MINISTRY OF TRANSPORT
TE MANATŪ WAKA

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Listed below are the most commonly used grounds from the OIA.

Section	Description of ground
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
6(b)	as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by (i) the Government of any other country or any agency of such a Government; or (ii) any international organisation
6(c)	prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
9(2)(i)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

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Regulatory Impact Statement: The Road User Charges Exemption for Heavy Electric Vehicles

Decision sought	Analysis produced to inform Cabinet decisions on whether to extend the road user charges exemption for heavy electric vehicles
Agency responsible	Ministry of Transport
Proposing Ministers	Hon Chris Bishop, Minister of Transport
Date finalised	25 June 2025

The Minister of Transport proposes that the road user charges (RUC) exemption for heavy electric vehicles (HEV) should end at the close of 30 June 2027. This requires a short extension, which will provide time for public transport authorities to ensure public transport services contracts appropriately reflect HEV RUC.

Summary: Problem definition and options

What is the policy problem?

Since 2017, the Government has exempted HEV from paying RUC. This exemption is intended to support HEV uptake and contribute to decarbonising heavy transport. It involves forgoing revenue to the National Land Transport Fund (NLTF) that would otherwise contribute to addressing the impact of these vehicles on the road network.

Given this trade-off, the policy was always intended to be a time-bound exemption. The current exemption is set to expire on 31 December 2025 but could be renewed for up to 5 years. It is now necessary to reassess the policy trade-offs, in the context of current Government priorities, to determine whether to allow the exemption to expire or extend it.

What are the policy objectives?

The objectives in relation to the policy problem are:

- to ensure that charges on vehicles are proportional to the costs they generate and to reduce cross-subsidisation ("fairness")
- to effectively encourage and support the uptake of heavy electric RUC vehicles ("effectiveness")
- provide certainty to the sector on the costs they will face and when, to reduce disruption.

The first two objectives are in tension and require trade-offs. This will depend on the respective priority given to each policy objective.

What policy options have been considered, including any alternatives to regulation?

- Option 1: End the HEV RUC exemption after 31 December 2025 (Status quo)
- Option 2: End the HEV RUC exemption after 30 June 2027 (Minister's preferred option)
- Option 3: Extend the HEV RUC exemption for the 5-year maximum allowed under the Act, to 30 November 2030

What consultation has been undertaken?

In 2025, the Ministry of Transport undertook targeted stakeholder engagement on the proposal with some public transport authorities and HEV operator industry bodies. This focused on the impact of the exemption ending in December 2025, although it also discussed extending for a (non-specific) period. Industry representatives were generally comfortable with the principle of HEV paying RUC, although bus operators and public transport authorities were concerned that sufficient time be provided to vary existing contracts to reflect this cost.

The public transport authorities raised concerns about cost increases (and how these would be funded); that this could delay investment to expand capacity or access on their networks; and that it may result in greater use of existing diesel buses to optimise costs. They also noted introducing HEV RUC could cause tension with private share targets agreed with the NZ Transport Agency (NZTA) if the exemption was not extended.[1]

In 2022, the Ministry of Transport consulted on extending the HEV RUC exemption date to 2030 as part of the *Driving Change: Reviewing the Road User Charges System* consultation. Stakeholder views were mixed: Of the 54 submissions on this proposal 19 were in favour, 29 were opposed, and 6 considered the advantages and disadvantages about even. These submissions were broadly similar to what was heard in targeted stakeholder engagement, although in more detail.

The Ministry consulted with NZTA while developing policy options. Later, the Treasury, the Ministry for the Environment, the Ministry of Business, Innovation and Employment, New Zealand Police, and the Energy Efficiency and Conservation Agency were consulted.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

The Cabinet paper prefers Option 2 (end the exemption after 30 June 2027) while the RIS prefers Option 1 (end the exemption after 31 December 2025).

Summary: Minister's preferred option in the Cabinet paper: End the HEV RUC exemption after 30 June 2027

Costs (Core information)

The key monetised cost of an 18-month extension is forgone HEV RUC revenue to the NLTF. This is forecast to be between $22-28 million to 30 June 2027. A reduction in NLTF revenue reduces the amount available to deliver the National Land Transport Programme.

