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

Coversheet

Purpose of Document	
Decision sought:	Amend the Land Transport Act 1998 to set charges for the Clean Vehicle Standard, at a top rate of $15 per gram, from 1 January 2026 to 31 December 2027.
Advising agencies:	Ministry of Transport
Proposing Ministers:	Minister of Transport
Date finalised:	4 November, 2025

Problem Definition

The *Clean Vehicle Standard* (the Standard) incentivises the transition to a lower CO_2 emission vehicle fleet in support of New Zealand's decarbonisation and economic goals.

The Standard sets annual CO_2 targets that lower over time. Different targets are set for passenger and commercial vehicles entering the fleet. Vehicles with emissions higher than their targets attract charges, while vehicles that better their targets earn credits. It is expected to deliver fuel savings of $1.5-$1.7 billion over 2023-2050 and gross CO_2 emission reductions of 8.2-9.6 million tonnes over the same period.

The Standard works by imposing charges onto the industry for importing vehicles that do not meet the targets, and providing credits for vehicles that better the targets. To meet the targets importers must offset the charges with credits, or pay the outstanding charges. The intention of the Standard is for it to be in balance with charges being offset by credits so there is no net charge passed onto consumers, and it is revenue neutral for the Crown.

Across the vehicle industry, importers are on average not meeting the 2025 passenger target. For the used-vehicle sector, non-achievement is largely a result of supply constraints. These include a shortage of used-EVs available to import, higher vehicle prices at Japanese auctions, and reduced levels of vehicle supply in Japan as Japanese consumers hold onto vehicles for longer.

As well, used-vehicle importers tend to supply 9–10 year old vehicles that can be sold in New Zealand for under $20,000. Apart from small hybrids, like the Toyota Aqua, larger hybrids of this age cannot meet the target as they are equipped with older technology that result in the vehicles being less fuel efficient.

The primary challenge for new-vehicle importers is reduced consumer demand for EVs, which is being driven, in part, by weak economic conditions and changes to the Road User Charges and Clean Car Discount policies.

As a result of these demand and supply constraints, the Standard's current settings impose a net charge on the majority of vehicle importers and risk impacting New Zealand negatively rather than positively. Setting unattainable targets is inefficient policy, as it will result in importers either restricting supply and/or passing on charges as higher vehicle prices without achieving the fuel savings or emissions reduction.

Higher vehicle prices also incentivise vehicle owners to hold onto their current vehicle for longer as replacing them becomes unaffordable. This is particularly true for the used-

vehicle market. This incentive may slow the rate at which newer vehicles with better fuel saving technology are supplied to our market to replace existing inefficient vehicles, which runs counter to the intent of the Standard. Essentially, the majority of importers are incurring large net costs that are not incentivising importing lower emission vehicles.

The best way to address these supply and demand issues is to make the Standard's settings more flexible, and to adjust the targets to levels that are achievable.

The technical changes currently before Select Committee in the Land Transport (Clean Vehicle Standard) Amendment Bill (No. 2) will provide greater flexibility to the Standard, however, these changes do not adjust the Standard's targets.

Ministers will be asked to review and reset the Standard's targets and settings in 2026. This process will take time to develop and implement, and during this time the existing targets and charges settings will strengthen, and the number of importers with net charges will increase. This increases the risk of importers either restricting supply and/or passing on charges as higher vehicle prices until these key issues are resolved.

Executive Summary

The Clean Vehicle Standard (the Standard) came into effect on 1 January 2023. It is a fuel efficiency/CO_2 standard that encourages the supply of more fuel-efficient petrol and diesel vehicles, hybrids and zero emission vehicles to reduce fuel costs and CO_2 emissions.

The Standard is a complimentary measure to the Emissions Trading Scheme (ETS) in New Zealand's second Emissions Reduction Plan (ERP2). It is expected to deliver fuel savings of $1.5-$1.7 billion over 2023-2050 and gross CO_2 emission reductions of 8.2-9.6 million tonnes over the same period.

The Standard works by setting annual CO_2 targets, stated in grams of CO_2 per kilometre, that progressively lower over time. Different targets are set for passenger and commercial vehicles entering the fleet.

To maximise its benefits, the targets need to be set low enough to reduce vehicle CO_2 emissions and fuel costs at a faster rate than business as usual. The targets also need to be achievable for the vehicle industry and consumers and should allow for vehicle affordability and choice of size and models.

Suppliers can sell any mix of vehicles they choose. However, vehicles with emissions higher than their targets attract charges and vehicles that better their targets earn credits. Importers must offset charges with credits, or the outstanding charges must be paid. Credits earned by importers can either be used to offset their own charges, or sold to other suppliers for them to offset their charges.

Across the vehicle industry, importers are on average not meeting the 2025 passenger target. New Zealand Transport Agency (NZTA) data from September 2025 shows that used vehicle importers are, on average, missing the passenger target by 17 grams per vehicle. New vehicle importers are missing the passenger target by 22 grams per vehicle.

The reasons for non-achievement are very different between the new and used import sectors. For the used-vehicle sector, which needs to be able to sell affordable vehicles in New Zealand (e.g., under $20,000), non-achievement is largely a result of supply constraints. These include:

- used-vehicle importers tend to supply older vehicles (9-10 years) that can meet lower price-points in the market. Apart from small hybrids, like the Toyota Aqua, larger hybrids of this age cannot meet the target as they are equipped with older technology that result in the vehicles being less fuel efficient

- higher vehicle prices at Japanese vehicle auctions (where 98 percent of used-imports are sourced) and reduced levels of vehicle supply in Japan exacerbates this issue
- the global supply of used EVs being significantly constrained. This is particularly true for New Zealand because of the need for vehicles built to be driven on the left-hand side of the road
- weaker economic conditions in New Zealand that have reduced demand for vehicles and squeezed dealer margins and financial ability to import
- ocean-freight restrictions/shipping constraints for transporting used electric vehicles.

