

Submission

Feedback on the Government's proposed Clean Car Standard and Clean Car Discount.
Wellington City Council
August 2019

Summary

In June 2019, Wellington City Council adopted *Te Atakura – First to Zero*, which is a blueprint to make Wellington City a zero carbon capital (net zero emissions) by 2050. The blueprint outlines key activities relating to transport, building energy, advocacy and other areas to reduce emissions that cause climate change.

Wellington City Council supports both the Clean Car Standard and Clean Car Policy. Our assessment is that the proposed policy:

- Follows proven international examples that are effective in reducing emissions whilst avoids models that are not financially sustainable (such as a straight subsidy without emission fee).
- Is timely and should contribute to reducing high national transport emissions (and Wellington City's single highest source of emissions).
- Will stimulate the business and government sectors and private individuals to shift to electric vehicles and reduce their emissions profiles.
- Is likely to result in other benefits such as substantial improvements in air quality in regions of high exhaust concentrations in major centres, including Wellington.

However, from a technical perspective, we are concerned that the proposed transition towards a zero-emission vehicle fleet may be too slow. For example, for Wellington to reach net zero emissions by 2050 under current rates of car fleet turnover (scrapped at 19 years on average), all new cars need to be EV by 2031.

While the 2025 target would represent a substantial improvement over the 2019 status quo, we have a concern that there is nothing to indicate the 2030 goal (of being zero emission only imports) is consistent with the reality of a net zero transport emissions requirement. We would support further consideration be given to either a binding or a non-binding 2035 ban on importing light vehicles powered by fossil fuels.

Any comments in return can be made to electricvehicles@wcc.govt.nz

Answers to Questions put forward by Discussion Paper

Items are worded and in the order given by the discussion document published at www.transport.govt.nz/clean-cars/

Part One: Clean Car **Standard**

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

Yes. It follows robustly tried international models. The discussion paper shows how fuel economy standards in all countries have a strong downward trajectory, and that New Zealand, without such a rule, has much higher vehicle emissions than OECD countries. Currently the only countries in the OECD without emissions standards are Australia, New Zealand and Russia, however Australia is currently planning to implement a similar standard.

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?

Yes, provided overall exemption levels and trends are closely monitored.

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.

The former (progressively lower gram targets) is most effective. Multiple targets will encourage vehicle suppliers to improve the efficiency of all their vehicles every year. A percentage of fleet approach would, negatively, result in vehicle suppliers using 'cleaner' vehicles to balance out their higher-emission vehicles.

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

No. We consider that a swifter response to the issue of dramatically rising transport emissions is required. The discussion paper notes vehicle emissions have near doubled from 1990 to 2017 and are our fastest growing emissions source. As outlined in the discussion paper, vehicle emissions are not forecast to stabilise or reduce for several years yet (due to the overall volume of vehicle sales and with high emission vehicles outnumbering low emission vehicles).

We consider that the proposed implementation timeframes should be shortened if practicable. This will help us to slow the *growth* of transport emissions and bring them down sooner.

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

Yes, because it rightly acknowledges weight affects emissions. Importantly, it makes emissions on small lightweight vehicles rigorous, which is important given their overall impact on total emissions. The weightings themselves however need to be reviewed regularly in the face of market and consumer behaviour, once known, to ensure the desired outcomes are being achieved.

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?

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?

We agree there should be a penalty.

We do not have a view on whether this is the correct price setting, however it does need to be set at the appropriate level to disincentivise breach of the fleet targets.

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

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

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

No. We are concerned about how banking and borrowing and pooling into groups may reduce the effectiveness of this policy. If the government does adopt such techniques we would favour some strong limit to its reach. For example, a 5% threshold by a given importer could be banked, borrowed, or pooled with another company, to limit the bleeding potential of these policy aspects.

If a company uses these tools to deliberately continue importing in higher emissions vehicles than what they could otherwise, then the goals of the Clean Car policies can be undermined. This aspect of policy needs very careful monitoring and agile responses if there are emerging issues.

