10th September 2019

Scandinavian Vehicle Distributors Ltd (SVDL) Submission on the Moving the Light Vehicle Fleet to Low Emissions: Discussion paper on a Clean Car Standard and Clean Car Discount

Please find following SVDL's submission on "Moving the light vehicle fleet to low emissions: Discussion paper on a Clean Car Standard and Clean Car Discount".

Scandinavian Vehicle Distributors Ltd (trading as Volvo Cars New Zealand) is the authorised importer of new Volvo cars for New Zealand. SVDL is a private Company with New Zealand based ownership and is a member of the Motor Industry Association (MIA) under the Motorcorp Holdings Group.

SVDL supports the MIA's submission on these proposals with the exception of any items mentioned in the attached, and appreciates the extension provided to MIA members (to 10th September) given the significance of the proposal to our business, the wider automotive industry and New Zealand car buyers.

Thank you for the opportunity to provide feedback and we will await the outcome of your deliberation with interest.

Kind regards

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1. Introduction

Volvo Car Group takes sustainability seriously by providing customers with "freedom to move in a personal, sustainable and safe way".

Volvo's global vision includes:
- That no one should be seriously injured or killed in a new Volvo car by 2020.
- A commitment to have put 1 million electrified vehicles on the roads by 2025.

With 'Care for the Environment' as a long-standing brand pillar, Volvo has continually moved to reduce emissions over the years, most recently by:
- Replacing older larger capacity engines with more efficient engines with a maximum capacity of 2.0 litres from the launch of current model lines (commenced in New Zealand during 2015, completed in 2017).
- Rolling out a totally electrified powertrain offering by 2022. This includes:
    - PHEVs available in all model lines (currently two models available in New Zealand, a further two will be available in New Zealand by the end of 2019 as soon as they are made available to us).
    - BEV – first model available from 2022.
    - 48V Mild Hybrid replacing current ICE powertrains from Model Year 2020 (due to arrive in Oceania, including New Zealand, in 2022).
    - Discontinuation of Diesel powertrains from 2022.
        - Frustratingly, in the context of proposed legislation, this sustainability initiative will in fact have a negative impact on our CO2 profile as a 48V Mild Hybrid Petrol will have a higher CO2 value than the current diesel, but overall will be a "cleaner" powertrain.

SVDL agrees with the MIA position of welcoming discussions on policies that will lead to an achievable and sustained reduction in CO2 emissions from vehicles as they enter the fleet. As a result of both Volvo's global strategy and our local product strategy (offering the most efficient variants made available to us by the factory) Volvo is among New Zealand's best performing passenger/SUV brands today, as all new Volvo passenger cars and SUV's available for sale are powered by 2-litre 4-cylinder ICE powertrains referred to above. These efficient powertrains also form the basis of our PHEV models.

Naturally, SVDL strongly supports the reduction of emissions from transport.

We agree with the MIA / Industry view that:
- Policies that influence consumer demand are preferred.
- Policies aimed at controlling supply into our market are generally not favoured as they impose artificial controls that distort the market.

We will outline what we feel is the optimal approach to achieving the outcome Government is looking for in a manner that we, and the broader industry, are able to respond to in a practical sense.

The proposed policies are wide-ranging and the potential impact on the choice of vehicles available to New Zealand consumers is significant. On the other hand, if not managed and implemented carefully, these policies have the potential to artificially distort the market and have unintended consequences.

SVDL feels that the Clean Car Discount is a workable proposal which we support, although believe some changes will improve its implementation and longer term effectiveness.

However, SVDL believes the Clean Car Standard is unworkable as currently proposed. We recommend that the Government establish a working group, comprised of both Industry and Government representatives, which is focussed on developing a blueprint for a fuel economy standard that reflects the unique conditions of the New Zealand environment and vehicle fleet.

2. Summary of SVDL's Key Recommendations

- SVDL acknowledges more can be done to lower CO2 emissions from the light vehicle fleet and we are committed to playing our part in ensuring this happens.
- Policies that influence consumer choice when they purchase vehicles should be given the highest priority as they have the ability to more directly and immediately impact demand.