The primary challenge for new vehicle importers is reduced consumer demand for EVs, which is being driven, in part, by weak economic conditions. Data from the MIA shows that, to meet the current targets, 20 percent of the ~~new~~ light vehicle market share would need to be EVs in 2025. Currently the share is around 13 percent, however, the MIA state that the actual share is only around 7 percent (YTD 2025), as many of the registrations reflect EV sales within the industry (e.g., vehicles that are registered at a dealership without being purchased by a consumer). This creates a possible compliance gap of 12 to 13 percentage points.

The MIA has clarified that this sentence should be in reference to light vehicles generally. The Ministry considers that this correction does not materially affect the RIS analysis.

As a result of these demand and supply constraints, the Standard's current settings risk impacting New Zealand negatively rather than positively. The key risks are that the costs from not reaching the targets are passed onto consumers, affecting vehicle affordability and availability. This is because if charges from high emitting vehicles cannot be offset by credits, importers may either restrict supply and/or pass on charges as higher vehicle prices.

Higher vehicle prices also risk consumers holding onto their existing vehicles for longer as replacing them becomes less affordable. This slows down the rate at which newer vehicles with better fuel saving technology are supplied to our market to replace existing inefficient vehicles.

The best way to address these supply and demand issues is to make the Standard's settings more flexible, and to adjust the targets to levels that are achievable and do not result in high levels of net charge.

Cabinet have agreed to review the Standard's settings and targets in 2026, however, this review and potential changes will take time to undertake and implement. To provide interim compliance or financial relief for the sector while this work is underway, intervention is required to temporarily suspend charges or reduce charges. This will require an amendment to the Land Transport Act 1998.

Suspending or reducing charges lowers the risk of the Standard's charges increasing vehicle prices while the settings are reviewed. The Standard's credits would continue to be earned and registered in importers' CO_2 accounts.

This change would be advisable in the interim as, on 1 January 2026, the targets will strengthen to 108 grams CO_2 per kilometre for passenger vehicles and 207 grams for commercial vehicles. The strengthened targets will compound the issues facing vehicle importers. And then further strengthen in 2027.

This is an Annex to the Regulatory Impact Statement: *Revising the Clean Car Importer Standard Targets* (**the primary RIS**), which was prepared following the first planned review of the Standard's targets in 2024. The primary RIS can be found here: https://www.transport.govt.nz/assets/Uploads/Outcome-of-the-review-of-the-Clean-Car-Importer-Standard-11-June-2024-Redacted.pdf. Some context information from the primary RIS is repeated in this Annex, but the proposals are separate. The Annex has been prepared so it can be read independent of the primary RIS.

This Annex considers three options for suspending or reducing charges against the status quo and the length of time for which this measure should apply:

Option 1: retain the status quo (top charge rate of $67.5 per gram)
Option 2: reduce the top charge rate to $30
Option 3 (preferred): reduce the top charge rate to $15
Option 4: suspend all charge rates

For the length of time (Options 2, 3 and 4 only):

Option A: calendar year 2026 only; or
Option B: calendar years 2026 and 2027

This Annex analyses these options against the following criteria:

Maintaining stability of the Standard
Equity and Fairness
Fuel savings and emissions reduction
Availability and affordability

This Annex considers that reducing the top charge rate to $15 for the calendar years 2026 and 2027 (Options 3 and B) strikes the best balance between achieving equity and fairness and maintaining stability of the Standard.

Limitations and Constraints on Analysis

The Annex focuses on options to provide temporary compliance relief to vehicle importers. It does not consider changes to the targets or other settings of the Standard.

The Imported Motor Vehicle Industry Association (VIA) and the Motor Industry Association (MIA) were the only industry bodies that were consulted on this proposal due to time restraints. Stakeholders outside of key vehicle industry associations have not been engaged with.

The Climate Implications of Policy Assessment (CIPA) team at the Ministry for the Environment has been consulted and confirms that CIPA requirements do not apply to this policy proposal. The Clean Vehicle Standard is included in ERP2, and the proposed change is an interim measure. The threshold for significance under CIPA is not met, as the modelled emissions impact is 83 kilotonnes of CO_2-e out to 2050, of which 28 and 23 kilotonnes would occur in emissions budget periods 2 and 3, respectively. The policy proposal is unlikely to materially affect emissions from the transport sector or our ability to meet the second emissions budget.

The modelling done for this Annex is subjected to a number of limitations and caveats. The key ones are that:

- the estimates should be considered indicative only as they have been produced to inform the direction and magnitude of the impacts. They should not be considered precise
- the modelling has not adequately considered the impact that credit banking, transferring and stockpiling could have due to the complexity involved. Nor has it considered if vehicle importers would choose to stockpile a large volume of high-emission vehicles in 2026 and 2027. All these actions could impact the estimated emission impacts. For example, if vehicle importers choose to stockpile a large amount of high-emission vehicles in 2026, the emission impacts would be higher than the estimation shown in this Annex
- the model's inputs and base projections were last updated about 12-18 months ago and should be considered dated, a redeveloped model is being developed that once complete could provide updated estimates

- only point estimates have been provided as the low and high ranges from the model are narrow and do not provide a good estimate of uncertainty bounds.

NZTA was also consulted on the implementation of these options.

The options considered in this analysis (other than the status quo) mitigates some risks caused by the above constraints, as they are for a limited period (i.e. 12 or 24 months).

Responsible Manager(s)
Nick Paterson  *Manager, Environment* *Ministry of Transport* *4 November 2025*

Quality Assurance (completed by QA panel)	
Reviewing Agency:	Ministry of Transport
Panel Assessment & Comment:	This Annex was reviewed by a panel of representatives from the Ministry of Transport. It received a **'partially meets'** rating against the quality assurance criteria for the purpose of informing Cabinet decisions. This paper provides a clear description of the status quo, problem definition and objectives, and identifies all reasonable policy options. The paper therefore meets all the information and analytical requirements of a Regulatory Impact Statement. However, it only partially meets the overall requirements as limited consultation was undertaken owning to time constraints. Implementation of the proposal requires introduction of an Amendment Paper to the Land Transport (Clean Vehicle Standard) Amendment Bill (No 2) in December 2025.