We note international examples where such systems appear to be abused and drive unintended behaviour. For example, several American auto manufacturers severely underperform in

delivering efficient and electric vehicles, and, pay credits to over-performers such as Tesla, the net effect being a very small subset of high achievers and a general market that is delivering very little.

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. Pooling appears to be an easy method for importers to bring in higher emission vehicles. It would also add complexity to the regulatory system.

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?

Yes. We agree there should be a penalty. We do not have information on whether this is the correct price setting but would suggest it should be in keeping with other financial measures that the motor industry faces.

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.

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?

Yes, in order that vehicles can be compared easily.

Please note that most of these tests provide consumers with confusingly generous indications of how far an electric vehicle can drive. For example the 2011 Nissan Leaf has a 117 km (73 miles) tested range under the American Federal Test Procedure (EPA) and an unrealistic 175 km (109 miles) range under the NEDC framework.

In New Zealand, importers and dealers will frequently refer to whichever test has the highest figure, leading to disappointed consumers who find their car does not achieve that level of performance. For example the Tesla Model 3 New Zealand website lists “620 km NEDC” but the same vehicle on the American lists 310 miles (i.e. 598km). Ideally importers should be encouraged or required to report only using tests that reflect real world conditions.

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

Yes, regarding process. The potential alignment with a future Climate Change Commission provides legislative consistency and efficiency; the setting of a 5 year target plus 10 and 15 year indicative targets provides valuable goal posts for buyers and importers; and the ability to promptly revise any targets based on wider circumstances reflects the reality of the policy environment, especially around the need to likely hasten emission reductions.

We do however have concerns with the implication of having a 15 year target, which are proposed to apply initially for 2035, and then 2040, 2045, and onwards. For mathematical reasons, the vehicle emissions target before then would need to be zero grams CO₂ per km. The implication of the current discussion paper that some quantity of CO₂ emitting vehicles would still be permitted to be purchased new well into the future is incompatible with the net zero by 2050 requirement; in part due to long life time ownership in New Zealand, and in part because transport (which can be realistically pushed to zero emissions) will need to over-achieve for the sake of other sectors which will be harder to reduce emissions in. We would prefer the updated policy to be more up-front about the need and timing for a zero emission vehicle import milestone.

Part Two: Clean Car Discount

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

Yes, for three key reasons of fairness, purchase psychology, and financial sustainability:

1. A “polluter pays” principle is fair, especially when consumers buying environmentally friendly products are financially rewarded for doing so.
2. A discount at point of purchase has greater pull than a discount amortised over the life of a vehicle, for reasons for human psychology. The EECA consumer monitor research shows the top reason, representing why 62% of New Zealanders are *not* considering an electric vehicle, is they are not affordable. The Clean Car Discount directly addresses that key barrier.
3. A discount scheme must be financially sustainable. Foreign markets that subsidise electric vehicles without a fee on polluting vehicles are facing public and internal scrutiny. Therefore a self-funding model is considered appropriate.

The Road User Charges exemption, which if not handled appropriately could have adverse effects both before and after the introduction of the Clean Car Discount. It is also worth pointing out that EECA consumer monitor shows the top reason people consider EVs today is low running costs; upsetting this could reduce the number of people considering EVs.

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?

Yes. However the reason is because this represents a very steep rate of improvement over a very poor 2019 status quo. That *rate of improvement* is substantially steeper than any other market has attempted. The reason 105 grams is appropriate is because it will involve considerable stretch for the New Zealand market as we do lag behind all other comparable markets by a discernible margin. The ongoing rate of improvement will need to remain strong, and the grams target may need to be revised down.

As it stands, this policy states that the current proposed step is unlikely to deliver 2030 and 2050 emissions goals and more stringent targets, especially post 2025, may need to be considered.