Our key recommendations are as follows:

The Clean Car Discount

- We support the Clean Car Discount and feel it can be further improved by making some changes to what has been proposed.
    - SVDL recommends the removal of the retail price cap at which the incentive ceases to apply, to ensure the motivation for customers to seek out more efficient vehicles is sufficiently wide reaching (rather than restricted to a certain price bracket). It is critical that policy focuses on reducing emissions across all vehicle segments and price brackets.

- We suggest the Government proceeds with introduction of the Clean Car Discount without delay, being mindful of the impact on postponed purchases if a start date is signalled well in advance.

The Clean Car Standard

SVDL cannot support the Clean Car Standard as proposed in the consultation document, in its current format. We suggest the Government works with Industry representatives to re-design the proposed Clean Car Standard into one that is workable and sets fair and achievable goals from the outset.

We believe the proposed Clean Car Standard requires review and revision for the following reasons:

- The timeline is too limited and should be extended to cover two model cycles for new vehicles which would see it run until approximately 2030.
- The rate of CO2 reduction targeted to be achieved is unlikely in the New Zealand context. What has been proposed is more aggressive than we have seen achieved to date in any other jurisdiction. Any target must be achievable in order to be meaningful otherwise it will simply be seen as a tax rather than an incentive to change behaviours.
- The proposed weight bands need to be seriously reconsidered.
- The current proposal appears to be particularly severe on new small ICE vehicles which we would not want to see taken out of the fleet mix, therefore restricting consumer choice.
- We believe there should be an allowance for the earning of super credits in the Clean Car Standard. Having such a mechanism would serve as an incentive for the supply of ultra-low emission vehicles and has proved effective in other jurisdictions.
- The proposed penalty rate is too high and would have a severe impact on our business, forcing price increases which would, in turn, disadvantage New Zealand customers
- The penalties should be the same for both new and used vehicles up to 3 years of age, regardless of whether they are New Zealand-new or ex-overseas.

Other Recommendations:

Tighten up FBT Enforcement

Many people (including accountants[1] and financial advisors[2]) believe that FBT does not apply to double-cab utility vehicles if they are sign-written. Given that these vehicles are only exempt from FBT if they meet the work-related vehicle exemption, FBT is possibly being under returned. More enforcement and education around this is required which may well lead to companies moving to more efficient passenger vehicles.

Road to Zero Alignment

The recent 'Road to Zero' discussion paper and the low-emissions discussion paper seem to conflict with each other. On one hand the Government is suggesting used Suzuki Swifts shouldn't be imported due to their used car safety rating (despite them having a very good new car rating) while also saying that only low emission vehicles should be imported.

SVDL believes a rolling age ban on used imported vehicles would ensure that the latest safety and emissions technologies are closer to being imported to New Zealand and aligns aspirations for a fleet that is both safer and cleaner. We believe such an age ban should be set at eight years of age from first registration.

Relicensing Feebate Scheme

A relicensing feebate scheme would show that the Government is serious about transitioning to a cleaner fleet in a timely manner. Such a feebate scheme for relicensing (annual registration) could impact the whole 3.5 million vehicles rather than just the 300,000 coming onto the fleet every year.

Low emission cars could be free to relicense every year whilst those with higher CO2s could be more expensive to relicense. This could start in 2021 or 2022 so people have a chance to adjust, with a smaller feebate at the outset that then increases over time.

Charging Network

Before the industry can get serious about the number of BEVs sold, a much more comprehensive charging network is required. Whilst some work on this is happening thanks to the low-emissions vehicle fund, it needs to be drastically enhanced to meet the proposed volume of electric cars.

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[1] https://letstalkabouttaxnz.com/2019/07/12/emissions-feebates-and-fringe-benefit-tax/

[2] https://www.interest.co.nz/personal-finance/100909/terry-baucher-looks-how-Government-policy-conflicts-ird-procedure-when-it

3. General Comments

Over the past 12 years, SVDL has reduced CO2 emissions of Volvo cars available in New Zealand by 33%. The proposed standards would require us to reduce 2018 levels of CO2 by a further 34% in the seven years through until 2025. This is not a realistic target.

