

19 November 2020

OC200907

**Hon Michael Wood**  
**Minister of Transport**

## THE DETAIL OF THE PROPOSED CLEAN CAR STANDARD

### Purpose

To familiarise you with the detail of the Clean Car Standard (the Standard) that was agreed with the former Associate Minister of Transport, and to outline next steps. The Standard is a 2020 manifesto commitment.

### Key points

- You asked for information about the technical detail of the proposed Standard. This information is provided in the attached A3 and draft Cabinet paper. This policy is ready for Cabinet consideration, subject to your decisions on how you would like to proceed.
- In this covering note we also highlight the changes that have been made to the original proposal, which was outlined in the discussion document, *Moving the light fleet to low emissions*.
- The proposed Standard is based on the European Union's CO<sub>2</sub> vehicle standard, which is very similar to others applying in developed countries. Through workshops with the vehicle industry, we have made a number of changes to the Standard to make it more relevant to the New Zealand vehicle market.
- Generally, the vehicle industry does not support the Standard. They prefer initiatives that would encourage consumers to buy low emission vehicles. However, participants in the industry with a clear business focus on reducing their emissions, like Toyota New Zealand, support the Standard. They consider that it will give them leverage, with their overseas parent companies in gaining larger numbers of low emission vehicles.
- Despite the industry's opposition, their representatives worked constructively with us to improve the Standard.

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<sup>1</sup> <https://www.transport.govt.nz/assets/Uploads/Discussion/LEV-consultation-document-final.pdf>

**Recommendations**

We recommend you:

- 1 **note** that to progress the Clean Car Standard we would:
  - finalise the attached cabinet paper that seeks policy approval and design decisions sufficient to draft legislation
  - prepare a legislative bid for the 2021 Legislative Programme seeking a priority of Category 2 for an amendment bill, which means it must be passed in 2021
  - [REDACTED]
- 2 [REDACTED]

Ewan Delany  
**Manager, Environment, Emissions and Adaptation**

Hon Michael Wood  
**Minister of Transport**

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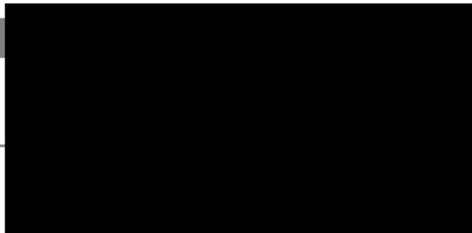
**Minister's office to complete:**

- Approved
- Declined
- Seen by Minister
- Not seen by Minister
- Overtaken by events

**Comments**

**Contacts**

Name
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## THE DETAIL OF THE PROPOSED CLEAN CAR STANDARD

### We have worked with the vehicle industry to improve the design of the Standard

1. In June 2019 we released the consultation document: *Moving the light vehicle fleet to low-emissions: discussion paper on a Clean Car Standard and Clean Car Discount*. The Standard outlined in this document is that same as that proposed in Labour's Clean Energy Policy 2020.
2. Over August 2019–February 2020, we worked with the vehicle industry and the Automobile Association to refine the Standard's design. The result is the Standard outlined in the attached cabinet paper. In our view, this one improves on the Standard in the consultation document, and will be more effective in lowering the average CO<sub>2</sub> emissions of vehicles coming into New Zealand.
3. The key changes are to:
  - a. extend the time period of the target out to 2028. This change is desirable because it increases the certainty that the 105 grams target will be achieved. Having a time period of 2025 would only give the industry 5 years to reduce its average fleet CO<sub>2</sub> emissions from 170 grams CO<sub>2</sub> per kilometre, to 105 grams. This is technically plausible, but very unlikely to be achieved in our vehicle market. An end-year of 2025 risks limiting the supply of vehicles, increasing prices and stalling the lowering of average vehicle CO<sub>2</sub> emissions
  - b. lower the penalties (now charges see (c) below) that apply where suppliers fail to meet their CO<sub>2</sub> targets. They are now half the level they were. Compared internationally the proposed penalties are now very low. For example, the per gram penalty in the European Union is €95 (NZ\$164). However, we need to have lower penalties than those in Europe because our vehicle distributors do not make the final decisions about the vehicles supplied to New Zealand. Their parent companies do. Nevertheless, to mitigate the risk that the penalties are now too low, the cabinet paper includes a recommendation that they be reviewed in 2024
  - c. move to having charges imposed under the Land Transport Act 1998, rather than having pecuniary penalties where CO<sub>2</sub> targets are exceeded. This will allow the revenue from any non-compliance to go to the National Land Transport Fund, and be used for investments in transport that reduce CO<sub>2</sub> emissions
  - d. have a different compliance regime for the used-vehicle sector. This is to address the used-vehicle sector's concern that many suppliers would actively avoid the Standard. To minimise this possibility, used-vehicle suppliers will comply on a vehicle consignment basis. New vehicle distributors will comply across the fleet of vehicles they import in a year. However, suppliers with good reputations will be able to apply to Waka Kotahi to comply on an annual fleet basis.
4. The table in Annex 1 outlines all the industry's concerns and the changes the former Associate Minister of Transport agreed to make to address them. Annex 2 is an A3 that provides an overview of how the Standard works. The Cabinet paper is attached following Annex 2.