From 1 July 2027, HEV operators will begin paying RUC into the NLTF. At this point, the cost will begin to fall on private operators of HEV. Where HEV buses are used for public transport,

[1] 'Private share' represents the proportion of public transport operating expenditure funded from private revenue sources. Private share revenue includes passenger fares, private fare substitutes and commercial revenue.

this cost will be recovered from a combination of public transport authorities (PTA) and the NLTF (which contributes funding through the public transport activity class). The PTA share may see costs passed through to households either via increased fares or rates. Once the exemption ends, the increased cost of using HEV buses may result in diesel buses being used for more services and having a longer lifespan in the fleet than expected.

Benefits (Core information)

The key non-monetised benefit is an additional 40-52 HEV added to the fleet from the 18-month extension. This is forecast to contribute 7-15 kilotonnes CO2-equivalent in reduced transport emissions over the 20-year life of the vehicles. This is a relatively minor emissions reduction, especially relative to the cost of the exemption.

Balance of benefits and costs (Core information)

The RIS indicates that the benefits of the Minister's preferred option outweigh the costs, as the forgone revenue from the 18-month extension is low, especially compared to the RUC that will be collected after 30 June 2027 as regular RUC increases take effect.

Implementation

The exemption can be extended to the close of 30 June 2027 through an Order in Council. To recommend this, the Minister must be satisfied that the exemption will encourage and support the uptake of heavy electric RUC vehicles.

By the time the exemption ends, operators must equip their HEV with an electronic distance recorder or hubodometer, and purchase RUC licences in advance. There is a relatively small number of HEVs compared to the overall number of vehicles paying RUC, and most operators are likely to be familiar with paying RUC already due to diesel heavy vehicles in their fleets. This means the end of the exemption is not expected to place an undue burden on NZTA's RUC systems or HEV operators.

Public transport authorities will have 18 months to implement any contract variations or reflect RUC costs in newly retendered services, as necessary.

Officials will continue to monitor the HEV RUC exemption's impact on uptake and the amount of RUC revenue forgone over the course of the exemption.

Limitations and Constraints on Analysis

The options considered were constrained by excluding options that would require changes to primary legislation as this would have been challenging to achieve before the exemption expired at the close of 31 December 2025. The Minister also directed that the duration of the short extension under Option 2 be to 30 June 2027.

To support the analysis for this proposal, the Ministry of Transport forecast the impact of the three options on HEV uptake, forgone revenue, and emissions reductions. This modelling used high-level estimates of fleet changes, emissions data, and RUC revenue for buses from the Vehicle Fleet Emissions Model. To enable more precise estimates of RUC revenue and emissions for trucks, outputs from the Ministry's Heavy Vehicle Imports Model (HVIM) were then used to estimate weight class breakdowns for truck registration forecasts. The modelling includes the following assumptions:

- The demand for heavy vehicles (i.e. total number of registrations of) would not change following changes to RUC, rather there would be a shift in motive power choice from diesel to electric due to vehicle operating cost changes. This also assumes no change in scrappage or registration rates resulting from policy change.
- The revenue modelling used quarterly average RUC kilometres travelled, with the RUC unit pricing applied to these distances. This was multiplied by the expected additional HEV in each quarter. The modelling assumes that replacement HEV have similar average driving distances to current diesel heavy vehicles in the same weight class.
- The modelling developed three scenarios (baseline, low and high EV uptake scenarios) to address uncertainty around the rate of HEV uptake due to different economic conditions. This document presents the range between the low and high scenarios.

Summary: Agency's preferred option – End the HEV RUC exemption after 31 December 2025

Costs (Core information)

The key monetised cost of this option would fall on HEV operators. From 1 January 2026, HEV operators would begin paying RUC into the NLTF. Under existing public transport contracts, this cost will be shared between Public Transport Authorities (PTAs) and the NLTF (which contributes funding through the public transport activity class). The increased costs to PTAs could be passed on to users or households via increased fares or rates. Given the earlier start date, this will mean the overall cost on HEV operators is higher as they will start paying RUC earlier than in the Minister's preferred option.

The non-monetised costs include no support for HEV uptake, meaning slower decarbonisation of the heavy vehicle fleet. Once the exemption ends, the increased cost of using HEV buses may result in diesel buses used for more services and having a longer lifespan in the fleet than expected.

Benefits (Core information)

The key monetised benefit from this option is that there is no forgone revenue to the NLTF.

