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Combined European Motor Distributors Ltd and Motorcorp Distributors Ltd Submission on the Ministry of Transport “Moving the light vehicle fleet to low emissions: discussion paper on a Clean Car Standard and Clean Car Discount”

Please find attached a combined European Motor Distributors Ltd and Motorcorp Distributors Ltd submission on “Moving the light vehicle fleet to low emissions: discussion paper on a Clean Car Standard and Clean Car Discount”.

European Motor Distributors Ltd and Motorcorp Distributors Ltd represent eight vehicle brands as the New Zealand importer and distributor. The combined annual retail volume of both companies is approximately 11,000 units across the light vehicle range.

Please don't hesitate to contact us should you require any further information or clarification on the points raised in our submission.

Kind Regards



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1. Introduction

European Motor Distributors Ltd (EMD) and Motorcorp Distributors Ltd (MDL) are supportive of policies that will lead to an achievable and sustainable reduction in CO2 emissions from light vehicles as they enter the New Zealand fleet. We look forward to working with the Government in a constructive and positive manner towards what we feel are the best mix of policies and incentives to achieve that outcome.

Reducing emissions from transport is strongly supported by EMD and MDL and all our respective business units. We recognise that maintaining the status quo in terms of incremental improvements in CO2 emission reductions will not achieve the Government's overall goals and that more needs to be done. If we wish to accelerate this rate of reduction in CO2 emissions, then it is our belief that Government must fully leverage all policies within its toolkit to incentivise this change.

EMD represents the interests in New Zealand of the Volkswagen Group whilst MDL represents the interests of Jaguar Land Rover.

Both the Volkswagen Group (Including, Volkswagen, Audi, SEAT, Skoda, Porsche, Volkswagen Commercial Vehicles) and Jaguar Land Rover (JLR) are investing significant levels into clean energy.

In March of this year, the Volkswagen Group announced a greatly expanded push into electric vehicles¹. Key points are:

- Almost 70 new electric models by 2028 – instead of the 50 previously planned
- The projected number of vehicles to be built on the Group's electric platforms in the next decade will increase from 15 million to 22 million
- Investment in electrifying the vehicle portfolio will amount to more than €30 billion by 2023
- Comprehensive decarbonization program for the Volkswagen Group signed off
- Volkswagen Group targeting fully CO2-neutral balance by 2050
- Group CEO Dr. Herbert Diess: "Volkswagen will change radically. We are taking on responsibility with regard to the key trends of the future – particularly in connection with climate protection."

JLR announced in June 2019 that they are developing next generation electric drive systems in conjunction with the BMW Group. They went onto say that "from 2020 all new Jaguar Land Rover vehicles will offer the option of electrification, giving [their] customers even more choice. [They] will

¹ https://www.volkswagenag.com/en/news/2019/03/VW_Group_JPK_19.html

introduce a portfolio of electrified products across [their] model range, embracing fully electric, plug-in hybrid and mild hybrid vehicles”²

Therefore, it is clear that electrification of our vehicle fleet is well and truly underway. However, as you will see in our submission, we believe that the current proposal is too demanding in terms of the level (i.e. GMs/km) and rate (timing of target levels) of CO2 reductions that would be required.

We will outline what we feel is the optimal approach to achieve the outcome Government is after in a manner that we, and the broader industry, is able to respond to from a practical perspective.

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

EMD and MDL feel that the Clean Car Discount is a workable proposal which we support, however believe there are a number changes which could improve its implementation. We recommend the current proposal would benefit from the establishment of a working group, comprised of both Industry and Government representatives.

The Clean Car Standard however is unworkable as currently proposed. We recommend the current proposal would benefit from the establishment of a working group, comprised of both Industry and Government representatives, focussed on developing a blueprint for a fuel economy standard which reflects the unique conditions of our market and how the light vehicle fleet can practically contribute towards NZ’s goal to become a net-zero emissions economy.

2. Summary of EMD and MDL’s Key Recommendations

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

² <https://media.jaguarlandrover.com/news/2019/06/jaguar-land-rover-bmw-group-announce-collaboration-next-generation-electrification>

Our key recommendations are as follows :

The Clean Car Discount

- While we support the Clean Car Discount we do feel it can be further improved by making a number of changes from what has been proposed (see comments under Section 4). We recommend the current proposal would benefit from the establishment of a working group, comprised of both Industry and Government representatives. Should a Clean Car Discount be introduced it should be done so without delay, being mindful of the impact on deferment of planned purchases if a start date is signalled well in advance.