## Annual CO<sub>2</sub> targets with an end-year of 2025 compared to 2028

5. You asked how the annual targets would differ if 2025 was the end-year for the first set of targets under the Standard. Table 1 shows the annual targets for an end-year of 2025 and Table 2 provides them for a 2028 end-year.

**Table 1**  
Annual targets to phase in a 2025 105 grams target

	2020 projected actual	2022	2023	2024	2025
Cars and SUVs target (grams CO <sub>2</sub> /km)	159	144	130	116	102
Vans, utes and light trucks target (grams CO <sub>2</sub> /km)	214	193	173	153	132
NZ Fleet average	170	144	131	118	105

**Table 2**  
Annual targets to phase in a 2028 105 grams target

	2020 projected actual	2022	2023	2024	2025	2026	2027	2028
Cars and SUVs target (grams CO <sub>2</sub> /km)	159	148	142	136	128	120	111	102
Vans, utes and light trucks target (grams CO <sub>2</sub> /km)	214	197	188	179	168	156	144	132
NZ Fleet average	170	154	146	138	130	121	113	105

### Next steps

6. When you have agreed the final design of the Standard, we will forward a final version of the cabinet paper for your approval, coupled with its associated regulatory impact statement.
7. We will also prepare a legislative bid for the 2021 Legislative Programme. The bid will seek a priority of Category 2 for an amendment bill, which means it must be passed in 2021. This priority is needed as the Standard will take 18 months to be implemented by Waka Kotahi.

8.



