CAB-25-MIN-0409

Cabinet

Minute of Decision

Report of the Cabinet Economic Policy Committee: Period Ended 14 November 2025

On 17 November 2025, Cabinet made the following decisions on the work of the Cabinet Economic Policy Committee for the period ended 14 November 2025:

Out of Scope

ECO-25-MIN-0186	**Clean Vehicle Standard: Proposed Amendment** Portfolio: Transport	CONFIRMED

Out of Scope

Out of Scope

Rachel Hayward
Secretary of the Cabinet

In Confidence

Office of the Minister of Transport

Cabinet Economic Policy Committee

Proposed Amendment to the Clean Vehicle Standard

Proposal

1 This paper seeks Cabinet's agreement to set reduced charges for the Clean Vehicle Standard (the Standard) in 2026 and 2027. It also seeks approval to progress this change via an Amendment Paper to the Land Transport (Clean Vehicle Standard) Amendment Bill (No 2).

Relation to government priorities

2 The proposals in this paper will contribute to reducing the cost of living. They will help to mitigate the risk of the Standard effectively passing charges onto consumers via higher vehicle prices.

Executive Summary

3 The Clean Vehicle Standard (the Standard) came into effect on 1 January 2023. It aims to encourage the supply and purchase of more fuel-efficient vehicles as a means to reduce fuel costs and CO_2 emissions.

4 The Standard sets annual CO_2 targets that lower over time. Different targets are set for passenger and commercial vehicles. Vehicles with emissions higher than their targets incur charges, while vehicles that better their targets earn credits.

5 On 1 July 2024, Cabinet reviewed and eased the Standard's CO_2 targets for 2025-2027 [CBC-24-MIN-0067 refers]. This decision has worked well for the import of new commercial vehicles (i.e., vans, utes, light trucks). However, most importers are unable to achieve the target for passenger vehicles (i.e., cars and SUVs). For used-vehicle importers, this is largely the result of supply constraints. For new vehicle importers, the primary challenge is reduced consumer demand for electric vehicles (EVs).

6 As a result of these demand and supply constraints, a key risk is that importers will pass the costs from not reaching the targets onto consumers. If charges from high emitting vehicles cannot be offset by credits, importers may restrict supply and/or pass on charges as higher vehicle prices, affecting vehicle availability and affordability.

7 A review of the Standard's targets is required to be reported back to the Cabinet Economic Policy Committee by 30 June 2026, and I have instructed my officials to begin work on this review. However, as any proposals to change the Standard's settings will take time, I recommend providing interim relief.

8 My officials have advised me that the most practicable way to provide interim relief is by setting reduced charges for 2026 and 2027 at a top rate of $15 per gram of CO_2. The top rate for charges is currently $67.50 per gram of CO_2.

9 Currently, 85.6 percent of importers are in a net charge position, and the average net charge per vehicle for those importers is $1,226. The following table indicates the magnitude of charges that could be avoided as a result of this proposal, for a selection of vehicles:

Selection of Toyota New Zealand's light passenger vehicle performance against the 2025 target

Model	CO2 grams/km	Weight-adjusted target	Performance against target	Credit received (valued at $67.50 per gram)	Charge faced at $67.50 per gram above target	Charge faced at $15 per gram above target	Charge avoided as a result of proposed change
bZ4X EV	0	131.9	131.9 below	$8905.35			
Yaris Cross Hybrid	84	101.3	17.3 below	$1167.75			
Corolla hatch hybrid	91	107.5	16.5 below	$1113.75			
Camry GX hybrid	101	116.4	15.4 below	$1039.50			
RAV4 GX hybrid	121	122.8	1.8 below	$121.50			
Highlander GXL hybrid	142	136.3	5.7 above		$384.75	$85.50	$299.25
Land Cruiser Prado GXL hybrid	230	136.3	93.7 above		$6324.75	$1405.50	$4919.25
Land Cruiser 300 VX diesel	268	136.3	131.7 above		$8889.75	$1975.50	$6914.25

Note the estimates in this table have not been tested with the motor vehicle industry

10 The magnitude of these credits and charges needs to be viewed within the context of total new vehicle sales. These are estimated to be between $7.74 and $8.1 billion in 2025.

11 The value for which credits can be traded will reduce (in line with charges), as a result of this interim relief. Some of these credits are due to expire in 2027. To avoid the interim relief negatively impacting credit holders, I also propose that no credits expire before 31 December 2028.