Implementation

No Order in Council is needed for this option as the exemption is already set to expire at the close of 31 December 2025. The practical requirements on HEV operators in terms of ensuring there is suitable onboard equipment and purchasing RUC licences would be the same as per the Minister's preferred option above. There may be some implementation challenges with the exemption ending during the holiday period. PTAs would not have the additional 18 months to implement any contract variations or reflect RUC costs in newly retendered services.

Limitations and Constraints on Analysis

Same as for the Minister's preferred option.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

s 9(2)(a)

Responsible Manager(s) signature:
Dan Cruden
Acting Manager Revenue
25 June 2025

Quality Assurance Statement	
Reviewing Agency: Ministry of Transport and Maritime New Zealand	**QA rating:** Meets
Panel Comment: The Regulatory Impact Statement (RIS) has been reviewed by a joint panel from the Ministry of Transport and Maritime New Zealand. The panel considers that the information and analysis summarised in the RIS meets the Quality Assurance criteria for the purpose of informing Cabinet decisions.	

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

1. This policy problem is informed by two key contexts:
    a. the role of road user charges to fund the National Land Transport Fund (NLTF)
    b. the role of heavy electric vehicles (HEV) in reducing transport emissions.

Road user charges recover costs imposed on the network, with limited exceptions

2. The Road User Charges Act 2012 (the RUC Act) creates a system to impose charges on vehicles for their use of the roads in proportion to the costs that the vehicles generate. This revenue is hypothecated into the National Land Transport Fund (NLTF) and is one of the main funding sources to maintain and develop New Zealand's transport infrastructure and services.
3. In general, heavy vehicles – those with a gross vehicle mass greater than 3.5 tonnes – are subject to road user charges (RUC). Given that RUC rates vary based on the weight of the vehicle, and the number and configuration of axles, heavy vehicles face substantially higher RUC rates than light vehicles. This means heavy vehicle RUC is a significant NLTF revenue source. Annex 1 provides examples of RUC rates for different bus types, which ranges from $315/1,000km for a two-axle bus up to 14 tonnes in weight to $1,087/1,000km for a two-axle bus of 18-20 tonnes in weight.
4. Current land transport projections indicate that land transport revenue will not be sufficient to meet expenditure intentions over a ten-year period.[2] Factors contributing to

[2] https://www.nzta.govt.nz/assets/planning-and-investment/nltp/2024/docs/2024-27-national-land-transport-programme.pdf

this shortfall include increasing demand for maintenance and renewals and a substantial investment programme.

5. The Government Policy Statement on land transport 2024 (GPS) recognised the pressure on the National Land Transport Fund (NLTF) and noted the Government's intention to begin a series of system reforms to address revenue pressure and contain costs.[3]

6. In July 2024, Cabinet approved the Land Transport Revenue Action Plan (CBC-24-MIN-0063 refers). The plan initiated the system reforms signalled in the GPS and outlined a series of objectives and principles to guide the system going forward.

7. Most relevant to this policy problem is the principle that users and beneficiaries should cover the costs: "Those who use or benefit from the transport system should pay without passing costs to taxpayers. The system should reduce cross-subsidisation between users but provide transparency where cross-subsidisation does exist."

Heavy vehicles cause significant greenhouse gas emissions, which electric vehicles avoid

8. Heavy vehicles – typically diesel-fuelled – generate more than 28% of New Zealand's transport sector emissions.[4] HEV, however, generate zero tail-pipe emissions. HEV uptake can therefore contribute to reducing transport emissions.

9. Section 37A of the RUC Act allows HEV to be exempted from paying RUC to encourage and support uptake of these vehicles. HEV have been exempted under this provision since 2017, and the exemption is due to end at the close of 31 December 2025.[5]

10. In August 2023, as part of a wider work on the future of the RUC system, the previous Government agreed to extend the HEV RUC exemption to 30 November 2030 (CAB-23-MIN-0378). However, the required Order-in-Council to implement this change was not gazetted.

11. In December 2024, the Government published the Second Emissions Reduction Plan (ERP2), which covers the years 2026-2030. It set out the Government's overarching approaching to achieving its emissions budgets with the New Zealand Emissions Trading Scheme (NZ ETS) being the "main tool to reduce emissions and increase removals, supporting cost-effective climate action." The transport sector is also subject to the New Zealand Emissions Trading Scheme.