## Annex 1 - Changes made to the proposed Clean Car Standard following discussions with the vehicle industry

Aspect of the Clean Car Standard	Change sought by the vehicle industry	Change made by the Associate Minister of Transport to recommend to Cabinet																																
<p><b>CO<sub>2</sub> target</b></p> <p>The discussion document proposed a national fleet average target of 105 grams of CO<sub>2</sub> per kilometre in 2025.</p>	<p>The Motor Industry Association requested that the timeframe be extended out to at least 2028, but preferably 2030. Other key participants, such as Toyota New Zealand, submitted that the target should be lowered to 130 grams by 2025.</p>	<p>The timeframe for the 105 grams target was extended to 2028, reflecting the earliest time period the industry consider they can achieve a fleet average of 105 grams. This timeframe is consistent with achieving a target of 130 grams in 2025<sup>2</sup>.</p> <p>By extending the timeframe the CO<sub>2</sub> emissions of vehicles coming into New Zealand will be higher in 2025 than originally proposed. However, this delay would be mitigated by setting stronger future targets. For example, it could be followed by a target of 90 grams in 2030 and 63 grams in 2035.</p>																																
<p><b>Separate targets for passenger vehicles (LPVs) and light commercials (LCVs)</b></p> <p>LPVs are cars and SUVs.</p> <p>LCVs are vans, utes and small trucks with a gross vehicle mass of up to 3.5 tonnes.</p>	<p>There should be separate emission targets because:</p> <ul style="list-style-type: none"> <li>the technologies to significantly lower CO<sub>2</sub> emissions from utes and large vans lag those of passenger vehicles</li> <li>historically the rate of annual efficiency improvement of light commercial vehicles has been lower than for passenger vehicles</li> <li>all other jurisdictions have separate targets.</li> </ul>	<p>The 105 grams national fleet target will be achieved through targets of 102 grams for LPVs and 132 grams for LCVs.</p> <p>In proceeding with this change the Associate Minister noted the risk with separate targets. This is that as LCVs face a less stringent target, suppliers will be incentivised to intensify their current marketing of utes as “lifestyle vehicles” to replace cars and SUVs. This would increase the number of utes sold and slow the decline in average vehicle CO<sub>2</sub> emissions.</p>																																
<p><b>Phase-in of the 2028 targets</b></p> <p>The discussion document outlined two approaches for phasing in the headline 105 grams target, which are either:</p>	<p>Most industry submissions did not comment on a preferred approach.</p> <p>Of those that did comment, the multiple annual targets approach was preferred.</p>	<p>The 2028 targets will be phased in through multiple annual targets. Annual multiple targets better communicate the need for all vehicle segments to achieve emission reductions. The proposed annual targets are:</p> <table border="1"> <thead> <tr> <th></th> <th>2022</th> <th>2023</th> <th>2024</th> <th>2025</th> <th>2026</th> <th>2027</th> <th>2028</th> </tr> </thead> <tbody> <tr> <td>Cars/SUVs</td> <td>148</td> <td>142</td> <td>136</td> <td>128</td> <td>120</td> <td>111</td> <td>102</td> </tr> <tr> <td>Vans/utes/light trucks</td> <td>197</td> <td>188</td> <td>179</td> <td>168</td> <td>156</td> <td>144</td> <td>132</td> </tr> <tr> <td>Fleet</td> <td>154</td> <td>146</td> <td>138</td> <td>130</td> <td>121</td> <td>113</td> <td>105</td> </tr> </tbody> </table>		2022	2023	2024	2025	2026	2027	2028	Cars/SUVs	148	142	136	128	120	111	102	Vans/utes/light trucks	197	188	179	168	156	144	132	Fleet	154	146	138	130	121	113	105
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<sup>2</sup> The annual gram reduction needed to reach 105 grams in 2028 implies 129 grams is reached in 2025 if the reduction is spread equally over the years 2020–2028.

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Aspect of the Clean Car Standard	Change sought by the vehicle industry	Change made by the Associate Minister of Transport to recommend to Cabinet
<ul style="list-style-type: none"> <li>having annual targets that progressively lower to 105 grams</li> <li>subjecting an increasing percentage of a supplier's fleet to the 105 grams target.</li> </ul>		
<p><b>Have a biennial review of the CO<sub>2</sub> target and its associated annual targets</b></p>	<p>Toyota recommended that given the severity of the penalties associated with the CO<sub>2</sub> targets, there should be a biennial review process. The first review could be in 2022.</p>	<p>To help build confidence to proceed with the Clean Car Standard there will be a review of the suitability of the mandated targets in 2024. If the CO<sub>2</sub> targets and the associated annual targets prove too ambitious, the targets will be reset.</p> <p>To mitigate the risk of the review undermining the perceived durability of the Clean Car Standard, the review will focus on what the industry leaders in CO<sub>2</sub> reductions are achieving.</p> <p>After the 2024 review, the ongoing review period will be 5-years. For example, a review of the 2030 target would occur in 2027 and a review of the 2035 target would occur in 2032.</p> <p>The reviews would be informed by Government's rolling set of three 5-yearly emission budgets.</p>
<p><b>Adjust suppliers' targets by vehicle weight through a formula rather than using weight bands</b></p>	<p>As in the European Union, a formula should be used to adjust suppliers' targets by vehicle weight, rather than the proposed approach of weight bands. This is because a formula is fairer. It assigns targets to each vehicle on the same basis. In contrast, with weight bands the heaviest vehicles in a weight band receive the same target as the lightest ones in that band. In effect, this places a stricter target on the lighter vehicles in a weight band.</p>	<p>A formula will be used to adjust suppliers' fleet targets by vehicle weight.</p> <p>The formula would be the European one but it will use the New Zealand emissions target and variables reflecting the vehicles entering our market. The formula would be:</p> <p>Supplier's CO<sub>2</sub> fleet target = 102 (or 132) + a x (M-M<sub>0</sub>)</p> <p>a = the slope of the limit line. This line will be derived through correlating vehicle tare weights and vehicle emissions of the fleet of vehicles entering New Zealand in a past year (eg 2019)</p> <p>M = the weighted average tare weight of the vehicles imported by a supplier</p> <p>M<sub>0</sub> = the weighted average tare weight of all LPV (or LCV) vehicle imports</p>