12 These changes will likely have a net financial benefit for consumers, as the benefit from the reduction in charges is likely to outweigh the loss in fuel savings.

13 The Motor Industry Association (MIA), which represents new vehicle importers, and the Imported Motor Vehicle Industry Association (VIA), which represents used-vehicle importers, supports these proposals.

14 These proposals require changes to the Land Transport Act 1998 (the Act). To secure these changes, I intend to propose an Amendment Paper to the Land Transport (Clean Vehicle Standard) Amendment Bill (No 2) at the Committee of the Whole House stage. This is expected to take place in December 2025.

Background

How the Standard works

15 The Standard came into effect on 1 January 2023. It aims to encourage the supply and purchase of more fuel-efficient petrol and diesel vehicles, hybrids, and zero emissions vehicles as a means to reduce fuel costs and CO_2 emissions.

16 It does this by setting annual CO_2 targets that lower over time. Vehicle importers are required to meet the targets each year, on average, across the vehicles they import. Different targets are set for passenger and commercial vehicles.

17 Suppliers can sell any mix of vehicles they choose. However, to meet the annual targets, they must sell sufficient volumes of vehicles with emissions below their targets to offset vehicles with emissions above their targets.

18 If targets are not met, importers incur charges. If targets are overachieved, importers accrue credits. Credits can be used to offset current and future years' charges. They can also be transferred to other importers who have not achieved their targets.

19 The key rationale for the Standard is that, in the absence of a regulated fuel efficiency standard, vehicle manufacturers were supplying a less fuel-efficient selection of new vehicles to our market, than to other countries. New vehicle distributors lacked leverage to address this. This was evident in that:

19.1 in 2019, across the top-selling 17 new light vehicle models, the most efficient variants available in New Zealand had, on average, 21 percent higher fuel use and emissions than models supplied to the United Kingdom

19.2 the used-import sector was reducing its average vehicle CO_2 emissions at a faster rate than the new vehicle sector. Over 2016-2019, the used-import sector achieved a 13 percent reduction in average CO_2 emissions, compared to 4.2 percent for new vehicles.

20 It is estimated that, with the Standard, New Zealand will benefit from fuel savings of $1.5-$1.7 billion over 2023-2050. The Standard is also a complementary measure to the Emissions Trading Scheme (ETS) in New Zealand's second Emissions Reduction Plan (ERP2). It is expected to deliver gross CO_2 emissions reductions of 8.2-9.6 million tonnes over 2023–2050.

21 The Standard's initial targets for 2025-2027 were reviewed in 2024 and eased to align with Australia's [CBC-24-MIN-0067 refers]. This decision reflected that, apart from the 2025 target for passenger vehicles, the 2025-2027 targets were unlikely to be achieved.

Current challenges

22 The decisions Cabinet made in 2024 have worked well for the import of new commercial vehicles (i.e., vans, utes and light trucks). However, most importers are unable to achieve the target for passenger vehicles (i.e., cars and SUVs).

23 For the used-vehicle sector, non-achievement is largely the result of supply constraints. These include a shortage of used-EVs available to import, higher vehicle prices at Japanese auctions, and reduced levels of vehicle supply in Japan.

24 For the new vehicle sector, non-achievement is largely the result of reduced consumer demand for EVs. This is being driven, in part, by weaker economic conditions. The share of light passenger EV's (Battery Electric plus Plug-in Hybrid) entering New Zealand's fleet (based on initial registrations) has decreased from 28 percent in December 2023, to 12 percent in December 2024 and 7 percent in September 2025.

25 As a result of these demand and supply constraints, a key risk is that importers will pass the costs from not reaching the targets onto consumers. If charges from high emitting vehicles cannot be offset by credits, importers may restrict supply and/or pass on charges as higher vehicle prices, affecting vehicle availability and affordability.

I recommend providing interim relief while a review of the Standard's settings is underway

26 In 2024, Cabinet agreed for the Standard's targets to be reviewed every two years. Cabinet invited the Minister of Transport to report the outcome of the next review to the Cabinet Economic Policy Committee by 30 June 2026 [CBC-24-MIN-0067]. I have instructed my officials to begin work on this review.

27 However, as any proposals to change the Standard's settings will take time to investigate, analyse and implement, I recommend providing interim relief.

28 Officials have advised me that the most practicable option to provide interim relief is by setting reduced charges for 2026 and 2027 at a top rate of $15 per gram of CO_2. The top rate for charges is currently $67.50 per gram of CO_2.