The Clean Car Standard

- The Clean Car Standard as proposed in the consultation document is unworkable to the extent EMD and MDL can't support it in its current format.
- We suggest that Government works with Industry representatives to design a proposal that is both achievable and implementable from the outset.
- We believe the proposed Clean Car Standard requires review and revision for the following reasons :
 - The timeline is too limited and should be extended to cover two model cycles for new vehicles which should see it run until approximately 2030.
 - The rate of CO2 reduction targeted to be achieved is unlikely in the New Zealand context. What has been proposed is more aggressive than we have seen achieved to date in any other jurisdiction. Any target must be achievable in order to be meaningful otherwise it will simply be seen as a tax rather than an incentive to change behaviours.
 - The proposed weight bands need to be reconsidered.
 - The current proposal appears to be particularly severe on new small ICE vehicles which we would not want to see removed from the model mix within the fleet and therefore restricting choice to consumers.
 - We believe there should be an allowance for the earning of super credits in the Clean Car Standard. Having such a mechanism would serve to act as an incentive for the supply of ultra-low emission vehicles and has proved effective in other jurisdictions.
 - The proposed penalty rate is too high and would have a severe impact on our business.
 - The penalties should be the same for both new and used vehicles up to 3 years of age.

Other Recommendations :

Tighten up FBT Compliance

Many people (including accountants³ and financial advisors⁴) believe that FBT does not apply to double-cab utility vehicles if they are sign-written. Given that these vehicles are only exempt from FBT if they meet the work-related vehicle exemption, FBT is quite likely being under returned. More enforcement and education around this is required which may well lead to some companies moving to more efficient passenger vehicles.

Road to Zero Alignment

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

Rolling Age Ban

EMD and MDL believes a rolling age ban on used imported vehicles would ensure that the latest safety and emissions technologies are closer to being imported into New Zealand. We believe such an age ban should be set at seven years of age from the date of first registration in any overseas jurisdiction.

Relicensing Feebate Scheme

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

Low emission cars could be free to relicense every year whilst those with higher CO2s could be \$x or x% more expensive to relicense. This could start in 2021 or 2022 so people have a chance to adjust, with a smaller feebate initially then progressively increase over time.

Charging Network

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

³ <https://letstalkabouttaxnz.com/2019/07/12/emissions-feebates-and-fringe-benefit-tax/>

⁴ <https://www.interest.co.nz/personal-finance/100909/terry-baucher-looks-how-government-policy-conflicts-ird-procedure-when-it>

3. General Comments

Over the past 16 years, EMD and MDL brands have reduced CO2 emissions by 33%. The proposed standards would require our brands to reduce 2019 levels of CO2 by a further 33% in six years from the present through until 2025. This is not a realistic target.

Our internal modelling has shown that even with a far faster rate of reduction, we will be adding significant taxes to vehicles in 2025 under the current Clean Car Standard proposal.

Versus 2019 Actual (7 months) the forecast reductions for EMD and MDL are as follows:

2020	2021	2022	2023	2024	2025
-2.0%	-3.0%	-3.0%	-3.0%	-4.0%	-5.0%

These yearly reductions would equal an overall reduction of 18.4% over the next 6 years. At this level, an average tax of \$2,470 would still be added to every car to cover the \$27,000,000 penalty our business would incur in 2025 (refer Appendix 1).

Another way of looking at the task required to meet the proposed target is how many electric cars would be needed to be sold. Assuming all ICE models continue the 2% reduction of previous years (11.4% over the six years), in order to have zero taxes added to vehicles in 2025, we would need to sell 3,600 fully electric cars on top of current volumes of 10,900 vehicles sold per annum. This equates to 25% of EMD and MDL's sales, whilst international "best estimates of actual sales of all-electric vehicles by 2025 don't often breach 10%"⁵ (Refer Appendix 2).

And, yet another way of analysing the model, is to study the weighted target that EMD and MDL would have to achieve. Over the period 2023 to 2025, the weighted average CO2 target decreases by 20 grams per year – well over three times the level of reduction that we believe is possible.