Aspect of the Clean Car Standard	Change sought by the vehicle industry	Change made by the Associate Minister of Transport to recommend to Cabinet
<p><b>Small vehicles</b></p>	<p>Weight-adjustment of the CO<sub>2</sub> target will result in targets that are unrealistic for some small cars and SUVs. This is because the:</p> <ul style="list-style-type: none"> <li>weight adjustment is done formulaically relative to the average vehicle (by weight) in the fleet. Our average vehicle is relatively large (heavy). This will result in small vehicles being given very low targets relative to the average vehicle.</li> <li>rate of efficiency improvement in small vehicles tends to lag medium ones. This is because reductions in their body weight often can not be done to improve efficiency.</li> </ul>	<p>Small vehicles with a tare weight up to 1,200 kilograms will all have the same target each year. This target will apply irrespective of the weight differences between small vehicles. The targets will be set by the weight-adjusting formula for a vehicle of 1,200 kilograms.</p>
<p><b>Level of penalties</b></p> <p>The penalties proposed in the discussion document were:</p> <ul style="list-style-type: none"> <li>\$100 per gram a new vehicle fleet is over its target</li> <li>\$50 per gram a used-import fleet is over its target.</li> </ul>	<p>The new vehicle sector considered the penalty rate to be too high. In its view the penalty should start low and ramp up over time. It proposed initial penalties of \$25 per gram. It also wanted the penalty to be the same for the new and used-import vehicle sectors.</p> <p>The used-import vehicle sector disagreed that the penalties should be the same. In its view, as the proposed fees and discounts in the Clean Car Discount are lower, penalties within the Standard should also be lower.</p> <p>The used-import vehicle sector did not have a view on the actual level of the penalties because, in its view, the system is unworkable.</p>	<p>Charges under the Land Transport Act 1998 will be used rather than pecuniary penalties. This will allow any revenue for non-compliance to go to the National Land Transport Fund and be used for investments in transport that reduce CO<sub>2</sub> emissions.</p> <p>The per-gram charges will be lowered to:</p> <ul style="list-style-type: none"> <li>\$50 per average gram CO<sub>2</sub> exceedance for new vehicle distributors</li> <li>\$25 per average gram CO<sub>2</sub> exceedance for used vehicle importers complying on a fleet basis</li> <li>\$20 per gram CO<sub>2</sub> exceedance for used vehicle importers complying on a vehicle consignment basis</li> <li>\$40 per gram CO<sub>2</sub> exceedance for a new vehicle imported by entities who are not new vehicle distributors and are complying on a vehicle consignment basis.</li> </ul> <p>Lower charges for the used-import sector recognises that their vehicles are in the fleet for a shorter period of time. Consequently the lifetime emissions of used-imports in New Zealand are lower than new vehicles.</p> <p>The charges will be reviewed after the second year of the Standard to ensure they are effective in securing compliance.</p>