12. Noting that the HEV RUC exemption is due to expire at the end of 2025, ERP2's transport chapter included an action to "consider the merits of extending the exemption of heavy electric vehicles from RUC."

[3] https://www.transport.govt.nz/assets/Uploads/Government-Policy-Statement-on-land-transport-2024-FINAL.pdf pg. 4

[4] https://environment.govt.nz/assets/publications/GhG-Inventory/GHG-Inventory-2025/Volume-1-GHG-Inventory-2025-ME1885.pdf

[5] The exemption applies to heavy electric buses, electric trucks, heavy electric vans and some more specialist vehicles such as electric waste disposal trucks. There are also some heavy electric vehicles that are exempted from paying RUC due to being used almost exclusively off-road. Examples include electric forklifts and telehandlers.

Uptake of all HEV types has been slow, although electric bus uptake has been faster

13. As of 31 May 2025, there were 891 HEV registered in New Zealand.[6] Uptake has been fastest in the public transport bus fleet where there were 594 electric buses at that date, constituting around 15 percent of the public transport bus fleet. This number is forecast to grow rapidly due to the total cost of ownership of electric buses being lower than, or near parity with diesel buses.

14. Uptake has been slower among electric trucks and other heavy vehicles, with 297 in the heavy vehicle fleet. This includes two hydrogen fuel cell electric vehicles also covered by the exemption. Overall, heavy electric vehicles constitute less than 1 percent of the heavy vehicle fleet.

15. This number is expected to continue to grow slowly as there is still a difference in the total cost of ownership between heavy electric trucks and their diesel equivalents. This is expected to improve, although on a longer time frame than has happened with buses.

What is the policy problem or opportunity?

16. With the exemption expiring at the end of 2025, there is an opportunity to assess whether to continue the exemption or allow it to expire. This assessment needs to reassess the trade-offs between RUC revenue and HEV uptake in light of the policy context above, as well as other policies put in place since the exemption was first implemented.

RUC rates will return to regular increases, rapidly increasing the cost of the HEV exemption

17. As HEV uptake has been relatively slow since the exemption was introduced, the forgone revenue to the NLTF has also stayed relatively low. However, under the *Government Policy Statement on land transport 2024-2034*, the Government plans to return to the previous practice of regular fuel excise duty (FED) and RUC increases from January 2027.[7] This means that RUC prices will be 37 percent higher in 2030 than in 2026.

18. This means that the forgone revenue cost from the HEV exemption will increase year-on-year for each existing HEV in the fleet, not just from additional HEV. As noted in the options analysis below, the Ministry of Transport forecasts that a five-year extension could reduce revenue by a total of $148-236 million, depending on HEV uptake. This would be 1.4 percent of total RUC revenue over that period.

There are now other policies in place to support and encourage HEV uptake

19. When the HEV RUC exemption was first introduced, there were no policies focused specifically on supporting HEV uptake. There was a Low Emissions Transport Fund that provided support for demonstration projects. This fund was broader than just heavy vehicles, although several funding rounds have focused on heavy vehicles.

20. Beyond actual uptake number, there is limited evidence on how effective the exemption has been in supporting HEV uptake. In 2024, the Ministry of Transport commissioned research into what influences private sector vehicle purchasers when deciding what

[6] This includes heavy electric buses, electric trucks, heavy electric vans and campervans and some more specialist vehicles such as electric waste disposal trucks. This excludes heavy electric vehicles that are exempted from paying RUC due to being used almost exclusively off-road. Examples include electric forklifts and telehandlers.

[7] *Government Policy Statement on land transport 2024-2034*, p 26.

heavy vehicles to purchase.[8] It found that nine non-financial factors were ranked higher than financial factors behind truck selection, including reliability of the vehicle and engine size. The highest ranked financial factor was upfront price. This suggests that while a policy like the HEV exemption is a factor supporting uptake, there are other factors are more determinative for the sector at large.

21. While HEV bus uptake has been faster than for trucks, this has been at least partially influenced by PTA tendering processes specifying certain proportions of HEV buses to progress central and local government decarbonisation aims. It is therefore challenging to assess the impact of the HEV RUC exemption in isolation from these contractual requirements.

