

Moving the Light vehicle Fleet to Low-emissions Discussion Paper

NZ Wind Energy Association Submission

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Ministry of Transport

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Introduction

1. The New Zealand Wind Energy Association (NZWEA) welcomes the opportunity to provide a submission on the Moving the Light Vehicle Fleet to Low-emissions Discussion Paper.
2. The Association also submitted on the Productivity Commission's Low-emissions Inquiry Draft Report in June 2018 and supported the proposed feebate scheme.
3. In its 2018 submission to the Productivity Commission the Association made the following comments:
 - Given the rapid increase and high level of emissions from the transport sector the Association supports an increased focus on the sector particularly as it contributes one third of long-lived gas emissions.
 - The Association considers that the current range of incentives do not reflect the extent of the opportunity and supports emissions reduction in this sector becoming a stronger strategic focus (R11.60) along with the recommendations designed to build a strong EV charging infrastructure and making EV's more affordable.
 - In parallel with the EV initiatives identified, the Association considers that the timeframe for implementing service based and cost reflective retail electricity pricing needs to be accelerated to ensure:
 - consumers are offered tariffs where they can benefit from off-peak lower cost charging costs thus enhancing the EV purchase proposition.
 - electricity system efficiency and minimise new investment costs from charging EV's at off-peak demand periods to maximise the utilisation of existing infrastructure.
4. The purpose of the NZWEA is to promote the development of wind as a reliable, sustainable, clean and commercially viable energy source. The opportunity to leverage New Zealand's advantaged position in renewable electricity generation to support the decarbonisation of the transport sector is well understood and a key Association priority.
5. The Association is supportive of both the clean car standard and clean car discount proposals and is confident, with appropriate planning, the increase in electricity demand from these initiatives can be met by renewable generation sources.
6. The Association has a number of comments and suggestions aimed at improving the effectiveness of the proposals and accelerating the adoption of EV's and PHEV's as time and cumulative emissions matter.
7. In this submission NZWEA provides comments under key themes and then specific responses to the questions asked in the Discussion Paper. The Associations primary focus is on the clean car discount proposal as this is viewed as the key influencer of consumer purchase decisions and therefore EV and electricity demand growth.

8. While focusing on the clean car discount the Association does acknowledge the important role the clean car standard will also play in reducing sector emissions.
9. The key themes are:
 - Strong support for a key proposal to reduce emissions.
 - An opportunity to leverage New Zealand's renewable electricity generation potential.
 - Timing is an imperative and we need to act faster.
 - Where emissions reduce matters and the focus should be on carbon reduction opportunities as a priority.
 - System wide approach required to achieve the highest value transition.

Strong Support for a Key Proposal to Reduce Emissions

10. The rapid increase in road transport emissions since 1990 of 93% creates an imperative to act to reduce sector emissions.
11. The inquiries of both the Productivity Commissions and Interim Climate Change Committee have considered transport emissions and their final reports are unequivocal in this being a key priority.
12. The Association supports the clean car standard and clean car discount proposals as both have been proven to be effective in other markets.
13. In particular the clean car discount scheme sends a clear signal to consumers which over time will influence purchase decisions by making fuel efficient vehicles more affordable.
14. NZWEA considers that the clean car discount proposal should only focus on discounting EV's, PHEV's and hybrids (for a short transitional period until EV/PHEV range selection improves) and targeting higher emission vehicles with additional costs. The Association's view is that the clean car discount should not provide discounts on lower emission ICE vehicles as this creates a "mixed message". In recognition of New Zealand's significant emission reduction target the aim should be encourage electric vehicle uptake with potentially greater discounts rather than supporting ICE vehicles, all be it lower emission ones, given an historic average vehicle life of 19 years.
15. The Association also would like to see the limit on the retail price of \$80,000 be removed but with the existing maximum discount retained. While acknowledging the potential for wealth transfer there is currently more choice in higher priced vehicles, which in the short term will potentially increase new vehicle sales, and ultimately these vehicles will make their way into the used vehicle market at a reduced price.

An Opportunity to Leverage New Zealand's Renewable Energy Potential

16. New Zealand has the potential to develop low cost renewable electricity based on natural resources that are world leading. In particular our wind energy resource is well documented.
17. Currently around 83% of NZ's electricity is generated from renewable sources. In recent reports from both the Ministry for Business Innovation and Employment (2019 Electricity Generation and Demand Scenarios) and the Interim Climate Change Committee (Accelerated Electrification Report) under a business as usual scenario renewable electricity generation is expected to increase to around 93% to 95% by 2035.
18. New Zealand has an excellent wind resource with significant potential for further development. Wind energy is widely regarded as the lowest cost source of electricity generation with a continued decline in cost as scale and technological advancements

continue. Both MBIE and the ICCC highlight wind energy as a significant source of new electricity generation.