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<p><b>Super credits</b> Super credits lower a supplier's average fleet emissions by artificially inflating the number of low emission vehicles in its fleet. For example, 1 EV in a fleet could count as 2 EVs.</p>	<p>Both the new and used-import vehicle sector support super credits because they:</p> <ul style="list-style-type: none"> <li>• would further encourage the supply of ultra-low emission vehicles</li> <li>• would help small vehicle suppliers comply with the weight-adjusted approach</li> <li>• would make it easier for the used-import vehicle sector to comply</li> <li>• apply in other jurisdictions.</li> </ul> <p>Industry propose that plug-in hybrid EVs and pure EVs receive super credits of 1.5 and 2 respectively.</p>	<p>No super credits will be recommended to Cabinet because they would weaken the stringency of the emissions targets.</p> <p>The Clean Car Standard would already provide a sufficient incentive for the uptake of EVs. This is because the more EVs a supplier has in its fleet, the easier it becomes to meet its average fleet emissions target.</p> <p>As well super credits have been applied in jurisdictions with vehicle manufacturing industries. In such a situation they incentivise research and development for the manufacturers. This is not the situation for New Zealand.</p>
<p><b>Off-cycle credits</b> Off-cycle credits apply to features like engine stop/start or air conditioning improvements that reduce CO<sub>2</sub> emissions.</p>	<p>Neither the new nor used vehicle sector now support off-cycle credits.</p> <p>Initially, the vehicle industry said recognition should be given to off-cycle features because they deliver emissions reductions that tend not to be captured by the standardised emissions testing regimes.</p>	<p>No off-cycle credits will be recommended to Cabinet because of the extra complexity they would add. As well, they would not be relevant in New Zealand as we do not have a vehicle manufacturing industry.</p>
<p><b>Banking, borrowing and grouping</b>  Banking is the ability for suppliers to carry forward any annual overachievement of their emission targets for use to offset future underachievement.</p>	<p><u>Banking and borrowing</u></p> <p>The new vehicle sector supports banking and borrowing for its sector. It suggests that the first 2-3 years should only be reporting, with actual compliance beginning in 2024.</p> <p>GM/Holden suggested only reporting in the first year, reporting in the second and third years but with the ability to bank if necessary, and a full</p>	<p><u>Banking and borrowing</u></p> <p>Suppliers in the new sector will be able to bank their overachievement for 3 years, and borrow for 1 year, after the first year of reporting. These abilities will also apply to suppliers in the used vehicle sector who opt to be within the annual fleet averaging regime.</p> <p>The credits in the emission accounts of used-import suppliers will have a life of 3 years.</p> <p>There will be one year of reporting before compliance with annual targets starts. The purpose of the reporting year is to allow suppliers time to test their systems of</p>

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<p>Borrowing is the ability for suppliers to underachieve an annual emissions target and to make the underachievement up the following year by overachieving.</p> <p>Grouping is the ability for one or more suppliers to contract with each other to count their vehicles as a single fleet, for the purpose of complying with the Clean Car Standard.</p>	<p>banking and borrowing mechanism in the fourth year.</p> <p>The used-import sector has said banking and borrowing would be helpful for large players in its sector. The MIA is comfortable with this position.</p> <p><u>Grouping</u></p> <p>The new vehicle sector said that they are unlikely to group. Nevertheless, the Motor Industry Association considered it desirable to provide the ability to group.</p> <p>Similarly, some in the used-import sector, such as Nichibo, see grouping working in their sector for large companies, but consider it unlikely to happen. However, the sector want this ability to be available.</p> <p>The Imported Vehicle Industry Association suggested the used-import sector could be treated as one large group.</p>	<p>monitoring and reporting of their fleet emissions before being subject to penalties for non-compliance.</p> <p>After the reporting year the Standard will be fully in effect to ensure progress is made in lowering average fleet emissions.</p> <p><u>Grouping</u></p> <p>All suppliers will have the ability to group with other suppliers. However, grouping will not be permitted across sectors. This reflects the fact that once in New Zealand, new and used vehicles have markedly different levels of life-time emissions. So conceptually, a low emitting used-vehicle can not offset the emissions of a high emitting new vehicle.</p>
<p><b>Preventing gaming and rorting</b></p> <p>The discussion document proposed that the Clean Car Standard not apply to persons that imported only three or fewer vehicles in a year. This was to align with the legal position that these</p>	<p>The Motor Industry Association said that the proposal to exempt people who import three vehicles or fewer from the Standard would open up the system to gaming and rorting.</p> <p>Another way the Standard is likely to be avoided is by dealers voluntarily closing their businesses and resuming trading under a different name. The Motor Vehicle Sales Act 2003 (the Act) does not prevent this from occurring. Dealers who</p>	<p>The proposal of used-vehicles complying on a vehicle consignment basis, developed by the Imported Vehicle Industry Association, will be recommended to Cabinet. This removes the ability of any supplier to avoid the Clean Car Standard.</p> <p>As well, Waka Kotahi will establish a register of motor vehicle importers. Every person who imports a vehicle would be required to be registered. The 'importer' will be the person/business entity required to comply with the Standard. Any non-compliant suppliers will be disqualified from this register.</p>