29 New and used-vehicle importers face different charges. Charges also differ depending on whether importers comply on a Pay As You Go (PAYG) or Fleet Average basis.[1] Used-vehicle importers typically comply using PAYG, while most new vehicle importers comply using Fleet Average.

30 A comparison of the current charges and my proposed reduced charges for 2026 and 2027 is in the tables below:

[1] Under the PAYG (Category 2) scheme, each imported vehicle is assessed and, if a charge is due, needs to be paid or an existing credit used to offset the charge. Under the Fleet Average (Category 1) scheme, vehicles are assessed on an annual basis with payment of any charges once the assessment is complete. Across the year, importers must ensure that the average emissions of the vehicles imported meet the targets for that year.

New Vehicle Importers

	Current rate of charges	Proposed charges for 2026 and 2027
Comply using Fleet Average	$67.50	$15
Comply using PAYG	$54	$12

Used Vehicle Importers

	Current rate of charges	Proposed charges for 2026 and 2027
Comply using Fleet Average	$33.75	$7.50
Comply using PAYG	$27	$6

31 The top rate of $15 per gram of CO_2 was proposed by the Motor Industry Association (MIA). My officials have examined a number of options for different rates. A top rate of $15 is the preferred option, as it:

31.1 provides meaningful relief for the sector and consumers, while still maintaining an incentive to import zero and low emissions vehicles

31.2 balances the interests of importers that hold credits and importers who do not hold credits.

32 Additionally, having a reduced charge (rather than suspending charges) mitigates risk to the stability of the scheme once the interim relief period ends.

33 Any charges incurred in the 2025 obligations year, but paid in 2026, will be paid at 2025 rates.

No credits to expire before 31 December 2028

34 Importers can trade credits. The market value of a credit is not expected to be higher than the charges set in the Act (i.e., because an importer would not buy a credit for a greater price than paying the charge itself).

35 Credits earned in 2023 are currently set to expire in 2027[2], when they will be valued at a lower rate as a result of this proposal (e.g., up to $15 rather than up to $67.50). To avoid permanently negatively impacting these credit holders, I propose that no credits expire before 31 December 2028.

36 This means that, on 1 January 2028, holders of credits issued in 2023 will have one calendar year to use or sell credits at the market rate.

[2] The Land Transport Act (Clean Vehicle Standard) Amendment Bill (No 2) extends the life of credits from 3 to 4 years, meaning credits issued in 2023 will expire in 2027.

Impacts

37 To estimate the magnitude of the interim compliance relief this proposal will provide, we have applied the reduced charges to the year ending September 2025:

37.1 new vehicle importers incurred a total of $128 million in net charges (at $54/67.50 per gram of CO_2) over this period. At $12.50/15 per gram of CO2, net charges incurred would total $29 million. This equates to savings of $99 million.

37.2 used-vehicle importers incurred a total of $42 million in net charges (at $27/$33.75 per gram of CO_2) over this period. At $6/$7.50 per gram of CO_2, net charges incurred would total $9 million. This equates to savings of $33 million.

38 Modelling from the Ministry of Transport suggests that New Zealanders would spend up to an additional $115 million on fuel between 2026 and 2050 as a result of this proposal. It would also result in the transport sector producing an additional 83 kilo-tonnes of C02-e greenhouse gas (GHG) emissions between 2026 and 2050. Of this, 28 and 23 kilo-tonnes would be produced in emissions budget periods 2 and 3 respectively.

39 This interim relief is likely to be financially positive for consumers. If the estimated magnitude of possible compliance relief outlined in paragraph 35 was realised in 2026 and 2027, there would be $264 million in savings from net charges. Officials assume that, as the current targets are not being met (except for new commercial vehicles), and will strengthen in 2026 and 2027, savings of this magnitude will likely be realised. We also assume that consumers will benefit as these avoided net charges will not be passed on through higher vehicle prices. This contrasts with the modelled $115 million loss of fuel savings out to 2050.

40 The Ministry for the Environment has confirmed that the proposal is unlikely to materially affect emissions from the transport sector, our ability to meet the second emissions budget, or the overall sufficiency of ERP2.

Industry feedback

41 Officials have discussed these proposals with the MIA and VIA. A full summary of industry feedback is provided in the attached Regulatory Impact Statement (RIS).