Section 1: Diagnosing the policy problem

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

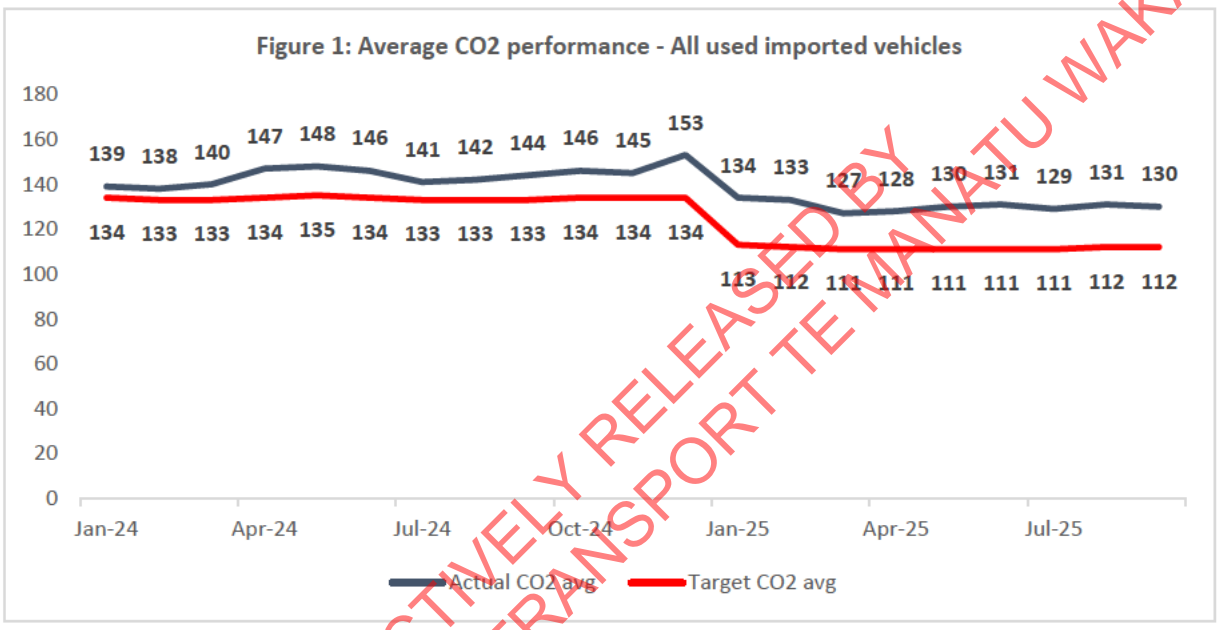
For the Standard to be most effective, the targets need to be met

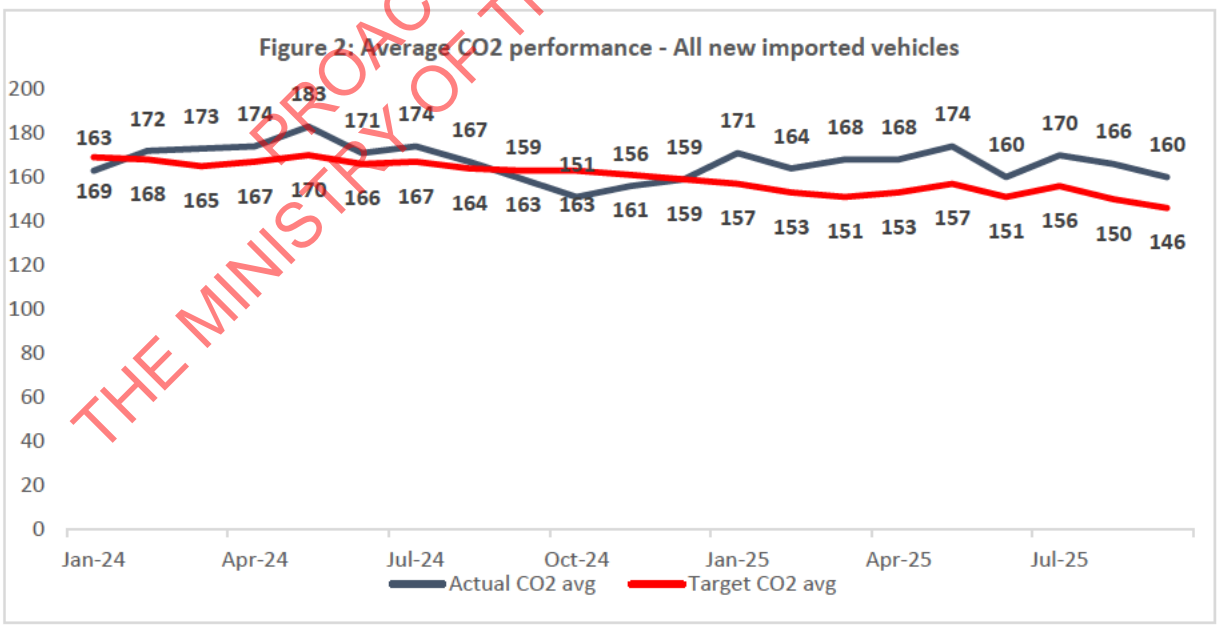
1. The Standard works by setting annual CO_2 targets, stated in grams of CO_2 per kilometre, that progressively lower over time. Vehicle importers are required to meet the targets, on average, across the vehicles they import.
2. The Standard is designed to incentivise the importation of vehicles in New Zealand that are produced with the most fuel-efficient technology, and result in lower fuel consumption and fewer emissions.

3. When the Standard's targets are not met, net charges occur, and fuel savings and emissions reductions are not achieved. Charges from the Standard may be passed onto consumers where they cannot be offset by credits earnt on past target overachievement.