22. There are now more targeted policies in place that tackle the key barriers of higher upfront purchase price. In 2024, the Government launched the Low Emissions Heavy Vehicle Fund (LEHVF), which provides up to 25 percent of the purchase price for the upfront costs of purchasing low or zero emissions heavy vehicles or converting existing internal combustion engine (ICE) vehicles to low or zero emissions, including HEVs. This fund applies to heavy vehicles over 5.9 tonnes but excludes public transport buses.

23. As of March 2025, the LEHVF had supported the purchase of 24 electric trucks, with applications for about 20 more identified in the application pipeline. In May 2025, the Energy Efficiency and Conservation Agency made several changes to the fund's eligibility criteria to improve the fund's performance, including increased grant levels for some types of vehicles, broadened eligibility for conversions, and expanded vehicle categories. While utilisation has been slow, the fund does directly target uptake of HEV.

24. For HEV buses, the New Zealand Transport Agency's *Requirements for Urban Buses* stipulates that from 1 July 2025, all newly registered public transport buses in New Zealand must be zero emissions models. This provides a backstop to ensure the public transport bus fleet continues to decarbonise. Previous advice to the Minister of Transport has also advised that the total cost of ownership of electric buses is at or near parity with diesel buses. While HEV bus uptake may not be as fast without the HEV RUC exemption, this mandate ensures uptake will progress.

25. While the HEV RUC exemption and these other policies could be mutually reinforcing, there is also an opportunity to rationalise policy support to those with lower or more certain costs to the Government.

What objectives are sought in relation to the policy problem?

26. The objectives in relation to the policy problem are:

    a. to ensure that charges on vehicles are proportional to the costs they generate and to reduce cross-subsidisation ("fairness")

    b. to effectively encourage and support the uptake of heavy electric RUC vehicles ("effectiveness")

[8] Heavy-Vehicle Operator Understanding, Ipsos, July 2024 https://www.transport.govt.nz/assets/Uploads/23-067775-01-Heavy-Vehicle-Operator-Understanding-Report-FINAL-v6-310724-1.pdf

c. to provide certainty to the heavy vehicle sector on the costs they will face and reduce disruption ("disruption mitigation").

27. The first two objectives are in tension and require trade-offs.

What consultation has been undertaken?

28. In June 2025, the Ministry of Transport undertook targeted engagement with key stakeholders on the proposal. This included PTAs representing the three largest HEV bus fleets and two with the highest proportions of HEV buses in their fleets. It also included three industry bodies representing HEV operators.[9]

29. Industry representatives were generally comfortable the principle of HEV paying RUC, although bus operators were concerned that sufficient time be provided to vary existing contracts to reflect this cost.

30. The PTAs raised concerns about cost increases (and how these would be funded); the risk of delayed investment to expand capacity or access on their networks; and that it may result in HEV being underused relative to existing diesel buses to optimise costs. They also noted HEV RUC could cause tension with private share targets agreed with NZTA.[10]

31. In 2022, a proposal to extend the HEV RUC exemption date to 2030 was included in the discussion document Driving Change: Reviewing the Road User Charges System. Stakeholder views on the extension were mixed. Of the 54 submissions on this proposal 19 were in favour, 29 were opposed, and six considered the advantages and disadvantages were about even.

32. Some submitters said that Government support for these vehicles was worthwhile but should not come through the RUC system. Some submitters also proposed tying exemptions to some specific policy goal rather than an arbitrary time-based target. Some argued that while HEV technology was still relatively new, it was too early and expensive to invest in unproven and uncompetitive technology and New Zealand should be a fast follower for the technologies that prove to be most successful. Some submitters argued that the HEV RUC exemption made more sense for buses, and their being exempt could support local government emissions reduction targets. Some local councils likewise submitted that public transport services should be RUC exempt.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

33. The options have been assessed against the following criteria:

a. **Fairness:** The extent to which the option is consistent with the purpose of the RUC Act that road users pay "for their use of the roads that are in proportion to the costs that the vehicles generate". This criterion includes considering forgone revenue.

[9] The public transport authorities were Auckland Transport, Greater Wellington Regional Council, Environment Canterbury, Horizons Council and Nelson City Council. The industry bodies were the Bus and Coach Association, National Road Carriers, and Ia Ara Aotearoa Transporting New Zealand.