42 The MIA and VIA support temporarily setting reduced charges (at a top rate of $15 per gram) for 2026 and 2027. Both organisations also support the proposal that no credits will expire before 31 December 2028.

Implementation

43 The New Zealand Transport Agency (NZTA) will implement the system and business process changes needed to give effect to the proposals in this paper. If reduced charges are not in place by 1 January 2026, some importers will need to be refunded for any additional charges paid since this date.

Cost-of-living Implications

44 The proposals in this paper will contribute to reducing the cost of living. In the short term they will avoid consumers facing higher vehicle prices because of the Standard's settings that are too stringent given the market conditions importers are facing.

Financial Implications

45 There are no financial implications arising from the proposals in this paper.

46 There is a risk that the NZTA will require additional funding to administer the Standard if these changes are not in place by 1 January 2026. This is because refunds will be required for PAYG importers, which NZTA's system does not currently support. However, this risk is mitigated as my proposal is to introduce these changes via an Amendment Paper to the Land Transport (Clean Vehicle Standard) Amendment Bill (No 2), which is expected to be in force by 1 January 2026.

Legislative Implications

47 The proposals in this paper require changes to the Land Transport Act 1998 (the Act). To secure these changes, I intend to propose an Amendment Paper to the Land Transport (Clean Vehicle Standard) Amendment Bill (No 2) at the Committee of the Whole House stage. This is expected to take place in December 2025.

Impact Analysis

Regulatory Impact Statement

48 A Regulatory Impact Statement was previously completed when policy decisions were made in response to the 2024 review of the Standard, which is available at: https://www.transport.govt.nz/assets/Uploads/Outcome-of-the-review-of-the-Clean-Car-Importer-Standard-11-June-2024-Redacted.pdf. An Annex to the original RIS has been completed for this proposal and is attached in Appendix One.

49 A panel comprised of representatives from the Ministry of Transport has reviewed this and given it a "partially meets" rating under the quality assurance criteria.

50 The panel noted that this RIS "provides a clear description of the status quo, problem definition and objectives, and identifies all reasonable policy options. The paper therefore meets all the information and analytical requirements of a Regulatory Impact Statement. However, limited consultation was undertaken because of time constraints. Implementation of the proposal requires introduction of an Amendment Paper to the Land Transport (Clean Vehicle Standard) Amendment Bill (No 2) in December 2025".

Climate Implications of Policy Assessment

51 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirmed that CIPA requirements do not apply to this policy proposal.

52 The CIPA team noted "The Clean Vehicle Standard policy was included in ERP2, and the proposed change is an interim measure. The threshold for significance under CIPA is not met, as the modelled emissions impact is 83 kilotonnes of CO_2-e out to 2050, of which 28 and 23 kilotonnes would occur in emissions budget periods 2 and 3, respectively. The policy proposal is unlikely to materially affect emissions from the transport sector or our ability to meet the second emissions budget".

Population Implications

53 There are no population implications arising from this proposal.

Human Rights

54 There are no human rights implications arising from this proposal.

Use of external Resources

55 No external resources were used in the drafting of this paper.

Consultation

Departmental consultation

56 The following agencies were consulted on the contents of this paper: New Zealand Transport Agency, Ministry of Foreign Affairs and Trade, Ministry of Business, Innovation and Employment, Ministry for Regulation, The Parliamentary Counsel Office, The Treasury, Ministry for the Environment, and the Energy Efficiency and Conservation Authority. The Department of Prime Minister and Cabinet has been informed.

Industry consultation

57 The MIA and VIA were consulted on the proposals in this paper. Stakeholders outside of key vehicle importer industry associations have not been engaged due to time constraints.

Communications

58 I intend to issue a press release announcing the Government's decision to set reduced charges for 2026 and 2027. This will be supported by information on the NZTA and Ministry of Transport websites.

Proactive Release

59 This Cabinet paper and its corresponding minute will be proactively released within 30 business days of final decisions being taken by Cabinet.