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people are not required to be registered motor vehicle dealers.	voluntarily surrender their registration under section 46 of the Act can re-register.	
<b>Data accuracy</b>	<p>The industry has made it clear that having consistent CO<sub>2</sub> values across vehicles is key to the integrity of the Standard and the Discount. Currently New Zealand accepts vehicles tested through a number of different drive cycles. This can lead to different CO<sub>2</sub> values even for the same vehicle.</p> <p>Manufacturer laboratory testing of new vehicles measures CO<sub>2</sub> values. These are then converted to fuel efficiency measures such as litres per 100km, which are commonly reported. Sometimes the trade uses fuel efficiency to calculate back to the CO<sub>2</sub> emission level.</p> <p>The new vehicle sector has assessed that the difference between CO<sub>2</sub> values converted from fuel efficiency can be about 1-3 grams CO<sub>2</sub>. This is a material difference.</p>	<p>The International Council on Clean Transportation was commissioned to develop a suitable conversion methodology for New Zealand. This was based on converting alternative testing standards to the World Harmonised Light Vehicle Test Procedure (WLTP).</p> <p>The conversion metrics will be legislated to ensure a consistent foundation for the emission information that will underpin the Clean Car Standard.</p> <p>It will be recommended to Cabinet that New Zealand no longer accept used-import vehicles assessed via the Japanese 10/15 testing regime.</p>
<p><b>Using tare weight or gross vehicle mass</b></p> <p>Tare weight is a vehicle's unladen weight.</p> <p>Gross vehicle mass (GVM) is the maximum operating weight of a vehicle as specified by the manufacturer including the vehicle's chassis, body, engine, engine fluids, fuel, accessories,</p>	<p>The new vehicle sector said that the Standard could be applied using either tare weight or GVM. Whatever metric is used its definition needs to be clear.</p> <p>VIA said using GVM is problematic for the used sector. Tare weight is preferred by most.</p>	<p>Tare weight will be used within the Clean Car Standard. It is the only weight that can be verified in New Zealand, and is thus not subject to being gamed.</p>

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<p>driver, passengers and cargo.</p> <p><b>Exemptions</b> The discussion document proposed that Defence Force operational vehicles be exempted. Non-road registered vehicles and motorcycles/mopeds would not be included in the coverage of the Standard.</p>	<p>The AA wants classic cars to be exempt. The Motor Industry Association was supportive of this position provided the definition of 'classic car' is tight.</p>	<p>Classic cars will be exempted by exempting special interest vehicles. This would avoid the need to define a new class of vehicles, and would place a specified limit on the number of vehicles that would be exempted.</p> <p>Special interest vehicles are defined in Transport regulation as vehicles with historic value, or vehicles that meet three of the following four requirements:</p> <ul style="list-style-type: none"> <li>• it is identified as a collector's item by a reputable magazine</li> <li>• its make and model has been manufactured in annual volumes of 20,000 units or fewer</li> <li>• it is manufactured as a two-door coupe or a convertible</li> <li>• it was manufactured as a high-performance vehicle.</li> </ul> <p>Vintage<sup>3</sup> and veteran<sup>4</sup> vehicles will also be exempted.</p> <p>The rolling 20-year exemption that applies in other Transport Rules, including the Vehicle Exhaust Emissions Rule 2007 and the Frontal Impact Rule 2001 would not apply for the Clean Car Standard. This would mean that it covers all light motor vehicles, other than those identified for exemption.</p> <p>Within the legislation on the Clean Car Standard the rolling 20-year exemption will be removed from the Vehicle Exhaust Emissions Rule 2007, the Light-Vehicle Brakes Rule 2002 and the Frontal Impact Rule 2001. Currently, this exemption means older used-vehicle imports are exempted from measures designed to improve the vehicle fleet.</p>

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<sup>3</sup> Vintage vehicles are motor vehicles constructed on or after 1 January 1919 and are at least 40 years old on the date that they were registered, reregistered, or licensed.

