Submission to Ministry of Transport

on Clean Car Standard and Clean Car Discount

Proposed Scheme

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General Opening Comments

The is the first time I have made a submission on any form of Government proposal, and I find myself committing the time and effort to do so because I sense in this a proposal a willingness to compromise and to find an easy route in this proposal, and a scope/focus which I regard as too narrow.

I relate to this proposal with regard to four Concerns:

1. A global and local climate crisis is clearly emerging
2. New Zealand has an escalating road safety problem, caused by a deadly combination of poor road infrastructure and an ageing vehicle fleet
3. Our past shows that we are often unwilling to take tough decisions early enough
4. Our international reputation of “Clean & Green” is rapidly eroding, to the point where it is seriously at risk of exposure as “a past reality, but a current myth”.

This means that the time to take a very firm stand is now. In my opinion the proposals contained in the Ministry of Transport’s 9 July 2019 Discussion Paper do not go far enough soon enough, nor are they broad enough to have meaningful impact on the four Concerns listed above.

Prior to answering the specific questions included in the Discussion Paper, set out below is an alternative proposal for consideration.

Alternative Approach

The suggested alternative approach is designed to deal rapidly and decisively with the four Concerns noted above. It addresses both supply and demand aspects of the market, and uses both economic incentives and disincentives to motivate behaviour change.

The suggested alternative approach:

A. Incentivise the purchase of EV’s without a capped retail price (reduction in CO_2 emissions is the issue, not the price of the vehicle), by the use of economic incentives such as the Clean Car Discount and lower registration fees in first 3 years, but also introduce non-economic incentives such as allowing EV’s to use T2 lanes at all times.
B. Increase the pace of renewable energy generation investment to allow the closure of firstly, the coal burning Huntly Power Station, and secondly, all other fossil fuel

generation capacity. (The purpose is to ensure that the complete supply chain/ lifecycle of the EV fleet is more emission-efficient than the existing hydrocarbon supply chain.)

C. Introduce an immediate ban on the importation of all light vehicles which meet ALL the following criteria:
    a. More than 5 years old
    b. Emit more than 150gCO2/km (target rate can be progressively lowered)
    c. A EuroNCAP (or equivalent) safety rating less than 4.5 stars
D. Introduce incentives to remove existing NZ registered vehicles with the following characteristics:
    a. Emit more than 150gCO2/km (target rate can be progressively lowered), or
    b. Are more than 10 (or 12) years old
E. Introduce increasing fees (e.g. annual registration, insurance, WOF) for vehicles with the following characteristics:
    a. Emit more than 150gCO2/km (target rate can be progressively lowered), or
    b. Are more than 10 (or 12) years old

Such an approach provides the opportunity for a double incentive to owners of high CO2-emitting vehicles – an incentive to take the vehicle off the road permanently AND a further incentive to replace it with a new or near new low/zero emission vehicle - with a higher safety rating to protect lives.

<u>Response to Specific Questions Posed in the Discussion Paper</u>

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Q1 A Clean Car Standard is appropriate for New Zealand. It is shameful that we are one of three OECD countries to not have an existing standard. It should be introduced ASAP.

Q2 105gCO2/km is appropriate for a short term only – and purely because it provides consistency with Australia, thus allowing some commonality of imports/supply chain across the two countries. Since neither country now has a vehicle assembly industry, their reliance on imported new and used vehicles is 100%, thus commonality of standards is logical.

Q3 Effect on supply should be minimal, given that we are an outlier in the type of vehicles that we import today. The average price of the imported fleet would be expected to rise, predominantly due to the lower age and higher quality of the average vehicle imported. Both of those characteristics are positive from the emissions and vehicle safety perspectives.

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Q1 The overall process is workable, but flawed due to its complexity. It would be simpler to mandate what vehicles cannot be imported (see Para C of my Alternative Proposal, above).

Q2 Exemptions should be strictly limited. For example, an immigrating family bringing their pre-owned 1-2 cars with them should be exempt; classic car collector imports could be exempted; but dealers attempting to avoid the Standard by using multiple legal entities should not be exempted.

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Q1 Phasing in of the Standard is appropriate, but it should be an aggressive phasing, recognising the criticality of the climate crisis we face. Multiple target approach is preferred to the "increasing percentage" approach, as it is simpler to measure and easier to administer.

Q2 It is concerning that the Ministry's proposal does not indicate urgency of action nor speed of implementation, so the timeframes should be shorter.