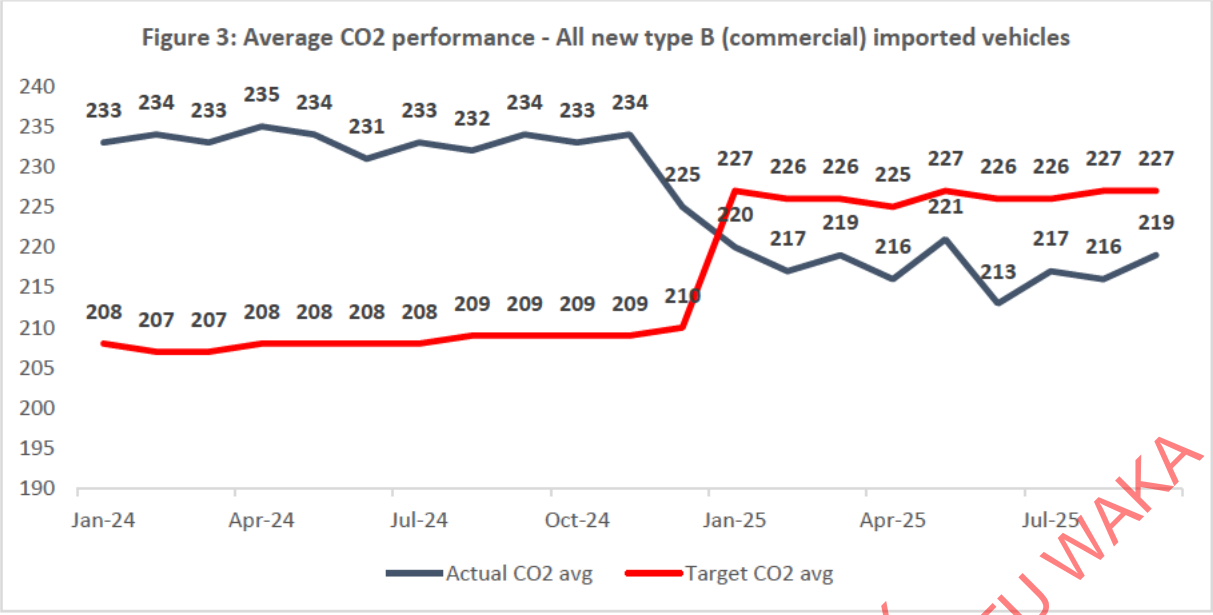
Importers are on average not meeting the 2025 passenger vehicle target

4. The following graphs show the overall performance (blue line) against the combined passenger and commercial vehicle targets (red line). Figure 1 shows that currently used-vehicle importers are, on average, missing the combined targets by 19 grams per vehicle. Figure 2 shows that new vehicle importers are missing the combined targets by 16 grams per vehicle.





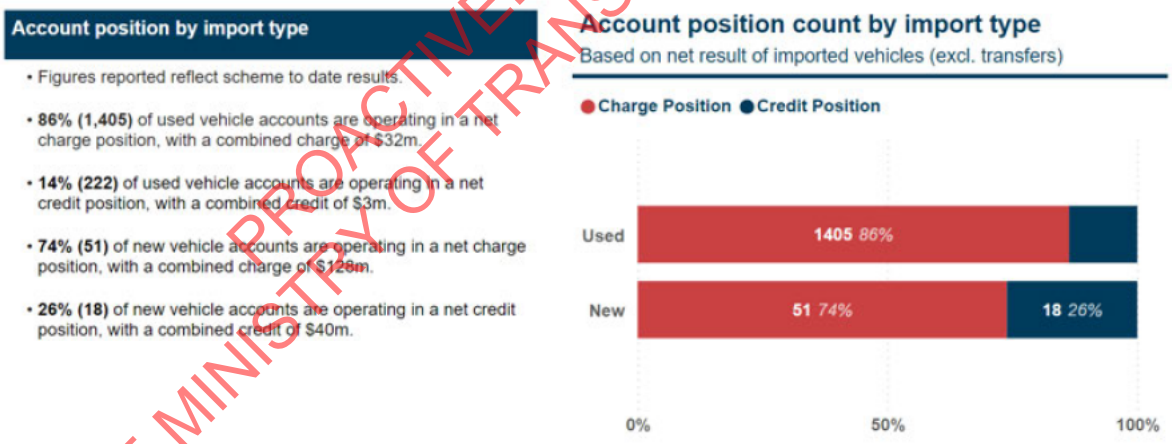
5. The performance of the new vehicle sector against the commercial target is shown in Figure 3. It shows that new importers are overachieving the target by on average 10 grams per vehicle. Commercial vehicles are around 28 percent of imports for new-vehicle importers. For used-vehicle importers they are only 5 percent.



6. Since 1 January 2023, when the Standard came into effect, $512 million of charges have been imposed and $583 million of credits have accrued, placing the vehicle industry in a net credit position of $71 million. This means that, across the vehicle industry, the level of accrued credits is more than sufficient to offset the charges.

7. [Commercial-in-Confidence] However, this net credit position is being driven by a small number of new vehicle importers. Only 18 new vehicle importers are in a net credit position for the vehicles they have imported so far in 2025, against the 2025 targets. s 9(2)(b)(ii) See Figure 4 below for credit vs charge positions in 2025:

Figure 4: Account position by import type January-September 2025

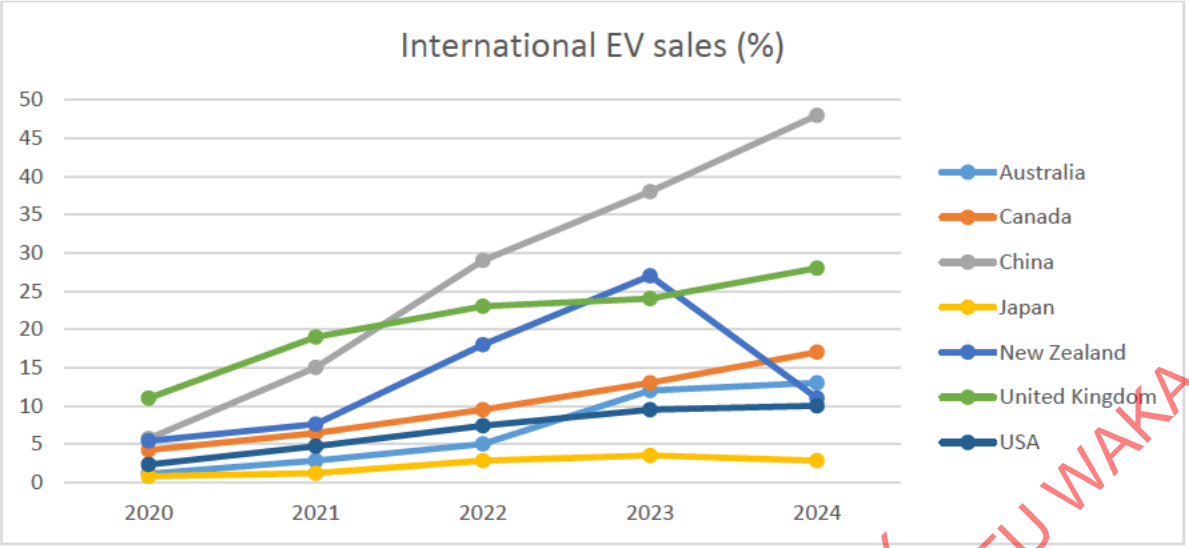


The current surplus is reducing, and will further reduce as the Standard's targets strengthen on 1 January 2026 and again in 2027

8. The current surplus of credits is reducing, in 2025 the net positive credit position reduced by 60%. This is due to the decreasing level of electric vehicle sales, and low number of Japanese electric vehicles available on the market as shown below in Figure 5.

9. Additionally, on 1 January 2026, the targets will strengthen to 108 grams CO_2 per kilometre for passenger vehicles and 207 grams for commercial vehicles. And in 2027 will strengthen again. The strengthened targets will reduce the existing surplus further and compound the issues facing vehicle importers.

Figure 5: International comparison of Electric Vehicle sales



Work is currently underway to address issues with the Standard

10. The Land Transport (Clean Vehicle Standard) Amendment Bill (No. 2)(the Bill) is currently before the Transport and Infrastructure Select Committee and is due to be reported back before 22 December 2025.

11. The objective of the Bill is to support the achievement of the targets, and to reduce the costs that the Standard could impose on vehicle importers and consumers.

12. The Bill aims to achieve this objective by enhancing credits, transfers and borrowing. It responds to the 2024 review of the Standard (required by section 175A of the Act), which found that these flexibilities could be improved to better support vehicle importers in achieving the targets.

Further work is scheduled in 2026

13. However, these changes will not be sufficient to address the magnitude of the demand and supply issues the vehicle industry is facing. These issues require thorough investigation and policy analysis to reset the targets and identify a set of options that Ministers can consider that will ensure the Standard's settings benefit New Zealand.

14. A review of the Standard's targets is required to be reported back to the Cabinet Economic Policy Committee by 30 June 2026.

What is the policy problem or opportunity?

Proposals to change the Standard's settings in 2026 will take time to develop and implement

15. Work to review and potentially reset the Standard's targets will involve consultation, economic modelling and demand forecasting. Options for consideration in this work include having different settings for the new and used vehicle sectors, including uniform targets for used-vehicle imports and aligning compliance systems with Australia for new vehicles.

Until the settings have been addressed, interim relief for vehicle importers is needed

16. With the targets strengthening on 1 January 2026 and again in 2027 the vehicle sector is set to incur significant further net charges. This situation is likely to impact New Zealand negatively rather than positively.

17. The key risks are to vehicle affordability and availability and the rate at which the fleet improves. If charges from high emitting vehicles cannot be offset by credits, importers may either restrict supply and/or pass on charges as higher vehicle prices.

18. Higher vehicle prices also incentivise vehicle owners to hold onto their current vehicle for longer as replacing them becomes less affordable. This incentive may slow the rate at which newer vehicles with better fuel saving technology are supplied to our market to replace existing inefficient vehicles, which runs counter to the intent of the Standard.

19. Providing interim relief for vehicle importers will mitigate this risk while the review of the Standard's targets and other settings is undertaken.

What objectives are sought in relation to the policy problem?

20. The objective of the Standard is to increase the fuel efficiency and reduce the emissions of New Zealand's vehicle fleet, without placing a net cost onto consumers.

21. The primary objective of this policy intervention is to mitigate the effects of unforeseen supply and demand issues that are causing high levels of net charges on the industry, while work to review the Standard is undertaken.

22. Secondary objectives include:

- preservation of the Standard as a market-based measure so that fuel savings and emission reduction benefits are maintained
- ensuring equity and fairness is maintained with the relief measure for those in a net charge position versus importers in a net credit position
- a variety of affordable vehicles continue to be available that are well equipped with fuel reduction and safety technologies and other desirable vehicle features are maintained.

Section 2: Deciding upon an option to address the policy problem

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

23. The objectives in paragraphs 21 and 22 are reflected in the following criteria. The criteria do not map one to one but jointly combine to cover the objectives.

Criteria	Description
Maintaining stability of the Standard	The option maintains the stable operation of the Clean Vehicle Standard for vehicle manufacturers importers and consumers, and function efficiently when broader policy changes have been implemented.
Equity and fairness	The option maintains equity and fairness of the Clean Vehicle Standard. Certain vehicle industry stakeholders or consumer segments should not be disproportionately disadvantaged.
Fuel savings and emissions reduction	The option supports fuel saving and emissions reduction, a key objective of the Clean Vehicle Standard.
Affordability and availability	The option maintains vehicle affordability, supply and demand, safety specifications and other desirable vehicle features, and encourages variety of available vehicle choices.