Our analysis has shown that the big gains have been made over the last five years with the introduction of new models using our smaller capacity more fuel efficient engine architecture and our roll out of PHEV versions. As this process is largely completed, future CO2 reductions are largely going to be reliant on the availability and consumer demand for new PHEV / BEV models. As mentioned previously, Volvo will be discontinuing the production of Diesel powertrains and replacing them with "cleaner" but higher CO2 rated 48V Mild Hybrid Petrol powertrains from 2022. This will further impact our overall rate of reduction. Given our forecast rate of reduction, we will be adding significant taxes to vehicles in 2025.

Versus 2019 actual (7 months) the forecast reductions are:

2020	2021	2022	2023	2024	2025
-2.0%	-3.3%	-8.6%	-2.9%	-2.0%	-0.5%

These yearly reductions would equal an overall reduction of 18.0%. At this level, an average tax of approximately $2,900 (weight dependant) would still be added to every car to cover the penalty in 2025 (refer Appendix 1).

Another way of looking at the task required to meet the proposed target is how many electric cars would be needed. Based on our modelling, in order to have zero taxes added to vehicles in 2025, 34% of SVDL's sales would need to consist of BEVs. To meet the forecast reductions in the table above, we have forecast that 19.4% of SVDL's sales would be fully electric, whilst international "best estimates of actual sales of all-electric vehicles by 2025 don't often breach 10%"[3] (refer Appendix 2).

As previously mentioned, Volvo is investing heavily in electric vehicle technology. However, there is no guarantee of supply of these vehicles during the proposed time frame.

Manufacturers such as Volvo already have very large markets where they need all BEV production to reduce overall CO2s (i.e. Europe, California, China, etc.). The manufacturers will be sending most of their production to these markets where they own the sales company – unlike in New Zealand where a 100% locally-owned company such as SVDL would be responsible for adding taxes to vehicles in order to pay the proposed penalties.

We believe that we will be given some supply and our rate of CO2 reductions will increase. However, we don't believe we will be able to source enough to meet the

[3] https://www.forbes.com/sites/neilwinton/2019/05/06/volkswagen-investors-worry-about-ambitious-electric-car-plans

105gms/km average target. Let-a-lone ensuring that there is the customer demand for this many BEVs.

Long Run CO2 Reduction

Having tracked the rate of CO2 reduction for over a decade on the vehicles imported by SVDL, we know the improvements are achieved largely when new models are launched. A model cycle will generally last 6-7 years and in recent years that period is starting to lengthen.

The SVDL rate of CO2 reduction has averaged around 2.75% year on year. The only way to accelerate this rate of reduction is to lift the uptake of low emission vehicles, principally PHEVs and BEVs.

Unique Characteristics of the New Zealand Market

Our market has the following features which need to be considered when developing any policies:

- The split between new and used imported vehicles.
- The market profile of light vehicles with a high and increasing rate of 1 tonne ute ownership as a percentage of all new vehicles sold. It should be noted that while Passenger and SUV vehicles are global vehicle designations, utes are not. Consequently, utes are generally last in line for emission reduction technologies while manufacturers concentrate on making low emission Passenger, SUV and Van vehicle types to meet emission targets in other countries.
- It is consumer demand that drives the mix between Passenger, SUV, Utes and Vans of light vehicles sold in the New Zealand market. We need to be aware of the factors affecting these choices prior to implementing any policies which may have a distortionary affect and unintended consequences.

Time Required to Change a Product Mix

The implication in the current proposal is that the process of swapping current models for lower emission alternatives is simply a matter of us supplying to New Zealand consumers these models from other markets.

However, it is not quite that simple. For instance, while New Zealand has a high rate of demand for automatic versus manual transmissions - and petrol versus diesel powertrains - in the light vehicle fleet, it is not simply a matter of requesting supply of a model that we see being sold into another market.

Further, as New Zealand is such a small market for Volvo (and others) the cars we currently import are of an Australasian specification and largely dictated by the Australian market. Practically, if the model is not offered in Australia then it won't be available for New Zealand. This will further challenge us as it does not appear that the Australian Government is intending to implement a Clean Car Standard in a similar timeframe. This will make it difficult for us to source new lower emission technologies as quickly as we might like. The costs associated with homologating vehicles just for the New Zealand market are likely to be prohibitive.