[10] Private share is a measure of cost recovery and represents the proportion of public transport operating expenditure funded from private revenue sources. Private share revenue includes passenger fares, private fare substitutes and commercial revenue.

b. **Effectiveness:** The extent to which the option is effective in supporting HEV uptake of HEV, in order to reduce transport emissions. This criterion considers HEV uptake and reductions in transport emissions.

c. **Disruption mitigation:** The extent to which the option reduces disruption to the sector and is easy to comply with. This criterion considers the impact on public transport and NZTA's ability to implement.

34. The first two criteria reflect the competing objectives inherent to this.

What scope will options be considered within?

35. Due to the exemption expiring on 31 December 2025, the Ministry did not consider options that required primary legislation change. This ruled out options like narrowing the exemption to certain types of HEV (for example, only electric buses or only electric trucks) or allowing partial RUC rates to encourage HEV uptake. The Minister also directed that the duration of the short extension under Option 2 be 18 months.

What options are being considered?

36. Three options were considered:

- Option 1: End the HEV RUC exemption after 31 December 2025 (Status quo)
- Option 2: End the exemption after 30 June 2027
- Option 3: Extend the exemption for the 5-year maximum allowed under the Act until the close of 30 November 2030.

How do the options compare?

37. Table 1 compares the three options against the criteria and Figure 1 shows the forecast impact of the three options on HEV uptake. The blue area shows expected HEV uptake under Option 1; (HEV uptake without any RUC exemption and reflects the expected total cost of ownership of HEV reaching parity with ICE vehicles). The red area shows the additional uptake from ending the exemption after 30 June 2027. The green area show the additional HEV uptake of a 5-year extension.

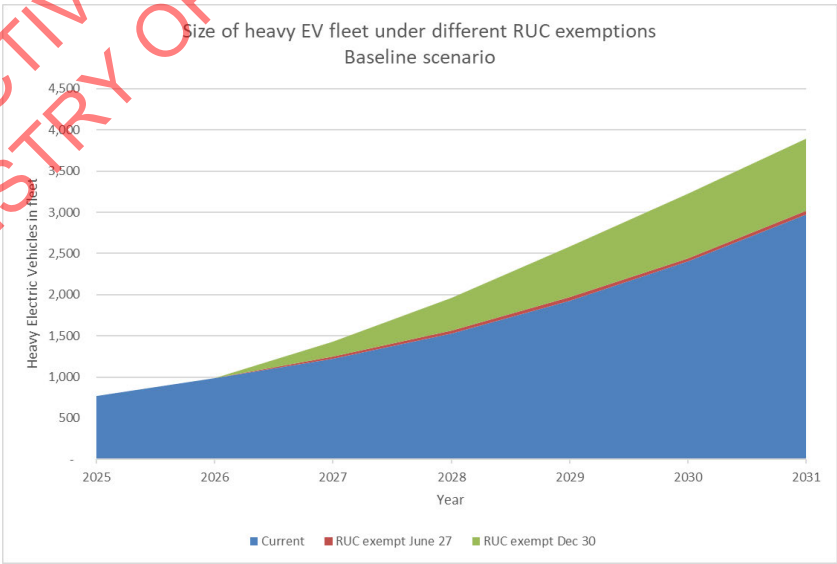


Figure 1: MOT forecasts of HEV uptake under the three options (using the baseline scenario).