Maintaining the stability of the standard

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

    - in 2019 across the top-selling 17 new light vehicle models, the most efficient variants available in New Zealand had, on average, 21 percent higher fuel use and emissions than models supplied to the United Kingdom
    - the used-import sector was reducing its average vehicle CO_2 emissions at a faster rate than the new sector. Over 2016-2019, the used-import sector achieved a 13 percent reduction in average CO_2 emissions, compared to 4.2 percent for new vehicles.

25. Therefore, there is significant benefit in maintaining the stability of the Standard while broader policy changes to the targets are being made.

Equity and fairness

26. Changes to the charge rates will benefit or negatively impact vehicle importers, depending on the mix of vehicles they import and whether they are in net charge or net credit position. Vehicle importers that do not need to use their credits to offset charges will be impacted negatively by a reduction in the charge rates, as the value of their credits will temporarily reduce. Vehicle importers that are in a net charge position will benefit from reduced charges.

27. The current targets and settings impose an unfair cost on importers that cannot change the composition of their imports because of exogenous supply and demand constraints. This results in most vehicle importers facing significant net charges. This is not the intention of the Standard and is sub-optimal from an equity and fairness standpoint.

28. The ideal position from an equity and fairness objective, is to have the Standard be revenue neutral. With such targets and settings, the charges issued are equal to credits earned and costs are transferred between vehicle importers, and no net cost is passed onto consumers.

29. As resetting the targets will take time, achieving this revenue neutral position is not possible in the short-term. Therefore, the interim compliance relief should aim to strike a balance between reducing the burden of unattainable targets while maintaining the value of the credits for credit holders.

Fuel savings and emissions reduction

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

31. Reducing or suspending charge rates will negatively impact the fuel savings and emission reduction potential of the scheme. Interim measures should aim to continue to incentivise vehicle importers to bring in fuel efficient and lower emissions vehicles, while mitigating the impacts of imposing inefficient net costs onto the industry.

Affordability and availability

32. If charges from high emitting vehicles cannot be offset by credits, importers may either restrict supply and/or pass on charges to consumers in higher vehicle prices. The intent of the Standard is not to make vehicles unaffordable, or to restrict the choice of affordable models to a select few models e.g. for used-imports the Toyota Aqua.

What scope will options be considered within?

33. The scope is limited to the objective of the Land Transport (Clean Vehicle Standard) Amendment Bill (No. 2) to support the achievement of the targets, and to reduce the costs that the Standard could impose on vehicle importers and consumers.

34. Adjusting the Standard's targets and other setting is out of scope for this Annex due to time restraints. This is because such change will require substantive consultation and modelling. A review of the targets and other settings is planned for 2026.

What options are being considered against the status quo?

35. In contrast to the status quo (option 1) three options are being considered to provide interim compliance relief for vehicle importers by reducing or suspending the charge rate on vehicles that fail to achieve the grams of CO_2 per kilometre target.

Option 2

36. Option 2 reduces the top charge rate from $67.50 per gram to $30 per gram and adjusts the different charge rates for new and used, Fleet Average and Pay As You Go to match the existing scale ratio.[1] For example, the current fleet average charge for new vehicles is $67.50, and is half this amount for used vehicles i.e. $33.75. Option 2 proposes to reduce the fleet average charge for new vehicles to $30 and used vehicles to $15.

Option 3

37. Option 3 reduces the top charge rate from $67.50 per gram to $15 per gram and adjusts the different charge rates for new and used, fleet average and Pay As You Go to match the existing scale ratio as per option 2.

Option 4

38. Option 4 proposes to suspend all charges on imported vehicles. Tables 1 and 2 below outline the proposed changes in charges for options 2, 3 and 4.

Table 1: Proposed charges for new vehicle importers

	Current level of charges	Proposed charges for Option 2	Proposed charges for Option 3	Proposed charges for Option 4
Comply using Fleet Average	$67.50	$30	$15	$0
Comply using PAYG	$54	$24	$12	$0

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

Table 2: Proposed charges for used vehicle importers

	Current level of charges	Proposed charges for Option 2	Proposed charges for Option 3	Proposed charges for Option 4
Comply using Fleet Average	$33.75	$15	$7.50	$0
Comply using PAYG	$27	$12	$6	$0

For what period?

39. The reduction or suspension of charges is only required as an interim measure while the review of the Standard's targets and other settings is undertaken and any changes are implemented.

40. This will take some time, as it will involve detailed analysis of the New Zealand vehicle market and future demand forecasts, consultation and any potential legislative change.

41. Two options are being considered: a 12-month period (Option A) and a 24-month period (Option B). These durations align with the Standard's annual target-setting framework, making it more practical to reset targets and charges on a calendar-year basis.

How do the options compare to the status quo/counterfactual?