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, noting this is 'generous', but that there is an appropriate steep rate of 'improvement' towards the policy encouraging progressively cleaner vehicles in a short space of time.

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

Yes, the levels will increase demand for low emission vehicles.

With respect to changing levels, the first principle is that the scheme must be self-financing, however it will be hard to achieve that balance until the first few years of consumer and market behaviour are understood and measured.

The second principle is that the positive and negative signals should strengthen, or at least be consistently wide apart, but certainly not weaken or narrow over time. The initial offer of \$8000 to purchase a zero emission vehicle should be maintained, with other figures adapting to accommodate this. This will also support buyers and importers to have a more consistent throughput of zero-emission vehicles; if the zero-emission discount fluctuates there will be artificial pressures to hasten purchases.

It is not clear why the financial model has steps rather than a smooth curve. Steps can create unusual customer and dealer behaviour at the boundaries of steps. A smooth curve would eliminate such anomalies. The table below could be used instead to show the given price at a point along the curve.

Finally, the ultimate purpose of the policy is to reach a zero emissions fleet. The difference in discount between a zero emission purchase and low emission vehicle (5 to 40 grams) is very minor and does not reflect the importance of zero being so much more valuable than 'low'. If the Zero Emission Band (left most green column) remains \$8000 then this issue is remedied.

The following table is taken from the discussion paper:

Appendix 4: Proposed feebate schedule for new vehicles (includes vehicles up to and including three years old)

NEW VEHICLES: CO ₂ Emissions Band (gCO ₂ /km)																	
	Hyundai Kona VW eGolf LDV EV180 van	Toyota Prius Prime (PHEV) Kia Niro (PHEV) Mitsubishi Outlander (PHEV)	Mini Countryman (PHEV) BMW 225xe (PHEV)	Toyota Prius (Hybrid)	Toyota Camry (Hybrid) Lexus CT200h (Hybrid) Audi A1 (P)	Suzuki Swift (P) Lexus IS300 (Hybrid)	VW Golf (1.4 P) Kia Rio (P) Nissan X-trail (D)	Suzuki Vitara (D) Ford Fiesta (1.5P) BMW 3 Series (P)	Toyota Corolla Ford Focus Suzuki Jimny Mazda CX-3	Mazda 6 Nissan Qashqai Audi Q7 (D) Toyota RAV4 (P)	Kia CERATO Mazda CX-5 Audi Q5 (P) Outlander (D) Outlander (P)	Mitsubishi ASX Ford Endura Honda Odyssey	Kia Sportage (P) Hyundai Tucson (P)	Mitsubishi Triton (4x4/4WD)	Toyota Hilux 4x4 Mazda CX-9 (AWD)	Ford Ranger 4x4 Holden Colorado 4x4 BMW 8 Series VS	Range Rover Nissan Patrol Toyota LandCruiser
Emissions	0 to 4	5 to 49	50 to 69	70 to 89	90 to 105	106 to 120	121 to 130	131 to 140	141 to 150	151 to 160	161 to 170	171 to 180	181 to 190	191 to 200	200 to 225	226 to 250	over 251
YEARS	Discounts										Fees						
2021	\$8,000	\$6,800	\$5,800	\$4,800	\$3,800	\$2,800	\$1,800	\$800	\$600	\$0	\$0	\$0	\$2,000	\$2,250	\$2,500	\$2,750	\$3,000
2022	\$7,200	\$6,200	\$5,200	\$4,200	\$3,200	\$2,200	\$1,200	\$200	\$0	\$0	\$0	\$1,750	\$2,000	\$2,250	\$2,500	\$2,750	\$3,000
2023	\$6,500	\$5,600	\$4,700	\$3,800	\$2,900	\$2,000	\$1,100	\$0	\$0	\$0	\$1,500	\$1,750	\$2,000	\$2,250	\$2,500	\$2,750	\$3,000
2024	\$6,300	\$5,200	\$4,100	\$3,000	\$1,900	\$800	\$0	\$0	\$0	\$1,250	\$1,500	\$1,750	\$2,000	\$2,250	\$2,500	\$2,750	\$3,000
2025	\$6,000	\$4,700	\$3,400	\$2,100	\$800	\$0	\$0	\$0	\$1,000	\$1,250	\$1,500	\$1,750	\$2,000	\$2,250	\$2,500	\$2,750	\$3,000
2026	\$5,600	\$4,100	\$2,600	\$1,100	\$0	\$0	\$0	\$750	\$1,000	\$1,250	\$1,500	\$1,750	\$2,000	\$2,250	\$2,500	\$2,750	\$3,000
2027	\$4,500	\$3,300	\$2,100	\$900	\$0	\$0	\$0	\$750	\$1,000	\$1,250	\$1,500	\$1,750	\$2,000	\$2,250	\$2,500	\$2,750	\$3,000
2028	\$4,200	\$2,500	\$800	\$0	\$0	\$0	\$500	\$750	\$1,000	\$1,250	\$1,500	\$1,750	\$2,000	\$2,250	\$2,500	\$2,750	\$3,000