As previously mentioned, the Volkswagen Group is investing more than €30 billion by 2023 in electric vehicle technology – with Jaguar Land Rover also investing heavily. However, there is no guarantee of supply of these vehicles during the proposed time frame.

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

⁵ <https://www.forbes.com/sites/neilwinton/2019/05/06/volkswagen-investors-worry-about-ambitious-electric-car-plans>

We believe that we will be given some supply of EV models and consequently our rate of CO2 reductions will increase. However, we don't believe we will be able to source enough of these models to meet the proposed 105gms/km weighted average target. Let-alone ensuring that there is the customer demand for this many BEVs.

Long Run CO2 Reduction

Having tracked the rate of CO2 reduction for over a decade on the vehicles imported by EMD and MDL, we know the improvements are achieved largely when new models are launched. A model cycle will generally last 6-7 years – longer for light commercial vehicles.

Apart from light commercial vehicles, EMD and MDL rate of CO2 reduction has been steady, averaging around 2.25% year on year. The only way to accelerate this rate of reduction is to lift the uptake of low emission vehicles, principally PHEVs and BEVs. The rate of emission reduction from light commercial vehicles is much slower at around 0.73% year on year.

Unique Characteristics of the New Zealand Market

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

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

Time required to change a product mix

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

However, it is not quite that simple. For example, while New Zealand has a high rate of demand for automatic vs manual and petrol vs diesel for passenger cars, it is not simply a matter of requesting supply of a model that we see being sold into another market. In negotiating with our manufacturer suppliers, the typical process to secure a model for New Zealand is:

- Changes to the model need to be made for matters such the infotainment system and/or navigation systems etc.
- Vehicles supplied to other markets will more than likely have different engine compression ratios to match their fuel supply type.
- There are a number of safety and driver assist technologies that need to be changed.
- The above changes will not be made unless the model in question can be justified on the basis of sufficient production volumes. These are unlikely to be achieved on the size the New Zealand market demand alone.

Taking the above into account, it is often 2-3 year process to get an existing model approved for the New Zealand market and this process is only undertaken if the projected sales will offset the costs of undertaking the required changes.

Less Fuel-Efficient Vehicles

There appears to be an assumption in the consultation document that we, as importers and distributors, are deliberately withholding the supply of low emission models from the New Zealand market. Nothing could be further from the truth. EMD and MDL are committed to providing consumers with as much choice as possible and the opportunity to enjoy the latest in technological advances.

Our track record to date shows a commitment to securing from our manufacturers and offering to consumers the latest in low emission vehicles. EMD and MDL currently supply approx. 19% of all new EVs (PHEV & BEV), compared to 10% of all Passenger & SUV sales, sold in the NZ market (ranking us as the #3 distributor for EVs), through our current offering of the following models :

- Volkswagen e-Golf (BEV)
- Jaguar I-PACE (BEV)
- Audi e-tron (BEV)
- Audi A3 e-tron (PHEV)
- Porsche Cayenne E-Hybrid (PHEV)
- Land Rover Range Rover PHEV
- Porsche Panamera E-Hybrid (PHEV)

Despite barriers such as those outlined above EMD and MDL has been successful in obtaining low emission vehicles ahead of other markets – for example the recently launched Audi e-tron (1st market outside Europe & North America) and Jaguar I-PACE. We will continue to press hard to secure the latest low emissions vehicles from our manufacturers on behalf of our customers.

4. EMD and MDL's Answers to Questions in the Consultation Document

Part 2A: How the Clean Car Standard Would Work

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

The Clean Car Standard as proposed in the consultation document is unworkable to the extent EMD and MDL can't support it in its current format.

We suggest the Government dismisses the Clean Car Standard as currently proposed and that it works with Industry representatives to design a new proposal that is workable from the outset.

With the 8 weight-band proposal in the consultation document, we believe most models in our range will be forced to include CO2 taxes for consumers, resulting in significant price increases for these vehicles.

We feel that the current 8 weight-band proposal is unnecessarily complex and could be improved on in order to deliver a better outcome. A weight-based approach does appear to be the most appropriate method of classification. Based on our analysis a 4 weight-band system could be simpler to implement & achieve the same outcomes.