19. With a highly renewable electricity system, where future development is limited only by demand growth, New Zealand is uniquely placed to maximise the decarbonisation benefit from the transformation of the light vehicle fleet to electric vehicles.
20. Appropriate planning is required to balance demand growth with initiatives to build new generation.

Timing is an Imperative

21. The Association considers that given New Zealand's continued increase in annual and cumulative emissions time is of the essence. While considerable focus is given to achieving NZ's 2050 target, actions that limit emissions at the earliest possible time need to be progressed as a matter of priority.
22. The timeframes outlined in the Discussion Paper do not, in the Association's view, reflect the required level of urgency with the introduction of the clean car standard from 2022 and clean car discount proposals in 2021.
23. Indeed, as has been widely reported, there is the potential for EV sales to stall in the interim with the proposed reduction in vehicle cost and for the sale of high emission vehicles to increase to avoid the price increase.
24. The electricity industry is in the process of a new phase of investment in generation to support expected demand growth. In particular the wind industry has two wind farms being constructed this year, the first new wind farm since 2014. Several others are proposed which could result in a capacity increase of around 60% over current levels. Unless decarbonisation policies and initiatives are introduced in a timely manner so as to increase electricity demand this growth phase will stall for as long as it takes for further investment in new generation to be required.
25. Given the lead time in developing new generation any loss of momentum may result in a future demand / supply mismatch with implications for the electricity industry and potentially consumers.

Where Emissions Reduce Matters

26. The Association notes the challenge of meeting New Zealand's emissions reduction targets given an upward trend in gross emissions and a reduction in land use, land-use change and forestry (LULUCF) offsets from higher harvesting rates in planted forests.
27. While acknowledging the value of carbon sequestration and in particular New Zealand's afforestation initiatives the risks around future reliance on LULUCF offsets needs to be included in risk assessments particularly around non-permanence. A short-term reliance on offsets may disguise downstream risks in achieving actual carbon reductions in challenging sectors.
28. NZWEA prefers focusing on carbon dioxide emissions as the top priority given this represents a permanent decrease and is widely regarded as the highest value carbon reduction opportunity.
29. Having a domestic focus reduces reliance on the development of international carbon markets and recognises the ultimate responsibility of each country under the Paris Agreement to reduce its own emissions.
30. The proposed clean car discount and clean car standard are therefore high value priorities where New Zealand should seek to maximise a permanent reduction in emissions.

System Wide Approach Required to Enable the Highest Value Transition

31. The imperative to make rapid decarbonisation progress is largely understood as is the uncertainty as to the highest value transition path given the risk of unintended consequences through increasing interconnectivity of markets and the impact of future technological change.
32. The transition of the light vehicle fleet to electric vehicles has been identified as a key opportunity.
33. To ensure a high value outcome, which achieves the greatest carbon reduction outcome for the least cost, all key components that enable the transition need to be aligned.
34. The clean car standard and clean car discount policies are one aspect. A roadmap which ensures adequacy of all infrastructure including charging stations needs to be aligned so as to anticipate EV volume growth.
35. The roadmap should also include retail electricity price reform as this will ensure consumers are offered tariffs where they can benefit from off-peak lower cost charging thus enhancing the EV purchase proposition.
36. Electricity price reform will also support a higher value transition through improving electricity system efficiency and minimise new investment costs from charging EV's at off-peak demand periods to maximise the utilisation of existing transmission and distribution infrastructure.
37. It is acknowledged that the previous government's flagship policy of exempting EV's from road user charges until 2021 or a target of 64,000 vehicles is achieved is unlikely to be met under current policy settings. The Association considers the target should be retained until numbers reach the target of 64,000 vehicles rather than proposed target end date of 2021 irrespective of EV numbers. Early adopters of EV's should continue to benefit from their investment decision which would have been influenced by the Road User Charge exemption.
38. The Association considers the RUC exemption is currently a significant factor in EV purchase decisions and will continue to be a significant factor for those in the second-hand EV market under the proposed scheme. The RUC exemption will have the effect of increasing the value of second hand EV's, therefore further incentivising purchases of new EV's.
39. With the release of the clean car discount policy there is the concern that the policy will limit EV sales over the next 3 years, thus further cementing the failure of New Zealand to meet the goal of 64,000 EVs by 2021. By committing to continue the RUC until 2% of the fleet, and actively supporting and encouraging EV uptake with incentives over the ownership rather than just at purchase, will help address this potential slowdown.
40. The Association considers a multipronged approach is needed and that in addition to the above considerations a plan to transition the government vehicle fleet to EV's and promotion of the feebate to consumers should be included in proposals.
41. The expected failure of the current programme to increase the electrification of the light vehicle fleet highlights the need for a system wide multi-pronged approach to achieving a successful transition.