<sup>4</sup> Veteran vehicles are motor vehicles constructed before 1 January 1919.

## Annex 2 – The Clean Car Standard

- The Clean Car Standard is a CO<sub>2</sub> target for light vehicles
- It progressively lowers the CO<sub>2</sub> emissions of vehicles entering New Zealand from an average of 170 grams of CO<sub>2</sub>/km today to 105 grams by 2028
- Suppliers will meet this target by bringing in more EVs, more hybrids and more fuel efficient conventional vehicles

Each supplier will have a different target to meet reflecting its fleet of vehicles. Across the vehicles it brings in it has to ensure the average CO<sub>2</sub> emissions are equal to, or less than, the target for its vehicles.

As it works by averaging, vehicles exceeding the CO<sub>2</sub> target can continue to be brought in so long as they are offset by enough zero and low emission vehicles.

### The limit lines adjust the CO<sub>2</sub> target by vehicle weight:

CO<sub>2</sub> targets will vary by vehicle weight allowing all vehicle types to attract an appropriate target. Vehicles that weigh the New Zealand average will need to meet the fleet target. Lighter than average vehicles attract a lower target than the fleet target. Heavier than average vehicles have higher CO<sub>2</sub> targets reflecting that they use more fuel to move and make more emissions.

### Small vehicles:

Vehicles lighter than 1200kg will all have the same target. This ensures they do not face targets that are too stringent.

### Separate targets and limit lines for different vehicle types:

Vans and utes are given a different set of targets to cars and SUVs because they are behind in terms of low and zero emission technology.

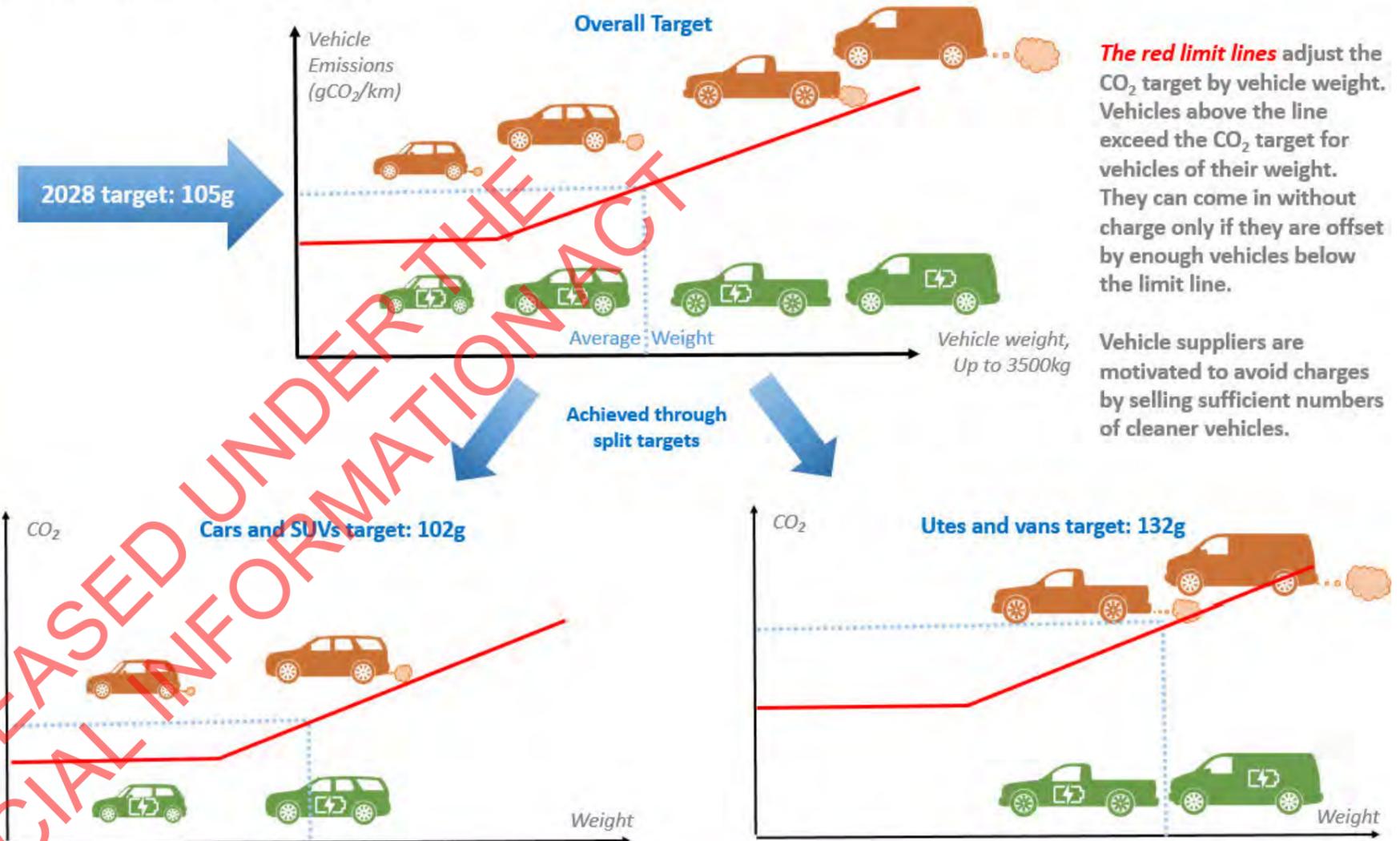
### Progressive annual targets:

The 2028 target will be phased in through annual targets that get progressively lower. This gives vehicle suppliers time to adjust and source enough clean vehicles to meet the targets and to encourage buyers to opt for low emission vehicles.

Grams CO <sub>2</sub> /km	2020 projected	2022	2023	2024	2025	2026	2027	2028
Cars and SUVs	159	148	142	136	128	120	111	102
Vans and Utes	214	197	188	179	168	156	144	132
Average	170	154	146	138	130	121	113	105

### Timeline for implementation:

- 2021:** Legislation progressed and implementation starts. Provisional CO<sub>2</sub> targets set for 2030 and 2035.
- 2022:** Standard in place. Suppliers must report CO<sub>2</sub> data but no charges apply where targets are missed. Imports of vehicles with old J1015 emissions test no longer accepted.
- 2023:** Charges apply where suppliers miss their targets.
- 2024:** The effectiveness of the charges and 2028 target reviewed
- 2027:** 2030 target confirmed.
- 2032:** 2035 target confirmed.



### Two compliance regimes would be used to reflect the make-up of our vehicle industry

New vehicle distributors and used vehicle importers approved by Waka Kotahi will comply annually on a fleet basis

- Companies provide vehicle CO<sub>2</sub> data to Waka Kotahi to maintain a "CO<sub>2</sub> account". This allows a company's annual average vehicle CO<sub>2</sub> emissions to be compared against the target average for its fleet.
- Over-achievement results in credits which can be 'banked' for up to 3 years to offset any future under-achievement. Under-achievement can be made up in the following year.
- Companies can group together and be treated as one entity for the purposes of complying. This effectively provides CO<sub>2</sub> trading between companies. New and used vehicles cannot be grouped together.
- Per gram charges apply when targets are exceeded. \$50 (new vehicles) and \$25 (used) for every gram above the annual target.

Used vehicle importers and any individuals importing vehicles will comply on a per-consignment basis throughout the year:

- Companies provide vehicle data to Waka Kotahi to maintain a "CO<sub>2</sub> account" to enable an assessment for each consignment.
- A credit is earned for every gram that a consignment beats the target. When a consignment misses a target, prior credits are used up and any charges are paid before the vehicle(s) are cleared.
- Importers can group together with others also assessed on a consignment basis and be treated as one entity.
- Per gram charge is \$20 or \$40 for individuals importing new vehicles.

Penalties apply to individuals and companies that avoid the Standard.