



Cabinet Committee Background Information and Talking Points

Cabinet Committee: *Economic Development (DEV)*

Paper Title: *Clean Car Discount*

Portfolio: *Transport*

Officials Attending:

- *Ewan Delany, Manager, Environment, Emissions and Adaptation, Ministry of Transport*
- *Sigurd Magnusson, Senior Adviser, Environment, Emissions and Adaptation, Ministry of Transport*

Background Information:

- In January 2021, Cabinet noted that the Clean Car Standard 2025 target would only be achievable if further policies were advanced and I was asked to recommend what these further policies should be.
- This paper seeks agreement to progress legislation to implement a Clean Car Discount. The paper also authorises the Climate Change Ministerial Group to make decisions on the size of rebates and fees, and on exceptions from fees. I will report back to Cabinet later this year with updates and to make final decisions where necessary.

Talking Points:

We need to take immediate action to increase the uptake of low-emission vehicles as they offer a substantial, achievable and cost-effective opportunity to decarbonise

- The Clean Car Discount is the best policy to increase demand for zero- and low-emission vehicles quickly and equitably, while minimising the cost to the Crown.
- The Discount will help new and used car buyers overcome the higher upfront cost of low-emission vehicles compared to traditional internal combustion engine vehicles.
- The Clean Car Standard agreed to by Cabinet in January 2021 regulates the supply of low-emission vehicles, while this policy encourages demand towards electric or low-emission vehicles.

- Considerable analysis, debate, and public consultation occurred during 2019 and 2020 on the Clean Car Discount to rule out alternatives and to refine how this policy would best work.
- The Discount is modelled closely on policy from countries that have significantly driven the uptake of low emission vehicles.
- The Emission Trading Scheme and the Clean Car Standard will not resolve the high up-front cost barrier to buying electric vehicles, which is expected to persist for most of the 2020s.
- EVs cost more to buy, often by between \$20,000 to \$40,000. As a starting point, I am proposing rebates of \$7500 on new vehicles and \$3000 on used imports.

The Clean Car Discount or "feebate" will place a fee on more polluting vehicles when they are first registered in New Zealand

- Revenue from those fees would then be used to fund rebates on zero- and low-emission vehicles.
- I propose, that subject to funding being agreed in Budget 2021, rebates on electric vehicles only commence from July 2021, as no legislative change is needed for this.
- Introducing rebates in July would prevent car buyers from delaying the purchase of a new EV until the rebate starts, and would help New Zealanders get into cleaner cars sooner.
- I propose that the full range of rebates and fees would then come into force in 2022.
- Imposing fees on high-emitting vehicles and creating a requirement to display carbon dioxide emissions and feebate information on vehicles for sale will require legislative change.

A limited number of vehicles are intended to be excluded from the policy

- These comprise vehicles that have already been registered in New Zealand, vehicles of social and historic value and vehicles above a purchase price of \$80,000. However although vehicles over \$80,000 would not receive discounts for being zero/low-emission, they would still attract fees if high-emitting.
- Unsafe vehicles would also not be eligible for discounts.

- [REDACTED]

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I have sought \$301.8 million of funding in the form of a loan through Budget 2021 to advance the Discount

- This would be repaid within 10 years. Of this, \$6.8 million is to implement the programme.
- The remaining \$295 million would be a revolving credit facility that supports month-to-month cashflow timing differences between issuing rebates and receiving fees from vehicle purchases.
- Rebate and fee levels will be adjusted as often as annually to continue to provide an effective set of incentives, and to keep the scheme on track to repay the Crown loan.

I am seeking Cabinet's agreement to key elements of the Clean Car Discount policy

- The key elements that Cabinet needs to decide are:
 - whether rebates for electric vehicles commence quickly in July 2021, or later once the full scheme is in force
 - agree that Cabinet decide (in principle) the initial level of the rebate
 - authorise the Climate Change Ministerial Group to make final decisions on rebates, fees and exemptions
 - agree to include legislation for the Clean Car Discount in the Land Transport (Vehicle Carbon Dioxide) Amendment Bill. This would form a combined Bill with a priority of category 2 that includes legislation required for the Clean Car Discount and the Clean Car Standard.

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