Other issues slowing the adoption of new models are:

- Changes to the model need to be made for matters such the infotainment system and/or navigation systems etc. Vehicles supplied to other markets will more than likely have different engine compression ratios to match their fuel supply type.
- Different manufacturers require different in-country processes for recycling of certain parts such as lithium ion batteries. There are a number of safety and driver assistance technologies that need to be changed. If these changes are made this will mean a new ANCAP test is required for the model, further complicating/extending the roll-out.
- The above changes will not be made unless the model in question can be justified on the basis of sufficient production volumes. These volumes are unlikely to be achieved on the size the New Zealand market demand alone.

Taking the above into account, it is not a given that SVDL, as a small importer, will be able to source models in advance of the Australian market. Even if we could, it would be a 2-3 year process to have an existing model approved for the New Zealand market and this process is only undertaken if the projected sales will offset the costs of undertaking the required changes.

Less Fuel-Efficient Vehicles

There appears to be an assumption in the consultation document that we, as Importers and Distributors, are deliberately withholding the supply of low emission models from the New Zealand market. Nothing could be further from the truth. As SVDL we are committed to providing consumers with as much choice as possible and the opportunity to enjoy the latest in technological advances. Despite barriers such as those outlined above, SVDL has been successful in obtaining some of Volvo's lowest emission vehicles (current PHEV models) ahead of many other markets.

4. SVDL's Response to Questions asked in the Consultation Document

Part 2A: How the Clean Car Standard would work

Is the Clean Car Standard appropriate for New Zealand? If not, why not?

SVDL cannot support the Clean Car Standard as proposed in the consultation document, in its current format. We suggest the Government works with Industry representatives to re-design the proposed Clean Car Standard into one that is workable and sets fair and achievable goals from the outset.

We believe the 8 weight-band proposal in the consultation document will force many models in our range to bear CO2 taxes for consumers, resulting in significant price increases for these vehicles.

We feel that the current 8 weight-band proposal is unnecessarily complex and could be improved on in order to deliver a better outcome. A weight-based approach does appear to be the most appropriate method of classification, although we believe further work is required on where the lines are drawn.

The current proposal risks sending the following confusing signals to consumers:

- Small vehicles could well become the first casualty of the Clean Car Standard.
- The price of all vehicles could increase under the scheme.
- People will not understand why the price for light commercial vehicles, particularly utes, will incur a tax of $8,000 to $10,000 or more when they have no other choices available to them for the purchase of low emission vehicles.

If implemented as proposed, the Clean Car Standard:

- Will add significant taxes on most models from very small cars to the large end of the light vehicle fleet.
- Encourages used vehicle importers to move away from the importer model to an agency model whereby the agent never owns the vehicles, but merely facilitates individual car purchases for New Zealand consumers from overseas sellers. Those adopting this practice will not be subject to the standard as proposed.
- Fails to adequately recognise long model cycles, overseas regulatory requirements for low emission vehicles, or that no manufacturer makes vehicles unique to the New Zealand market.

Is an average emissions target of 105 grams CO2 per kilometre by 2025 an appropriate target for New Zealand? If not, why not?

SVDL suggests that the Government should set up a working group with Industry to develop a blueprint for the design and implementation of a fuel economy standard, with any resulting targets to be established out to 2030, with interim targets to 2025.

Effective design of a fuel economy standard should take into consideration where we are starting from, and then acknowledge from then on that further reductions can only match the rate at which they have improved in overseas markets. Being a technology taker, we are beholden to our manufacturer suppliers and the timing at which they make new technology and low emission vehicles available to us.

One of the significant obstacles we face – like most other New Zealand-based importer distributors - is that the vehicle brand we represent has extensive operations in Europe. In the EU, they are facing large penalties if they can't achieve 2020 and 2023 CO2 targets, meaning production of the lowest emission vehicles will be allocated to affected markets first. This illustrates that our small market, even with a fuel economy standard, will face significant barriers when it comes to accessing the vehicle models we require.

What effect do you think the Clean Car Standard would have on vehicle supply and prices?

