

10 September, 2019

Submission on the document "Moving the light vehicle fleet to low emissions: discussion paper on a Clean Car Standard and Clean Car Discount".

Firstly, we commend the Government for working on this difficult topic, as it is a necessary step in trying to promote reductions of the CO₂ gas emissions from the transport sector.

Mitsubishi Motors NZ Ltd are a significant supplier and distributor of light vehicles in the NZ market place. We have been at the forefront of EV/PHEV technology introductions and offerings to the NZ market since 2010. We were the first distributor to trial and demonstrate EV technology in NZ with 2 cars in 2009 run in conjunction with Meridian Energy. A further 5 car trial was run in real world applications in conjunction with Wellington City Council and a few entrepreneurial companies such as The Wellington Company, NZ Post, DHL and Meridian Energy. We subsequently launched full market sales of the world's first volume production EV, the iconic Mitsubishi i-MiEV and then in 2013 the launch of the world's first volume production SUV PHEV and still the largest selling PHEV in New Zealand and globally, the Mitsubishi Outlander.

Mitsubishi Motors have been at the forefront of this EV journey and actively make decisions based on trying to reduce our GHG emissions. Currently we cannot do more and certainly can't achieve the targets with known model developments from our internationally available developments. This will severely affect our business and those that rely on our vehicles from dealers to end users.

Since 2006, we have been actively monitoring and reducing our fleet weighted average CO₂ emissions as part of our global and local commitment to reducing emissions. This has been without government intervention or assistance and resulted in a fleet average reducing from 222gm/km to 178gm/km in 2018. A reduction of 1.66% per year average. We know what we can do and are reliant on the global development of technologies to bring about CO₂ reductions and to make sure we are accessing those products as early as possible. This doesn't require government assistance on our behalf but we welcome the desire to bring about change within the entire transport sector.

In this submission we support a Clean Car Discount but would welcome some further consultation on the scale and divisions as proposed.

In this submission we do not support a Clean Car Standard as proposed.

Our summary of those concerns with the proposal are noted below:

- We believe the ministry should reconsider the joint introduction of the Clean Car Standard and the Clean Car Discount as the introduction of both proposals is too much too quickly for the New Zealand Car market to react in the desired way.
- In many cases the New Zealand distributors are unable to source technologies in the proposed timeframes putting at risk the success of either programme, notwithstanding a desire to comply.
- The target of 105gm/km CO₂ is too low compared to other markets and is unachievable for most vehicle distributors due to other global product prioritisation or product development cycle periods.
- The timing and scale of the levies proposed will add 10 to 1000's of million dollars of cost and result in major disruptions and increases in costs to consumers.
- A negative early impact of the proposal as consumers purchase product before the levies come into effect, or are directed to above 3.5 tonne vehicles after the start of the programme.
- The invisible nature of the Clean Car Standard to consumers notwithstanding that, each distributor will need to pass this cost on.
- New Zealand lacks adequate infrastructure to support EV/PHEV with such a rapid escalation proposed.
- The considerable progress that has been made already without government intervention or assistance. Is there a need for such an aggressive programme?
- Through a lack of modelling small cars are squeezed from the market and diesel vehicles are favoured by the proposal.
- NZ has a unique model mix (make-up) so needs a qualified approach to a way the standard might work.

MMNZ however could support the general direction of the document if the following is adopted, and in the following pages proposes the following:

- That initially only the Clean Car Discount programme is adopted. The Clean Car Standard programme being held on standby to be implemented at a later date with modification.
- The impact of the Clean Car Discount programme then be assessed prior to any consideration to the additional Clean Car Standard programme.
- Delay the start of the CCS programme with a review undertaken in 2024 when more will be known with regard to technology advancements and New Zealand's readiness.
- Further industry consultation and infrastructure readiness assessment be undertaken as part of a preparation to this programme.
- The target not be set at this point in time but to start from the 2024 CO₂ sales weighted average for each distributor and then follow the reduction rates actually achieved in the European program.
- Reset other Rules such as the Exhaust Emission Rule to require more stringent emissions for both new and used vehicles.
- Reset the WWF Charter to bring fuel specifications up to required minimums for Euro 6.2.

The proposal as it stands is far too aggressive and cannot be achieved. The proposal has a number of fundamental and flawed arguments that require closer investigation. For example, the graph shown on page 11 is sourced from ICCT passenger car data however the added data line for NZ shows light vehicles, being inclusive of SUV and LCV vehicles. To suggest NZ's combined car and LCV fleet can get to the same point as Europe's passenger cars is simply unachievable. We must compare apples with apples and not present poorly researched data as fact. The passenger car fleet for Europe has a different model mix with small, manual transmission diesels having a significant market share. Manual transmissions in NZ are rare, and even rarer in Japan. To suggest the market can be swayed back to manuals to sit on congested and jammed roads in NZ is not a realistic expectation. Used import vehicles do not have access to manual transmissions.

The Australian market is years away from any legislated CO₂ emissions targets so to suggest we follow Australia's value based on very early consideration by them is also careless in trying to present a working target.

The \$100 per gm is too high given the carbon cost in other industries and the impact to the cost of new vehicles in the proposal as per the modelling done to date.

We support banking/borrowing and would support the ability to trade carbon credits/debits from a wider group than just transport partners (groups).

We agree that the system must have a penalty for non compliance.

There needs to be an agreed method of gathering vehicle weight and CO₂ tested data from conformity documents

The Fuel Consumption Information Rule must also reference Australian Design Rules 81/02 as our Rules must specify all test standards by their legislated descriptions, not by reference to internal test components (NEDC, WLTP etc). It must also ensure there is no ambiguity over the units of CO₂ measurement.

The overall consideration here is: set a working Clean Car Discount and set up a working group to develop a Clean Car Standard to get the legislative program operating. This is important to get leverage with our manufacturing supplier as our volume doesn't warrant any special consideration. With Europe likely to miss its target and all technology advantages going to that larger and already problematic market, we will not have any sway to improve the model mix for NZ. There has to be legislation first and then we can argue for access to product. Without the CCD system, other markets with aggressive EV/PHEV incentives will get priority access to vehicles. There is global limited supply of EV/PHEV from a resource and production volume aspect, so unless NZ can demonstrate the incentive from the CCD and the pending legislative action with the CCS, we cannot exert any influence on our supplier.

We have completed extensive modelling both from within the MIA and as a standalone importer of new vehicles. With our most optimistic projection, we cannot meet a 105gm/km target. Further modelling shows there are better band breaks than the 8 suggested. We would also suggest that the European reduction rate be

applied from 2024 NZ starting point to get to an ultimate reduction rate with realisable values, rather than setting the target to global values when we are starting so late. In 10 to 14 years' time we will be in a model development phase that might enable us to work towards global targets. By way of example, our Mirage model produces 116gm/km CO₂. There is no technology coming to change this 3 cylinder, 1200cc petrol model to reduce its emission output. Having an aggressive target will simply impose a cost to this model and remove it from the market, as it would become too expensive. We are sure that the intent of the proposed low emission paper is not to penalise small fuel-efficient vehicles, but to reduce and or remove heavy high fuel consumption vehicles.

We have clearly demonstrated our commitment to introducing technology and clean emission vehicles when we can so any expectation from NZ government will only start to be fulfilled with realistic targets, incentives and legislation. Thank you for this opportunity to comment and submit our views on this important paper.

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