Recommendations

The Minister of Transport recommends that the Committee:

1 **note** that a review of the Clean Vehicle Standard's targets is required to be reported back to the Cabinet Economic Policy Committee by 30 June 2026, and that officials have begun work on this review

2 **agree** to reduce the Standard's charges from 1 January 2026 to 31 December 2027 to a top rate of $15 per gram of CO_2, proportionally as follows:

2.1 charges payable by a **category 1** light vehicle importer (of new vehicles) will be $15.00 per gram of CO_2

2.2 charges payable by a **category 1** light vehicle importer (of used vehicles) will be $7.50 per gram of CO_2

2.3 charges payable by a **category 2** light vehicle importer (of new vehicles) will be $12.00 per gram of CO_2

2.4 charges payable by a **category 2** light vehicle importer (of used vehicles) will be $6.00 per gram of CO_2

3 **agree** that, on 1 January 2028, charges will revert back to the rates specified in section 177(2)(b) and section 182(2)(b) of the Land Transport Act 1998

4 **agree** that no Clean Vehicle Standard credits will expire from the commencement of the Bill, until 31 December 2028

5 **note** that the proposals in recommendations 2 to 4 will require amendments to the Land Transport Act 1998, and I intend to progress this via an Amendment Paper to the Land Transport Act (Clean Vehicle Standard) Amendment Bill (No 2)

6 **agree** for the Minister of Transport to propose an Amendment Paper to the Land Transport (Clean Vehicle Standard) Amendment Bill (No 2) at the Committee of the Whole House stage

7 **invite** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above decisions, including any necessary consequential amendments, savings, and transitional provisions

8 **authorise** the Minister of Transport to make any minor or technical amendments that arise during the drafting of the Amendment Paper to give effect to these decisions.

[Authorised for Lodgement]

Hon Chris Bishop
Minister of Transport

Annex One: Annex to Regulatory Impact Statement: Revising the Clean Car Importer Standard Targets

ECO-25-MIN-0186

Cabinet Economic Policy Committee

Minute of Decision

Clean Vehicle Standard: Proposed Amendment

Portfolio Transport

On 12 November 2025, the Cabinet Economic Policy Committee (ECO):

1 **noted** that in July 2024, the Cabinet Business Committee:

1.1 agreed to a reset of the Clean Vehicle Standard's CO^2 targets to align with Australia;

1.2 agreed that, given the uncertainties involved in setting targets, the targets' achievability would be reviewed every two years, with the outcome of the next review to be submitted to ECO by 30 June 2026;

[CBC-24-MIN-0067]

2 **agreed** to reduce the Clean Vehicle Standard's charges from 1 January 2026 to 31 December 2027 to a top rate of $15 per gram of CO^2, proportionally as follows:

2.1 charges payable by a category 1 light vehicle importer (of new vehicles) will be $15.00 per gram of CO^2;

2.2 charges payable by a category 1 light vehicle importer (of used vehicles) will be $7.50 per gram of CO^2;

2.3 charges payable by a category 2 light vehicle importer (of new vehicles) will be $12.00 per gram of CO^2;

2.4 charges payable by a category 2 light vehicle importer (of used vehicles) will be $6.00 per gram of CO^2;

3 **agreed** that, on 1 January 2028, charges will revert back to the rates specified in section 177(2)(b) and section 182(2)(b) of the Land Transport Act 1998;

4 **agreed** that no Clean Vehicle Standard credits will expire from the commencement of the amendment legislation, until 31 December 2028;

5 **noted** that the proposals in paragraphs 2 to 4 above will require amendments to the Land Transport Act 1998, and that the Minister of Transport intends to progress these amendments via an Amendment Paper to the Land Transport Act (Clean Vehicle Standard) Amendment Bill (No 2);

6 **agreed** that the Minister of Transport propose an Amendment Paper to the Land Transport (Clean Vehicle Standard) Amendment Bill (No 2) at the Committee of the Whole House stage;

7 **invited** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above decisions, including any necessary consequential amendments, savings, and transitional provisions;

8 **authorised** the Minister of Transport to make any minor or technical amendments that arise during the drafting of the Amendment Paper to give effect to the above decisions;

9 **noted** that officials will consider the abolition of the Clean Vehicle Standard as part of the review referred to in paragraph 1.2 above.

Rachel Clarke
Committee Secretary

Present:
Hon David Seymour
Rt Hon Winston Peters
Hon Nicola Willis (Chair)
Hon Chris Bishop
Hon Shane Jones
Hon Brooke van Velden
Hon Simeon Brown
Hon Dr Shane Reti
Hon Tama Potaka
Hon Simon Watts
Hon Chris Penk
Hon Penny Simmonds
Hon Andrew Hoggard
Hon Nicola Grigg
Hon Mark Patterson
Hon James Meager
Hon Scott Simpson
Simon Court MP

Officials present from:
Office of the Prime Minister
Office of Hon Chris Bishop
Officials Committee for ECO