Given the severity of the targets and size of the proposed penalties, it is inevitable these costs will be passed on to consumers to a certain degree, resulting in a retail price increase for most models. Similarly, if it is no longer possible to economically import and sell certain classes of vehicles (such as small passenger cars under the proposed scheme) as an industry we would have little option but to remove these from our model mix offered to consumers, limiting choice and increasing entry-level new car price points.

Before establishing a fuel economy standard, the Government should first ensure there are demand side incentives in place. A fuel economy standard without any demand side incentives will not work in the way it is intended.

PART 2B: HOW COULD THE CLEAN CAR STANDARD BE IMPLEMENTED?

Do you consider the overall process outlined for the Clean Car Standard is workable? If not, why?

We feel the current proposal will not work due to the aggressive nature of the proposed targets, timelines to achieve those targets and the penalties imposed if those targets are not met. We believe the design of the Clean Car Standard could be modified in order to improve its adoption and implementation, and we should look to other parts of the world to learn from and model how a fuel economy standard works well.

SVDL believes that a fuel economy standard for New Zealand needs to reflect the unique characteristics of this market while at the same time learning from overseas experience. We need to be mindful of, and reflect, the following considerations in our fuel economy standard:

1. Achievable CO2 reduction targets, realistic timelines and adjustable penalties.

a) Clarity over the units of CO2 measurement (ie NEDC vs WLTP and conversion rates between the protocols).

b) Targets that are lower in the early years then progressively increase as newer low emission models are introduced into the fleet. The capture period should extend out to 2030.

c) An allowance for super credits. These could include extra credits for PHEVs and BEVs according to a sliding scale.

2. Integration with other policies:

a) New Zealand's mix of new and used imported vehicles is unique among countries where a fuel economy standard is in place. As such, there is little overseas experience to reference when considering how a fuel economy standard can be leveraged with complementary transport policies. A fuel economy standard should link to safer vehicles policies, especially the new 'Road to Zero' strategy.

b) The current Clean Car proposal (especially the Discount) encourages less safe products and PHEV, BEV products near the end of their life. A rolling age ban in conjunction with entry standards is a simple way to improve the safety of cars coming onto the fleet immediately, aligning aspirations for a fleet that is both safer and cleaner. SVDL proposes an 8-year limit.

The Clean Car Standard will cover new vehicles and used vehicles being brought into New Zealand. Should people who import three vehicles or less be exempted? If not, why?

In short, people importing 3 vehicles or less should not be exempt from the Clean Car Standard. If people importing 3 vehicles or less are exempt from the Clean Car Standard it would encourage Used Vehicle Importers to become Agents in order to avoid penalties. This is another reason why SVDL recommends the establishment of a working group between the Government and Industry to develop a blueprint for the design and implementation of a fuel economy standard for all vehicles as they first enter the New Zealand fleet.

Phasing in the emissions target of 105 grams CO2 per kilometre

Do you support phasing-in the 105 grams CO2 per kilometre emissions target by:

- *adopting multiple targets that progressively lower to 105 grams? OR*
- *using the increasing percentage of fleet approach?*

Please explain why you prefer the approach you have chosen.

As per previous comments SVDL's recommendation is to set up a working group to develop a blueprint for the design and implementation of a fuel economy standard for all vehicles as they first enter the New Zealand fleet. This working group can then consider and recommend the best way to structure a standard.

Do you support the timeframe for the phase in period? If not, why not?

As per previous comments, we don't support the phase in period proposed as we believe both the level and timeframe for the targets are too aggressive.

As per previous comments, SVDL's recommendation is to set up a working group to develop a blueprint for the design and implementation of a fuel economy standard for all vehicles as they first enter the New Zealand fleet. This working group can then consider and recommend what is the best way to calculate a target and over what period it should be implemented.

Do you support adopting a weight-adjusted Clean Car Standard? If not, why?

SVDL feels the current vehicle weight band approach needs to be reconsidered and could be improved upon.

A weight-based approach does appear to be the most appropriate method of classification, although we believe further work is required on where the lines are drawn.

Penalties for non-compliance

Do you support a penalty of $100 for each gram CO2 per kilometre that a supplier of new vehicles exceeds its fleet target? If not, why?