	Option 1 – Status quo	Option 2 – Reduce the top charge rate to $30	Option 3 – Reduce the top charge rate to $15	Option 4 – suspend all charge rates
Maintaining stability of the Standard *The option maintains the stable operation of the Clean Vehicle Standard for vehicle importers and consumers, and function efficiently when broader policy changes have been implemented.*	**0** The status quo runs the risk of destabilising the Standard through setting increasingly unattainable targets, with high net charges.	**+** This option strikes a balance between potentially destabilising options of continuing with high net charges or suspending them completely (options 1 and 4). Reducing the top charge to $30 will likely result in less disruption to the credit market when the scheme returns to the original charge rate. However, this option may also decrease the stability of the Standard by creating industry expectations of lower charges and of compliance relief when economic conditions are unfavourable.	**+** Along with option 2, this option strikes a balance between potentially destabilising options of options 1 and 4. This option will help with stability of the Standard's market mechanism in a similar way to option 2 and may also decrease the stability of the Standard by creating industry expectations of lower charges and of compliance relief when economic conditions are unfavourable.	**0** Suspending offset charges runs the risk of destabilising the Standard by its greater distortionary impact on the market. Incentives to game the system will increase, and the risk of unwanted market behaviour like flooding the market with inefficient, high-emitting vehicles during this period. This option may also decrease the stability of the Standard by creating industry expectations of lower charges and of compliance relief when economic conditions are unfavourable.
Equity and Fairness *The option maintains equity and fairness of the Clean Vehicle Standard. Certain vehicle industry stakeholders or consumer segments are not be disproportionately disadvantaged.*	**0** The status quo disadvantages industry stakeholders that face supply and demand constraints in meeting the targets (and cannot change the composition of their imports due to these constraints. It rewards those that do not face these constraints (e.g., new EV dealers). This issue will exacerbate as the targets become more difficult in 2026 and 2027.	**+** Stakeholders with credit surplus and credit deficits will be impacted by this option, with those in credit surplus being impacted negatively and those in deficit, positively. Given the current settings result in high levels of net charges, and the targets are set to increase in 2026 and 2027, this option will likely be fairer than the status quo.	**+** As set out in option 2, this option will likely be fairer than the status quo. Compared to option 2, the high levels of net charges will be less financially burdensome for most importers and reduce the risk of high net charges being passed onto consumers.	**0** Stakeholders with credit surplus and credit deficits will be impacted by this option, with those in credit surplus being impacted negatively and those in deficit, positively. The relative advantage or disadvantage will likely be about the same as the status quo.
Fuel savings and emissions reduction *The option supports fuel saving and emissions reduction*	**0** The status quo strongly incentivises fuel efficient and low emissions vehicles.	**-** This option increases the risk of more inefficient, high-emitting vehicles entering the market due to the lower charges, reducing fuel savings and increasing emissions.	**-** This option is similar to option 2.	**-** The risk of inefficient, high-emitting vehicles entering the market in this option is similar to, or slightly higher than, options 2 and 3.
Affordability and availability *The option maintains vehicle affordability, supply and demand, safety specifications and*	**0** The status quo will reduce vehicle affordability and variety of vehicles available. However, the safety specifications of the vehicles will	**+** This option will improve vehicle affordability and variety of choice compared with the status quo. The safety specifications of imported vehicles may reduce, but this risk	**+** This option is similar to option 2.	**0** This option is similar to options 2 and 3, but with a higher risk that the safety specifications of vehicles may reduce as the charge is suspended, as the

other desirable vehicle features, and encourages variety of available vehicle choices.	likely remain the same. Fewer vehicles will be imported, but the ones that are will likely include up to date safety features.	is low, as the charge rate will still incentivise vehicles with new technology that include safety features.		incentive to bring in safer vehicles with newer technology is reduced.
Overall Assessment	**0**	**+2**	**+2**	**-1**

Key for qualitative judgements:

++	much better than doing nothing/the status quo/counterfactual	0	about the same as doing nothing/the status quo/counterfactual
+	better than doing nothing/the status quo/counterfactual	-	worse than doing nothing/the status quo/counterfactual
		- -	much worse than doing nothing/the status quo/counterfactual

How do Options A and B compare against each other?

	Option A: Calendar year 2026	Option B: Calendar years 2026 and 2027
Maintaining stability of the Standard *The option maintains the stable operation of the Clean Vehicle Standard for vehicle manufacturers importers and consumers, and function efficiently when broader policy changes have been implemented.*	- This option limits the period for which the charges are reduced or suspended, which increases the stability of the Standard. However, there is a risk that this one-year period is insufficient, resulting in broader policy changes being rushed, or not implemented before 1 January 2027, thereby decreasing stability of the Standard.	+ This option allows for a longer period for the broader policy changes to be made. Although this means a longer time with reduced or suspended charges, it enables the broader policy changes to undergo sufficient analysis and ensures a smoother transition back to higher charge rates.
Equity and Fairness *The option maintains equity and fairness of the Clean Vehicle Standard. Certain vehicle industry stakeholders or consumer segments should not be disproportionately disadvantaged.*	0 Until the broader policy changes are made, the equity and fairness of the Standard are low. Although a more limited period is better for equity and fairness, there is a risk that this one-year period is insufficient to make the policy changes and may result in less equity and fairness.	+ A two-year period will provide sufficient time for the review to take place and potential policy changes to be made, that will address equity and fairness issues of the standard. If this option is chosen, additional measures will need to be taken to ensure that credits do not expire during this period.
Fuel savings and emissions reduction *The option supports fuel saving and emissions reduction*	0 The additional money spent on fuel and increased emissions from reducing or suspending the charges in the Standard will be limited to a 12-month period.	- Modelling indicates that if charges were suspended (option 4), New Zealanders would spend an extra $115 million on fuel between 2026 and 2050 with this additional year, and the transport sector would produce an additional 83 kilo-tonnes of CO_2-e GHG emissions between 2026 and 2050.
Affordability and availability *The option maintains vehicle affordability, supply and demand, safety specifications and other desirable vehicle features, and encourages variety of available vehicle choices.*	0 This option will increase the affordability and availability of vehicles for a 12-month period.	+ This option will increase the affordability and availability of vehicles for a 24-month period.
Overall Assessment	-1	+2

Key for qualitative judgements:

++	much better than the alternative	0	about the same as the alternative
+	better than the alternative	-	worse than the alternative
		- -	much worse than doing the alternative

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

Option 3, B

42. Options 2 and 3 perform best against the criteria, as set out in the analysis against the counterfactual table above. Although they registered the same score, this Annex recommends reducing the top charge rate to $15 (Option 3), as it provides greater certainty of meeting the objectives set out in paragraph 21 and 22 than Option 2.

43. The two-year period for this reduced rate (option B) also performed best against the criteria. This is because there is a risk that one-year would risk missing the 01 January 2027 date and rush the period for which proper analysis for the broader changes required can be undertaken. A two-year period mitigates this risk and provides the Standard a better chance to function effectively in 2028.