	Option One End the HEV RUC exemption after 31 December 2025	Option Two End the HEV RUC exemption after 30 June 2027	Option 3 Extend the HEV RUC exemption to 30 November 2030
Fairness	++ High alignment; from 1 January 2026 there will be no cross-subsidisation between HEV operators and others paying RUC or FED. There will be no forgone revenue to the NLTF (compared to $22-28 million from Option 2 or $148-236 million from Option 3).	- Short misalignment to the fairness principle compared to Option 1 as there will be a short period of cross-subsidisation. There will be forgo revenue of $22-28 million (0.7 percent of total RUC over the period).	- - Not aligned to fairness principle as it continues cross-subsidisation between users. There will be forgone revenue of $148-236 million (1.4 percent of total RUC over the period). This option also leaves open that the HEV RUC exemption could be extended further.
Effectiveness	- No support for HEV uptake from 1 January 2026; no reduction in transport emissions. It increases the operating costs for HEV at an earlier date than the other options.	+ Some support to HEV uptake (40-52 extra HEV); minor reduction in transport emissions (7-15 kilotonnes CO2-e over 20 years). The effectiveness of this option is undermined by its duration when compared to Option 3 (see Figure 1).	++ Supports HEV uptake for 5 years, forecast to add 548-1,227 extra HEV); transport emissions reduction of 168–367 kilotons CO2-e over 20 years. The effectiveness of this option is enhanced by its duration when compared to Option 2 as a longer exemption provides more incentive from the outset (see Figure 1).
Disruption mitigation	- Shortest transitional time for HEV RUC to be factored into existing public transport contracts. This may result in increased rates and/or public transport fares, which would be passed onto households. The implementation date falls on a public holiday. This would only enable online RUC purchases as NZTA counter agents would be shut for the first two days of implementation.	+ Provides 18-month transitional period for public transport operators to reflect RUC costs in contract negotiations (helped by 60 percent of public transport contracts being due for re-negotiation by the end of 2027 anyway). This may result in increased rates and/or public transport fares, which would be passed onto households. Shifts implementation date away from holiday period	0 Provides certainty to the industry that the exemption continue for 5 years; may be seen as exemption could be extended again. The scale of forgone revenue may start to cause disruption to maintenance of the road network Shifts implementation date away from holiday period
Overall assessment	0 This is the Ministry's preferred option in the RIS, giving greater weight to fairness.	+ This is the Minister's preferred option in the Cabinet paper	0

Key			
++	Highly aligned with criterion	-	Partly misaligned with criterion
+	Partially aligned with criterion	- -	Highly misaligned with criterion
0	Neutral		

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

38. As noted in section one, the policy objectives require trade-offs. Determining the best option will depend on the relative importance given to those criteria.

39. The Ministry of Transport considers Option One would best address the problem, meet the policy objectives and deliver the highest net benefits. This is based it being the most aligned to the Fairness principle as it ends cross-subsidisation and results in no further forgone revenue. While some HEV RUC revenue would have to be met by NZTA through NLTF contributions to public transport contracts, overall HEV RUC contributions would more than cover this. The remainder of the contribution to public transport operators would need to come from PTAs.

40. The Ministry also prefers Option One given that it also reflects that ERP2 sets the NZ ETS as the main tool to meet the Government's emissions targets and there is limited evidence of the effectiveness of the HEV RUC exemption on uptake. Option One leaves the least time of the three options to implement HEV RUC, but we understand from NZTA that the operational changes should largely be manageable within its operational policies (with some limitations due to public holidays).

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

41. The Minister's preferred option in the Cabinet paper is ending the HEV RUC exemption after 30 June 2027. The table below only considers the additional costs and benefits of the Minister's preferred option.

What are the marginal costs and benefits of the preferred option in the Cabinet paper (Option two)?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option			
NZTA	Processing a higher number of new RUC payers when the exemption ends than under the status quo.	Low – modelling indicates that there will be 40-52 additional HEVs in the system by 30 June 2027. This will be a small added burden to NZTA relative to the approximately 190,000 existing heavy RUC payers.	Medium
Public transport authorities	Authorities will need to consider how to optimise public transport services and routes when RUC needs to be factored in.	Some stakeholders suggested this may lead to existing diesel buses being operated for longer than with a RUC exemption or HEV buses being directed to lower kilometre routes to reduce overall costs	Medium
Public transport authorities	Private share targets may need to be revisited when HEV RUC is introduced (as this would increase public share).	The current private share targets agreed with NZTA last until the end of the 2026/2027 financial year. Given this aligns with the proposed introduction of HEV RUC, the existing targets should not need to be readjusted before then.	High
Ratepayers/public transport users	Councils will need to fund their portion of HEV RUC costs generated from public transport services. This may lead to higher fares or rates.	The impact will differ between regions based on the size and type of the HEV fleets. Some older HEV buses have fewer axles and so face significantly higher RUC rates than newer buses with more axles. Stakeholder engagement indicated that some Public Transport Authorities had budgeted for HEV RUC from 1 January 2026 and included provision for this in the most recent contract negotiations. Some other PTAs did not appear to have budgeted for this.	Medium
Total monetised costs	Forgone RUC revenue	$22-28 million (cumulative to the close of 30 June 2027)	Medium
Non-monetised costs			
Road users	Additional road wear from HEVs being heavier than diesel equivalents.	Generally, HEVs are heavier than their diesel equivalents due to the additional weight of batteries. While HEV operators do not pay for costs equivalent to the	High