SVDL does not support a penalty of $100 for each gram CO2 per kilometre. The rationale for this level of penalty is unclear.

Do you support a penalty of $50 for each gram CO2 per kilometre that a supplier of used imported vehicles exceeds its fleet target? If not, why not?

SVDL does not support a penalty of $50 for each gram CO2 per kilometre. The rationale for this level of penalty is unclear.

Flexibility in meeting targets for a given year

Do you support the banking mechanism to provide flexibility for vehicle suppliers? If not, why?

This is a matter the future working group should consider. Best practice in fuel economy standards and how they work indicates a level of flexibility is key to their successful implementation.

Do you agree that the new vehicle sector should have the added flexibility of borrowing? If not, why?

This is a matter the future working group should consider. Best practice in fuel economy standards and how they work indicates a level of flexibility is key to their successful implementation.

Do you support an arrangement for suppliers to pool their vehicles together to comply as a group? If not, why?

Further clarity is required in relation to what constitutes a 'group' ie. what criteria – if any - must be met in terms of the relationship between the separate entities looking to pool their vehicles.

Do you agree that new and used vehicle suppliers should not be able to pool their vehicles and comply as a group? If not, why? If you think they should be able to comply as a group, how should the different lifetime emissions of new vehicles and used vehicles be measured and balanced?

We agree that new and used vehicle suppliers should **not** be able to pool their vehicles and comply as a group.

Penalties for misreporting data

Do you support having the following penalties for misreporting data for the Clean Car Standard:

- *For an individual, a fine not exceeding $15,000*
- *For a person or an organisation other than an individual, a fine not exceeding $75,000?*

If not, why?

No comment.

Do you support the sanction of disqualification from being a registered motor vehicle dealer if a supplier deliberately attempts to evade meeting annual targets? If not, why?

Yes, we do support the disqualification sanction proposed. SVDL believes the proposal can be significantly strengthened to ensure compliance by all Importers, New and

Used, in the motor vehicle trade. Considerably more thought is required to develop a fuel economy standard that captures all used vehicles as they first enter the New Zealand fleet. The only exception should be for genuine private vehicles which have been owned and used overseas prior to importation into New Zealand.

Proposal to stop recognising vehicles assessed through the Japanese 10/15 test

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? If not why?

SVDL supports the removal of the Japanese 10/15 test, and further believes only vehicles that are tested to the agreed standards should be permitted to enter New Zealand.

CO2 Conversions Factors

There are some significant issues with being able to accurately compare WLTP, NEDC and JC08 results. Up until this point in time, the consequences of the differences between these test cycles has not been overly significant.

One of the limitations of the current proposal is how to convert WLTP, JCO8 and AFTP CO2-based calculations to NEDC. This is further complicated by the fact that Japanese derived WLTP figures are based on 'low', 'medium' and 'high' measurements, differing from the European approach which measures CO2 emissions at those rates plus the 'extra high' classification.

For a fuel economy standard to work effectively it is critical these details are established and agreed up front.

Future emissions targets beyond 2025

Do you agree with the proposed process for setting future emissions targets? If not, what would you change and why?

See comments in earlier sections of this submission where SVDL would prefer that the timeframe be set out to 2030 from the outset.

Part 3A: How the Clean Car Discount would work

Is the Clean Car Discount appropriate for New Zealand? If not, why?

The Clean Car Discount, subject to a few changes, is supported by the SVDL. It is a demand-based policy that is easy to understand, highly visible to the consumer and is aimed directly at influencing their purchase decision.

SVDL recommends the proposal can be enhanced by:

- The removal of the retail price cap at which the incentive ceases to apply, to ensure the motivation for customers to seek out more efficient vehicles is sufficiently wide reaching (rather than restricted to a certain price bracket). It is critical that policy focuses on reducing emissions across all vehicle segments and price brackets.
- Establishing a link with other transport policies. A feebate scheme for relicensing (annual registration) could impact the whole 3.5 million vehicles rather than just the 300,000 coming onto the fleet every year. Although the Government has indicated it would prefer not to introduce differential annual registration fees at this stage, a CO2 reduction centric policy suggests it should.
- Low emission vehicles could be free - or attract a discounted fee - to relicense every year, while high emission vehicles could be more expensive to relicense. Having this starting in 2022 would give consumers a chance to adjust, with a smaller feebate initially, increased over time.
- Adjust the RUC rate for EVs and PHEVs to address the inequality that applies to PHEVs paying both RUC and fuel excise duty.