With an additional measure to extend the life of credits issued in 2023

44. This option negatively impacts low-emission vehicle suppliers that are in a credit surplus. To mitigate the risk of these importers being unfairly affected by this interim measure, by losing potential returns due to the reduced value of credits issued in 2023, an additional intervention should be introduced to ensure that no credits expire before 31 December 2028.

Industry view and response

45. Key vehicle importer stakeholders (the MIA and VIA) were provided policy details to comment upon. Their views were used to shape the final form of Option 3, whereby the top rate of $15 per gram of CO2 was proposed by the MIA.

46. The VIA agreed with this proposal, including a top rate of $15 per gram.

47. MIA also considered restricting reduced charges to 2026 only would compress timelines, increase uncertainty and risk of significant market disruption, as well as undermining both industry confidence and policy credibility.

What are the marginal costs and benefits of the option?

Costs

48. Option 3 B will impact those with credit deficits and credit surpluses and will result in additional fuel costs and emissions out to 2050.

Impact on the value of credits

49. The value of credits will be significantly reduced, and therefore negatively impact vehicle importers that have a surplus of credits or will generate a surplus of credits over 2026 and 2027.

50. As of September 2025, there are 6,206,484 credits available for credit offsetting. The value of these credits will reduce significantly for the two-year period when the charge rates are reduced. This negative impact is mitigated by the fact that the reduction in their value is only a temporary measure, and they will return to their previous value on 1 January 2028.

51. However, 2,895,929 of these credits available for offsetting were issued in 2023 and under current settings, will expire during the period where their value is reduced. For this reason, the additional measure of extending the life of these credits to 31 December 2028 is recommended.

Additional fuel costs and emissions

52. The key rationale for the Standard is the fuel savings and emissions reduction it provides. Modelling estimates that by suspending the charge rate of the Standard as per Option 4:

- New Zealanders would spend an extra $115 million on fuel between 2026 and 2050 with this proposal, $69 million of which will be spent in the first 10 years.

- The transport sector would produce an additional 83 kilo-tonnes of CO_2-e GHG emissions between 2026 and 2050, of which 28 and 23 kilo-tonnes of CO_2-e would be produced in emissions budget periods 2 and 3 respectively.

53. Due to time constraints, this analysis was unable to model the impacts on fuel savings and emissions reduction for reducing the charge rates for Options 2 and 3. However, it is likely that the extra fuel costs and additional emissions would be similar, or slightly lower than what is estimated for Option 4 above.

Benefits

54. Although Options 3 and B comes with significant costs, on balance, temporarily reducing the charge rates is more beneficial than the status quo.

Provides temporary relief (estimated savings from charges)

55. To give an estimate of the magnitude of the compliance relief that this proposal will provide, based on the level of charges incurred for the year to September 2025[2], Options 3 and B would result in the following:

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

    - used-vehicle importers incurred a total of $42 million in net charges (at $27/$33.75 per gram of CO2) over this period. At $6/$7.50 per gram of CO2, net charges incurred would only have totalled $9 million. This equates to savings of $33 million.

Maintains stability

56. Options 3 and B looks to strike a balance between providing interim relief for vehicle importers while retaining a price signal to continue importing fuel efficient and low emission vehicles. This will reduce the risk of market dysfunction, where excessive costs are passed onto consumers. The proposal will also maintain incentives for low emission vehicles, and allows for a smoother transition back to previous charge rates in 2028.

Risks – stockpiling of credits

57. Reducing the charge rates for an interim period increases the risk of importers gaming the Standard's settings. The greatest risk here is the stockpiling of credits.

58. Reducing the charge rates for the Standard will likely incentivise vehicle importers to stockpile the credits that they earn during this period. This is because the credits that they earn during this period will become more valuable once the charge rates return to previous levels. This will extend the impact of this policy intervention beyond the one- or two-year period that it is in effect.

59. This risk is mitigated by the fact that the number of credits that are earned has dropped considerably each year as the targets have become tighter. In 2025 the total credits earned was 2,034,171 and we expect credits earned to drop further still as targets become tighter in 2026 and again in 2027. Therefore, should vehicle importers choose to hold onto all the credits they earn over a two-year period, it is likely that the size of this stockpile will be less

[2] This assumes no behaviour change, therefore is only an estimate as it is expected that some behaviour change would occur as a result of the reduced charges.

than 4,000,000 credits, and will not significantly distort the functioning of the Standard from 2028 and outyears.

Flooding of high emitting, low efficiency vehicles into New Zealand

60. There is a risk that vehicle importers will import less fuel efficient and high emission vehicles during the period where the charge rates are significantly reduced. As illustrated in paragraph 52 above, it is expected that this interim period will result in less fuel savings and higher emissions.

61. This risk is mitigated to an extent that the price signals remain in place that prioritise fuel efficient and low emissions vehicles, and that most new vehicle distributors have limited flexibility to alter supply plans to respond to these measures. For example, supply plans for 2026 will already have been finalised by many importers.

Section 3: Delivering an option

How will the new arrangements be implemented?

62. The preferred option relies on making legislative amendments and changes to technical systems and procedures. As no significant new legalisation or systems are necessary, we consider risks of delay and delivery to be reasonably low.

63. Amendments would be needed to the Land Transport Act 1998.

64. An Amendment Paper to the Land Transport (Clean Vehicle Standard) Amendment Bill (No 2) will be introduced at the Committee of the Whole House stage. This is expected to take place in December 2025.

65. The changes to the charge rates can be made by NZTA and vehicle importers without significant changes to their current operations.

How will the new arrangements be monitored, evaluated, and reviewed?

66. A monitoring and evaluation framework is already set up and will continue.

67. The Ministry of Transport and NZTA prepare and publish monthly reports on the policy, to enable public interest and discourse on the policy:

    - www.transport.govt.nz/statistics-and-insights/fleet-statistics/sheet/light-motor-vehicle-registrations
    - www.nzta.govt.nz/vehicles/clean-car-programme/clean-car-standard/clean-car-standard-credit-reports/

68. The preferred option will be in place from 1 January 2026 for two years.