		damage these vehicles do to the network, there will likely be additional road wear than if diesel vehicles were used.	
Additional benefits of the preferred option			
HEV operators	Ongoing operating cost savings from not paying RUC over the period of the exemption.	This is RUC not paid by operators, so is represented by forgone RUC revenue of $22-28 million to the close of 30 June 2027.	Low
Public transport authorities/farepayers	Operating costs for their buses are lower over the period of the exemption.	Low. Authorities will primarily need to use this period for contract variations/negotiations	Low
Total monetised benefits	Represented by forgone RUC.	$22-28 million to the close of 30 June 2027.	
Non-monetised benefits			
New Zealand (wider society)	Some additional decarbonisation of the heavy vehicle fleet and some reduced air pollution emissions from more HEVs.[11]	Low – Additional HEVs of 40-52 to 30 June 2027 will be a small number of overall vehicles. This is forecast to reduce emissions by 7-15 kilotonnes CO2-e.	Medium

[11] The Health and Air Pollution in New Zealand 3.0 https://environment.govt.nz/assets/publications/HAPINZ/HAPINZ-3.0-Findings-and-implications.pdf

Section 3: Delivering an option

How will the proposal be implemented?

Minister's preferred option

42. An Order in Council is required to extend the exemption until 30 June 2027 (Minister's preferred option). The Order in Council would need to be gazetted by 27 November 2025, at the latest, to come into effect before the current exemption expires.

43. The Minister can only recommend extending the exemption if satisfied that the exemption will encourage and support the uptake of heavy electric RUC vehicles. As noted in Section 2, this option is expected to support uptake in the range of 40-52 additional vehicles.

44. Following Cabinet's decision, the Minister will announce the extension. The Ministry of Transport and NZTA will work together to publicise it to ensure advance notice to those affected.

45. NZTA anticipate that some operational changes would need to be made to bring HEVs into the RUC system. In the months leading up to the exemption ending in 2027, NZTA and the Ministry will undertake any necessary re-publicising of the requirement for HEVs to pay RUC from 1 July 2027. Private operators will need to ensure that all HEV vehicles have an electronic distance recorder or hubodometer, which will incur a small cost.

Ministry's preferred option

46. Under the Ministry's preferred option of allowing the exemption to expire at the end of 2025, no further regulations would need to be made. The publicization of the end of the exemption would need to be made earlier than under the Minister's preferred option and as soon as possible to mitigate disruption to the sector.

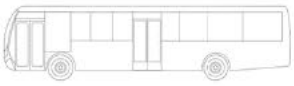
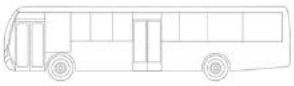
How will the proposal be monitored, evaluated, and reviewed?

47. Ministry officials will continue to monitor the HEV uptake and the amount of RUC revenue forgone as part of business-as-usual activities leading up to the end of the exemption in 2027. Once the exemption has expired, revenue and uptake of HEVs will continue to be monitored by the Ministry.

Annex 1: Examples of Road User Charges rates

This table provides some examples of heavy vehicles and the corresponding RUC class and cost. Factors that contribute to determining RUC vehicle types include:

- the maximum weight of the vehicle
- whether the vehicle is powered or unpowered
- the number of axles on the vehicle
- the spacing between each axle
- the number of tyres per axle: either single or twin tyred.[12]

Type	Example Design	RUC Class	RUC$ / 1,000km
Powered passenger service vehicles with 2 axles up to 14.5t (Mainly single deck)		2	$315
Powered passenger service vehicles with 2 axles of 16-18t (Mainly single deck)		661	$837
Powered passenger service vehicles with 2 axles of18-20t (Mainly double deck, includes many early EV buses)		666	$1,087
Powered passenger service vehicles with 3 axles up to 20t		311	$413
3 axle over 20t (Mainly double deck, includes most EV buses now entering fleets)		H01	$541
Powered vehicles with 3 axles of 12-18t		6	$356
Powered vehicles with 3 axles over 18t		6	$434
Powered vehicles with 4 axles		14	$435

[12] https://www.nzta.govt.nz/vehicles/road-user-charges/about-ruc/