Part 3B: How could the Clean Car Discount be implemented?

Emissions benchmark levels

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 not?

No. Given our comments under the proposed Clean Car Standard section of this submission, we believe the emission benchmarks need to be reviewed.

The most powerful tool available to Government to influence the type of light vehicles purchased in New Zealand, and therefore influence the type of vehicles importers source, is a policy like the Clean Car Discount (feebate). If the Government wants to see rapid change, then our view is make the incentives bigger and clearer. The rate of change however would still be subject to Importers being able to source sufficient volume of low emission vehicles.

Would an initial emissions benchmark of 150 grams CO2 per kilometre be suitable for the first year of the Clean Car Discount? If not, why?

Yes.

Fees and rebates sizes

Would the level of the fees and rebates in the example feebate schedules (Appendix 4) increase demand for low emission vehicles? If not, what changes would you make?

As outlined in our previous comments, incentives are a powerful tool to drive a change in consumer behaviour.

We would note however that globally disincentives have proved unpopular and difficult to legislate when there are not fit-for-purpose alternatives, or limited availability of EVs and LEVs that are fit for purpose.

When considering New Zealand's unique vehicle profile, the commercial and agricultural sectors require vans and utes to undertake the heavy duty nature of their work. They are unfairly penalised under the proposed Clean Car Discount because in most cases there is no clear alternative low emission vehicle available to undertake the range of tasks they engage in.

SVDL believes there should be relief for certain business sales of 4x4 Utes, and Vans of a high GVM. This could apply to Class NA vehicles with a GVM > 3,000kg, which attracts a credit relief on any fees at the point of sale. This could be restricted to purchases in the categories of business in 'Primary Industry', e.g. agriculture, aquaculture, forestry, dairy, transport and logistics companies.

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?

Less change is preferable unless there is a dramatic uptake of low emission vehicles. The longer term - and higher - the incentives, the greater the likelihood it will accelerate a shift to low emission vehicles.

Should new vehicles include near-new vehicles less than 3 years old?

SVDL strongly recommends that any vehicle previously registered overseas is treated as a used vehicle under the Clean Car Discount.

If near new vehicles are treated the same as new vehicles then this places an incentive on used importers to source 'up to 2-year old' vehicles out of Japan and/or the UK. When this happens, consumers are negatively impacted in terms of their warranty rights, and recall obligations often then fall on the new vehicle distributors.

How wide should the zero band be?

Do you think a zero band is appropriate? If not why?

SVDL believes the zero band could be wider.

How would consumers get their rebates and pay their fees?

Do you support the proposal to apply the fees and rebates directly at the point of vehicle purchase? If not, why?