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

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

If implemented as proposed, the Clean Car Standard:

- Will result in significant retail price increases on most models from very small cars to the large end of the light vehicle fleet.
- Encourages used vehicle importers to move away from the importer model to an agency model whereby the agent never owns the vehicles, but merely facilitates individual car purchases for New Zealand consumers from overseas sellers. Those adopting this practice will not be subject to the standard as proposed.

- Fails to adequately recognise long model cycles, overseas regulatory requirements for low emission vehicles or that no manufacturer makes vehicles unique to the New Zealand market.

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

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

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

One of the significant obstacles we face is that the vehicle brands we represent all have extensive operations in Europe. In the EU they are facing large penalties if they can't achieve 2020 and 2023 CO2 targets meaning production of the lowest emission vehicles will be allocated to that market first. This illustrates that our small market, even with a fuel economy standard, present barriers to accessing the vehicle models we require.

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

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

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

Part 2b: How Could the Clean Car Standard Be Implemented?

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

We feel the current proposal is unworkable due to the aggressive nature of the proposed targets, timelines to achieve those targets and the penalties imposed if those targets are not met. We

believe the design of the Clean Car Standard could be modified in order to improve its adoption and implementation; and we should look to other parts of the world to learn from and model how a fuel economy standard works well.

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

1. Achievable CO2 reduction targets, realistic timelines and adjustable penalties. In New Zealand this would mean:
 - a) Clarity over the units of CO2 measurement (i.e. NEDC vs WLTP and conversion rates between the two protocols).
 - b) Targets that are lower in the early years then progressively increase as newer low emission model are introduced into the fleet. The capture period should extend out to 2030.
 - c) An allowance for super credits. These could include extra credits for PHEVs and BEVs according to a sliding scale.
2. Integrated with other policies:
 - a) The mix of new and used imported vehicles is unique in countries where a fuel economy standard is in place. As such, there is little overseas experience to reference when considering how a fuel economy standard can be leveraged with complimentary transport policies. A fuel economy standard should link to safer vehicles policies, especially the new Road to Zero strategy.
 - b) The current Clean Car proposal (especially the Discount) encourages less-safe products and PHEV, BEV products near the end of their life. A rolling age ban in conjunction with entry standards is a simple way to improve the safety of cars coming onto the fleet immediately. EMD and MDL proposes a 7-year limit.

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

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

Phasing in the emissions target of 105 grams CO2 per kilometre

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

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

Please explain why you prefer the approach you have chosen.

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

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

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

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

A weight-based approach does appear to be the most appropriate method of classification, although we believe further work is required on where the lines are drawn. Based on our analysis a 4 weight-band system could be simpler to implement & achieve the same outcomes.

Penalties for non-compliance

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

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

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

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

Flexibility in meeting targets for a given year

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

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

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

This is a matter the future working group should consider.

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

Yes, we support this proposed arrangement. We believe this is a fair and equitable approach which recognises the range of vehicles a supplier may have in their product portfolio, while allowing flexibility to achieve the overall outcome.

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

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

Penalties for misreporting data

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

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

If not, why?

EMD and MDL supports having penalties for the misreporting of data for the Clean Car Standard. Once a standard is agreed through mutual consultation then all who are covered by it must meet their obligations, including reporting. The Government should determine the level of a fine that is appropriate following further discussion with Industry through the proposed working group.

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

Yes, we do support the disqualification sanction proposed. EMD and MDL believes the proposal can be significantly strengthened to ensure compliance by all importers, new and used, in the motor vehicle trade.

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

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

Do you support amending the Fuel Consumption Information Rule so that only vehicles tested to the WLTP, NEDC, the JC08, and the American Federal Test Procedure meet requirements for entry certification? If not why?

EMD and MDL supports the removal of the Japanese 10/15 test.

CO2 Conversions Factors

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

One of the limitations of the current proposal is how to convert WLTP, JCO8 and AFTP CO2 based calculations to NEDC. This is further complicated by the fact that Japanese derived WLTP figures are based on low, medium and high measurements which is different to European based calculations which measures CO2 emissions at those rates plus the extra high (130km/h) step.

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

Future emissions targets beyond 2025

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

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

Part 3A: How the Clean Car Discount Would Work

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

The Clean Car Discount, subject to a few changes, is supported in principle by EMD and MDL. We recommend the current proposal would benefit from the establishment of a working group, comprised of both Industry and Government representatives. It is a demand-based policy that is easy to understand, highly visible to the consumer and is aimed directly at influencing their purchase decision.