Comments on the Clean Car Discount

<p>Is the Clean Car Discount appropriate for New Zealand? If not, why?</p>	<p>Yes.</p> <p>Ideally the discount should be introduced earlier than 2021 to increase the uptake of fuel-efficient vehicles.</p> <p>NZWEA questions whether the scheme should focus on discounting EV's, PHEV's and hybrids (for a short transitional period until EV/PHEV range selection improves) and targeting higher emission vehicles with additional costs and not provide discounts on lower emission ICE vehicles as this creates a "mixed message". In recognition of New Zealand's significant emission reduction target the aim should be to encourage electric vehicle uptake with potentially greater discounts rather than supporting ICE vehicles, all be it lower emission ones, given an historic average vehicle life of 19 years.</p> <p>The Association also considers the previous government's policy of exempting EV's from road user charges should be retained until numbers reach the target of 64,000 vehicles rather than proposed target end date of 2021 irrespective of EV numbers. Early adopters of EV's should continue to benefit from their investment decision which would have been influenced by the RUC exemption.</p> <p>With the release of the clean car discount policy there is the concern that the policy will limit EV sales over the next 3 years, thus further cementing the failure of New Zealand to meet the goal of 64,000 EVs by 2021. Committing to continue the RUC until 2% of the fleet, and actively supporting and encouraging EV uptake with incentives over the ownership rather than just at purchase, will help address this potential slowdown.</p> <p>The Association also would like to see the limit on the retail price of \$80,000 be removed but with the existing maximum discount retained. While acknowledging the potential for wealth transfer there will be more choice in higher priced vehicles which in the short term will potentially increase new vehicle sales and ultimately these vehicles will make their way into the used vehicle market at a reduced price.</p>
<p>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?</p>	<p>Yes.</p> <p>The clean car standard and clean car discount schemes should be aligned for consistency. The Association would prefer the target was brought forward and earlier consistency achieved with EU and Japanese standards.</p> <p>The Association supports the proposal that the emissions benchmark should not be weight adjusted to ensure higher emitting vehicles are targeted.</p>
<p>Would an initial emissions benchmark of 150 grams CO₂ per kilometre be suitable for the first year of the Clean Car Discount? If</p>	<p>Yes.</p> <p>The clean car standard and clean car discount schemes should be aligned for consistency.</p>

not, why?	
Would the level of the fees and discounts in the example feebate schedules (Appendix 4) increase demand for low-emission vehicles? If not what changes would you make?	<p>Yes.</p> <p>According to local and international research, the substantially higher capital cost of EVs in comparison with internal combustion vehicles is one of the greatest barriers towards high EV demand.</p>
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?	<p>No.</p> <p>A yearly change creates great cost, complexity and pricing uncertainty for the buyer.</p> <p>Longer term price certainty should be adopted with a minimum of two-yearly resets.</p>
Should new vehicles include near-new vehicles less than 3 years old?	<p>Yes.</p> <p>Including used vehicles makes the scheme more accessible to a wider range of vehicle purchasers.</p>
Do you think a zero band is appropriate? If not why?	<p>Yes, but it should be expanded to include all low emission ICE vehicles.</p> <p>A shifting zero band will give New Zealanders time to adjust to the scheme, and ensure that there are suitable vehicles in all categories, while suitable clean air replacements become available and decrease in price.</p> <p>NZWEA considers that potentially all low emission ICE vehicles should be in zero band with discounts only applied to EV's and PHEV's.</p>
Do you think the size of the zero band in the example feebate schedules is appropriate? If not why?	<p>Yes.</p> <p>Rather than incentivising the purchase of vehicles that are outside of the eventual Clean Car Standard, zero bands can be used to ensure that there is a gradual change to the fleet mix, and that vehicles in all configurations remain available and accessible.</p>
Do you support the proposal to apply the fees and discounts directly at the point of vehicle purchase? If not, why?	<p>Yes.</p> <p>This is the easiest from an administration point of view. The applicable discount should be shown on the window card of a vehicle for sale and form part of the sale agreement.</p>
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?	<p>Yes.</p>

About the NZ Wind Energy Association (NZWEA)

- The NZWEA is an industry association that promotes the development of wind as a reliable, sustainable, clean and commercially viable energy source
- We aim to fairly represent wind energy to the public, Government and energy sector
- Our members are involved in the wind energy sector and include electricity generators, wind farm developers, lines companies, turbine manufacturers, consulting organisations and other providers of services to the wind sector
- By being a member of NZWEA you are assisting the development of wind energy in New Zealand and helping to reduce our greenhouse gas emissions to meet climate change targets.

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