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Q1 Weight adjusted seems reasonable to allow for the multiple types and sizes of vehicles that the market demands, but again the ease of administration needs to be taken into account to ensure it is complied with and is not easily rorted.

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Q1/Q2 A penalty regime is supported, however there should be no difference in the penalty for New versus Used vehicles. If the focus is on excess emissions, then any distinction between New versus Used is irrelevant and should be dropped. The suggested distinction implies an exaggerated policy support for Used vehicles, which fails to recognise the wider issues of vehicle safety and quality. NZ needs to stop being the dumping ground for other countries surplus/poor quality vehicles. The penalty level should be significant, such that no importer would wish to risk being penalised.

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Q1 Whilst a banking mechanism has some merit, it is in reality of very short term benefit. Surely it is better to have importers target to achieve substantially better than the target every year, and officials have the discretion to exempt a minor breach the first time if it occurs – recognising the possibility of supply chain delays etc. that could cause a slight breach. This is more workable than a permanent banking mechanism.

Q2/Q3 Banking or borrowing point to a mentality of needing to "get close to" or "hit" the target. The mentality needs to move to "beating the target", and mechanisms such as banking or borrowing do not fit in a long term aggressive emission reduction programme – they are designed to allow ways to delay compliance. Better to have awards & recognition for those importers who best perform against the target.

Q4 Pooling should not generally be allowed if it is designed to find a way around the current target. However, recognition needs to be given to large corporate dealers who import across multiple brands and from multiple countries – the parent company should be the recognised importer rather than each individual subsidiary brand (Sime Darby is an example of such an importer).

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Q1 Penalties are necessary and should be significant. As such they need to recognise varying scale of operations, so should not be dollar denominated, but be based on a percentage of turnover of the importer.

Q2 Yes.

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Q1 Yes

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Q1 The future emissions targets should be set by the Ministry of Transport but must require the formal support and endorsement of the Climate Change Commission to ensure that they adequately meet the Commissions targets.

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Q1 A Clean Car Discount incentive scheme is needed in NZ, but the proposed scheme is weakened by the artificial price cap, which should be removed. A $120,000 vehicle with zero emissions is as good for the environment as a $50,000 zero emission vehicle, and should not be artificially discriminated against. Given that the target is reducing vehicle emissions, why fail to incentivise early adopters, who are likely to have to purchase a more expensive vehicle given the limited number of EV/low emission vehicle models initially available. Other incentives should also be considered, both economic and non-economic, to make low emission vehicles more attractive to purchasers, such as use of T2/T3 lanes.

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Q1 It is appropriate to link the CCD to the 2025 emissions target. That target should be regularly reviewed though, so that if climate issues become even more critical it can be adjusted accordingly.
Q2 150gCO2/km seems a realistic place to start.
Q3 The level of fees/discounts will have an effect on demand for low-emission vehicles, but this will also require advertising and awareness campaigns to ensure that it is well enough known and understood. On its own, the rates are insufficient incentive or penalty to make a significant difference, and must be treated as part of a wider scheme of arrangements to lower emissions – see my Alternative Proposal.
Q4 Annual changes are perhaps too short a period, but should be allowed for in the event of insufficient take up. Two yearly targets would be preferable, as people generally consider a vehicle change for quite some time before actually making the transaction.
Q5 Based on the concept that the purpose of all these proposals is to lower emissions, then yes, vehicles up to 3 years old should be included. This will allow a wider group of purchasers to gain access to an EV, thus widening the knowledge and experience base sooner than if the scheme was limited to new vehicles only.

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Q1 A zero band has merit, as it allows flexibility for certain purchasers.
Q2 It should be narrow, to ensure that the focus is always on emissions, rather than on pricing. We need to get vehicle owners to have emissions as a key element of their purchasing decision, such that they understand that a high emitting vehicle is more expensive because it is high emitting, not necessarily because it’s a better quality vehicle.

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Q1 Yes, the fees and discounts must apply at the point of purchase, and must be prominently displayed at the point of sale. Applying them at point of entry to NZ means they are handled at the wholesale level and thus do not create the significant changes in vehicle buying behaviour being sought.

Q2 Penalties should be significant such that they impact dealer's behaviours. In my view, the penalties proposed are insufficient to ensure that non-compliance is minimised. Doubling them would be more in the range I consider appropriate.

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