The proposal can be enhanced by:

- The policy should link in with other transport policies. A feebate scheme for relicensing (annual registration) could impact the whole 3.5 million vehicles rather than just the 300,000 coming onto the fleet every year. Although Government has indicated it does not want to, at this stage, have differential annual registration fees, a CO2 reduction centric policy suggests it should.
- Low emission vehicles could be free, or attract a discounted fee, to relicense every year while high emission vehicles could be more expensive to relicense. Having this starting in 2022 would give consumers a chance to adjust, with a smaller feebate then ramp it up over time.
- Adjust the RUC rate for EV's and PHEVs to address the inequality that applies to PHEVs paying both RUC and fuel excise duty.

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

Emissions benchmark levels

Is the emissions benchmark of 105 grams CO2 per kilometre by 2025 an appropriate one to have for the Clean Car Discount? If not, why not?

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

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

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

Yes. Although we recommend the current proposal would benefit from the establishment of a working group, comprised of both Industry and Government representatives.

Fees and rebates sizes

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

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

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

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

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

In the example schedules the schedules change every year to lower the emissions benchmark and to keep the scheme self-financing. Do you think annual change is practical or should there be less change?

Less change is preferable unless there is a dramatic uptake of low emission vehicles. The longer and higher the incentives the more likelihood it accelerates changes to low emission vehicles.

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

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

If near new vehicles are treated the same as new vehicles, then this places an incentive on used importers to source up to 3-year old old vehicles out of Japan and/or the UK. When this happens, consumers are negatively impacted in terms of their warranty rights, and recall obligations often then fall on the new vehicle distributors.

How wide should the zero band be?

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

EMD and MDL believes the zero band could be wider, although we recommend the current proposal would benefit from the establishment of a working group, comprised of both Industry and Government representatives.

How would consumers get their rebates and pay their fees?

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

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

Currently there is insufficient detail on how the discount would work in practice. We recommend the current proposal would benefit from the establishment of a working group, comprised of both Industry and Government representatives.

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

EMD and MDL supports the proposed penalties as they are the same for failure to display Fuel Saver labels.

Appendix 1 - Projected Decrease

Year	2020	2021	2022	2023	2024	2025
Change vs previous year	-2.0%	-3.0%	-3.0%	-3.0%	-4.0%	-5.0%
Change vs 2019	-2.0%	-4.9%	-7.8%	-10.6%	-14.1%	-18.4%
					Per Year:	-3.1%

Projected Drops and Costs

Assumes same volumes / same model mix / decreases in CO2 as per above

YTD Jul 19 Actual	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
Annualised Volume (/7 x12)	10,894	927	1,791	1,248	2,373	1,593	1,887	1,020
CO2 Emission (Grams/Km)	1,833,508	105,170	233,602	181,958	410,929	297,652	385,602	211,242
Average CO2 Emission (Grams/Km)	168.3	113.4	130.4	145.8	173.2	186.9	204.3	207.1
2020	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
CO2 Emission (Grams/Km)	1,796,838	103,067	228,930	178,319	402,711	291,699	377,890	207,017
Average CO2 Emission (Grams/Km)	164.9	111.1	127.8	142.9	169.7	183.2	200.2	203.0

2021	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
CO2 Emission (Grams/Km)	1,742,933	99,975	222,062	172,970	390,629	282,948	366,553	200,807
Average CO2 Emission (Grams/Km)	160.0	107.8	124.0	138.6	164.6	177.7	194.2	196.9

2022	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
CO2 Emission (Grams/Km)	1,690,645	96,976	215,400	167,781	378,911	274,459	355,556	194,782
Average CO2 Emission (Grams/Km)	155.2	104.6	120.2	134.4	159.7	172.3	188.4	191.0
2022 Target		131	146	159	171	187	199	216
2022 Weighted Target	172.7	121,493	261,549	198,432	405,710	297,811	375,598	220,320
Better / (Worse)	17.46							
Credit / (Penalty)	\$19,026,758							

2023	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
CO2 Emission (Grams/Km)	1,639,926	94,066	208,938	162,747	367,543	266,225	344,890	188,939
Average CO2 Emission (Grams/Km)	150.5	101.4	116.6	130.4	154.9	167.2	182.7	185.2
2022 Target		116	129	140	151	165	175	190
2022 Weighted Target	152.2	107,582	231,094	174,720	358,258	262,774	330,300	193,800
Better / (Worse)	1.71							
Credit / (Penalty)	\$1,860,293							

