.pdf. We note the average age of the New Zealand light vehicle fleet is 14.1 years, see Ministry of Transport Annual Fleet Statistics at https://www.transport.govt.nz/assets/Uploads/Research/Documents/Fleet-reports/1b33252a3d/The-NZ-Vehicle-Fleet-2017-Web.pdf

[6] 15,421 EVs as of July 2019. See Monthly electric and hybrid light vehicle registrations, https://www.transport.govt.nz/mot-resources/vehicle-fleet-statistics/monthly-electric-and-hybrid-light-vehicle-registrations/

[7] See http://evtalk.co.nz/decent-ev-incentives-coming-minister/, https://www.newshub.co.nz/home/politics/2018/10/james-shaw-says-electric-car-incentives-coming-soon.html, https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=12137600, and https://www.stuff.co.nz/business/110074837/tax-break-suggested-to-get-evs-back-on-target.

By announcing the Clean Car Discount as policy that would not come into effect until 2021, we are very likely to see even fewer EV sales between now and then, chilling the market significantly and threatening our emissions profile even further. This issue has already been identified in mainstream media, with a number of car dealerships suggesting that some prospective EV purchasers had cancelled orders and will continue to wait until 2021 for the incentives.[8]

Supplementary policy to avoid current 'chilling'

The current EV package (for EV drivers specifically) provides a road user charge (RUC) exemption of approximately $600 annually.[9] The average annual petrol cost (avoided costs) of a medium sized car is $2,700,[10] and the incentive if a prospective purchaser was to purchase a zero emissions vehicle is $8,000. If the purchaser was transitioning from a traditional ICE vehicle to an EV and benefiting from the RUC exemption until mid-2021, a shortfall of approximately $2,500 exists. This shortfall is preventing current uptake of EVs, and supplementary policy is required to rectify this.

Our recommendation is to grandfather the RUC exemption to a date in the future for all current EV sales until this policy is in effect, or a proportion of that equating to the incentive an EV purchaser would have received otherwise. Such an approach needs to be announced immediately, so buyers are reassured they will not be disadvantaged should they purchase an EV now.

Ongoing engagement

ChargeNet is a key stakeholder in this consultation with significant domestic and international experience. Our CE will be echoing the above statements within the EV Leadership Group, and we are also happy to attend any workshops and other opportunities to engage further with the Ministry on this discussion paper.

We again commend the Ministry for the exceptional amount of work that has gone into drafting such a piece of policy, and look forward to refining it in the consultation and engagement process.

Yours sincerely,

Vanessa Wills
Stakeholder Relations Manager
[redacted]

[8] See "Dealer calls for faster EV feebate scheme as the MTA lists its niggles" at https://www.stuff.co.nz/business/114878111/dealer-calls-for-faster-ev-feebate-scheme-as-the-mta-lists-its-niggles#comments (August 2019)

[9] See 'Road user charges exemption for electric vehicles extended' https://www.beehive.govt.nz/release/road-user-charges-exemption-electric-vehicles-extended (September 2016)

[10] See the AA's annual running costs of a petrol car on a 14,000km basis.