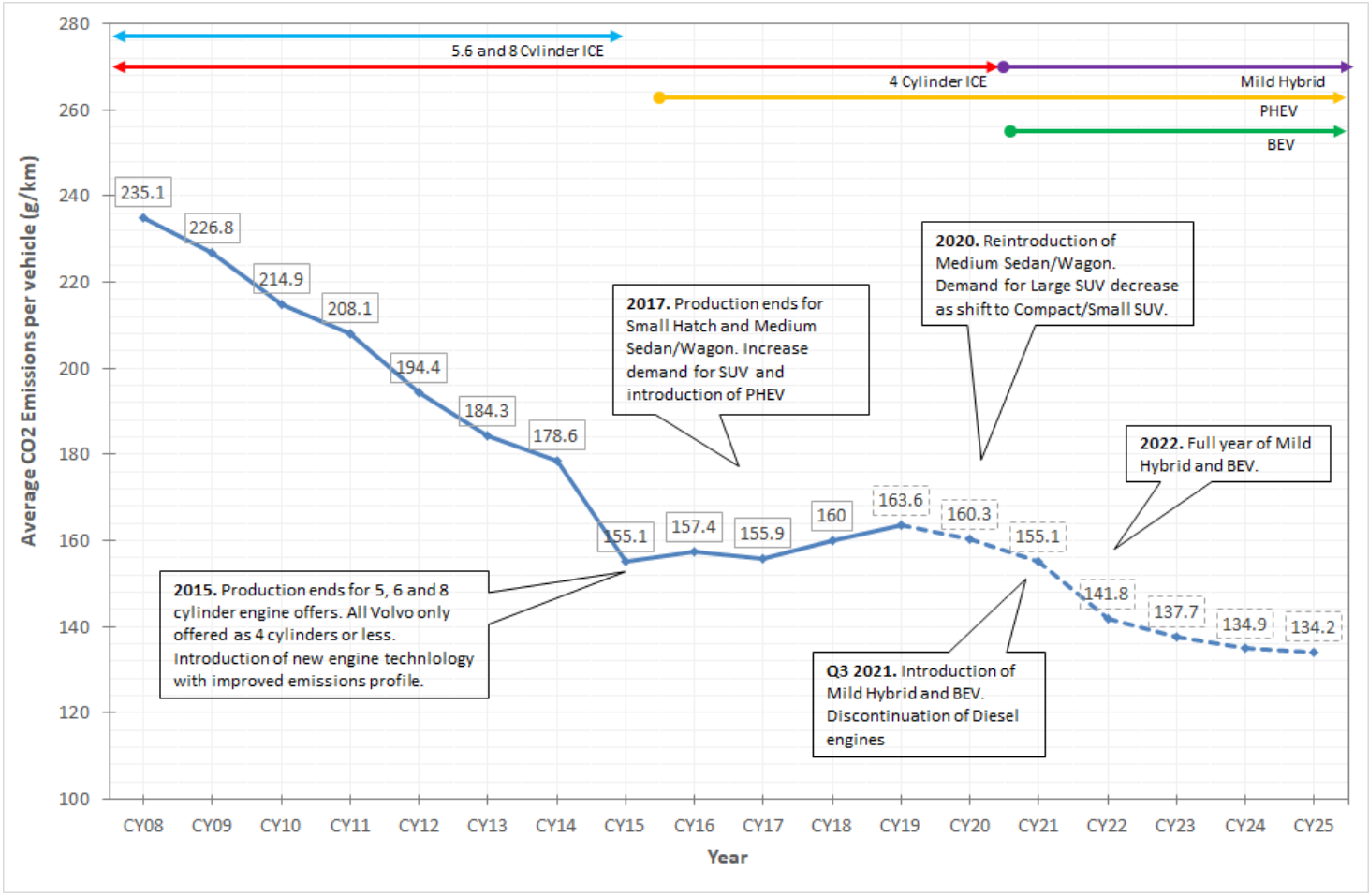
The way in which the Clean Car Discount would work in practice needs further development. There is potential for unnecessary administrative burdens in its implementation if not designed properly.

Currently there is insufficient detail on how the discount would work in practice. We would suggest that officials meet with industry to agree in more detail how to operationally implement the discount.

Do you support the penalties outlined in this section to ensure that fees and rebates are displayed on each vehicle and are correctly applied by vehicle suppliers? If not, why?

Not as currently proposed. Penalties for failure to display fees and rebates should be aligned to the current practice for Fuel Saver labels.

Appendix 1 – Emissions Evolution - Volvo



Appendix 2 – Forecast Technology Mix - Volvo

Technology Mix	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Petrol ICE	51.6%	48.7%	62.2%	68.5%	74.3%	54.4%	12.8%	0.0%	0.0%	0.0%
Diesel ICE	42.6%	48.0%	31.1%	26.6%	19.3%	12.4%	0.0%	0.0%	0.0%	0.0%
Mild Hybrid	0.0%	0.0%	0.0%	0.0%	0.0%	24.1%	69.2%	78.0%	77.0%	76.6%
PHEV	5.8%	3.3%	6.8%	4.9%	6.4%	5.6%	6.5%	6.1%	4.0%	4.0%
BEV	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%	11.5%	15.9%	19.0%	19.4%