2024	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
CO2 Emission (Grams/Km)	1,574,329	90,304	200,581	156,237	352,842	255,576	331,094	181,381
Average CO2 Emission (Grams/Km)	144.5	97.4	112.0	125.2	148.7	160.5	175.4	177.8
2022 Target		101	112	122	132	144	153	166
2022 Weighted Target	132.8	93,670	200,640	152,256	313,179	229,330	288,777	169,320
Better / (Worse)	-11.67							
Credit / (Penalty)	-\$12,715,604							

2025	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
CO2 Emission (Grams/Km)	1,495,612	85,789	190,552	148,425	335,199	242,798	314,539	172,312
Average CO2 Emission (Grams/Km)	137.3	92.5	106.4	118.9	141.3	152.5	166.6	168.9
2022 Target		85	95	103	112	122	130	141
2022 Weighted Target	112.6	78,831	170,186	128,544	265,728	194,294	245,366	143,820
Better / (Worse)	-24.68							
Credit / (Penalty)	-\$26,884,361							
Per Vehicle Tax	-\$2,468	-\$750	-\$1,137	-\$1,593	-\$2,928	-\$3,046	-\$3,665	-\$2,793

Appendix 2 - Required BEV Volume

Year	2020	2021	2022	2023	2024	2025
Change vs previous year	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Change vs 2019	-2.0%	-4.0%	-5.9%	-7.8%	-9.6%	-11.4%
					Per Year:	-1.9%

Projected Drops and Costs

Assumes same volumes / same model mix / decreases in CO2 as per above

YTD Jul 19 Actual	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
Annualised Volume (/7 x12)	10,894	927	1,791	1,248	2,373	1,593	1,887	1,020
Average CO2 Emission (Grams/Km)	168.3	113.4	130.4	145.8	173.2	186.9	204.3	207.1

2020	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
Average CO2 Emission (Grams/Km)	164.9	111.1	127.8	142.9	169.7	183.2	200.2	203.0

2021	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
Average CO2 Emission (Grams/Km)	161.6	108.9	125.2	140.0	166.3	179.5	196.2	198.9

2022	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
Average CO2 Emission (Grams/Km)	158.4	106.7	122.7	137.2	163.0	175.9	192.3	194.9
2022 Target	172.7	131	146	159	171	187	199	216
Better / (Worse)	14.25							
Credit / (Penalty)	\$15,522,924							

2023	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
Average CO2 Emission (Grams/Km)	155.2	104.6	120.3	134.5	159.8	172.4	188.4	191.0
2022 Target	152.2	116	129	140	151	165	175	190
Better / (Worse)	-3.00							
Credit / (Penalty)	-\$3,264,109							

2024	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
Average CO2 Emission (Grams/Km)	152.1	102.5	117.9	131.8	156.6	168.9	184.7	187.2
2022 Target	132.8	101	112	122	132	144	153	166
Better / (Worse)	-19.29							
Credit / (Penalty)	-\$21,017,370							

2025	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
Average CO2 Emission (Grams/Km)	149.1	100.5	115.5	129.2	153.4	165.6	181.0	183.5
2022 Target	112.6	85	95	103	112	122	130	141
Better / (Worse)	-36.48							
Credit / (Penalty)	-\$39,743,077							
Per Vehicle Tax	-\$3,648	-\$1,545	-\$2,051	-\$2,616	-\$4,143	-\$4,356	-\$5,098	-\$4,246

2025 Goal Seek	Total	1001-1200	1201-1400	1401-1600	1601-1800	1801-2000	2001-2200	2201-3500
Volume	14,424	927	1,791	1,248	2,373	4,709	1,887	1,488
Average CO2 Emission (Grams/Km)	112.6	100.5	115.5	129.2	153.4	56.0	181.0	125.8
2022 Target		85	95	103	112	122	130	141
2022 Weighted Target	112.6	78,831	170,186	128,544	265,728	194,294	245,366	143,820
Better / (Worse)	0.00							
Required BEV sales in 2025 (all other model mixes the same)						3,117		468
						MEB Platform	% of MEB	15%