We note the maximum discount begins at \$8000 and halves to \$4300. Presumably this is to create a self-financing model. However it creates too weak a gravity towards buying zero emission vehicles.

The \$8000 discount on zero emission vehicles must stay. Other values, particularly in the mid to high emission zone, should be retuned over time to protect that discount. Even plug-in hybrids, over time, as the diversity of electric vehicle cars expands, should have a weaker incentive so that buyers are truly motivated to go full electric, with the purpose being that by 2030 a vehicle purchase with any non-zero emissions is an exceptional circumstance.

The same views are made on the used car model (i.e. maintain the \$2600 discount all the way through).

Over time, fewer and fewer vehicles in this band can be permitted to be purchased. The appropriate method to do this (in concert with the Standard) is to *raise* prices on this side. This also boosts the self-financeability of the scheme. Over the decade, public awareness and sentiment is likely to support the rising of fees on the right hand side of the table.

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

Yes, this is essential. A major component of the private consumer market relies on so-called near new cars in New Zealand. Electric vehicles are even more significant in this respect. This will increase the effectiveness of the policy substantially. It also helps New Zealanders purchase newer and therefore safer vehicles, which is very important.

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

Yes.

Do you think the size of the zero band in the example feebate schedules is appropriate? If not why?

Yes, noting it will need to be quickly recalibrated following once implemented and customer and market behaviour is determined, to ensure the model is self-financing and the purchasing behaviour types of vehicles are being influenced appropriately.

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

Yes. It is essential to align to human behaviour in which the 'gratification' of a discount now is more highly prized and motivating than a discount amortised or spread over time.

That said, we make comments on the Road User Charges scheme below as we have concerns that, if Electric Vehicles were to join the RUC scheme at the same price as diesel vehicles now, there would be cases where Electric Vehicles running costs would be priced higher than some fuel vehicles, which is a perverse and unintended outcome. For that reason Electric Vehicles will need a reduced RUC rate.

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

Yes. This is very important to ensure consumers can make informed decisions. To further motivate buyers, it would help if the labelling showed where a given vehicle's fee or discount sits along the minimum and maximum possible, and, made it clear that this is linked to a vehicle's emissions profile.

Further Comments:

Points not requesting discussion but warranting our response:

We agree with a principle of a price cap (currently set to \$80,000) over which discounts are not given (i.e. vehicle would be zero rated), but over which penalties still apply. This sets the right message while recognising higher income earners do not need a discount.

Electric Vehicles Should Pay A Discounted Road User Charges Scheme (Until such time as the RUC scheme is overhauled to account for weight and emissions)

Electric Vehicles currently do not pay road user charges (and minimal fuel excise charge if they are a petrol plug-in hybrid). This is unfair given they do make use of the road and so should contribute to its funding regime, although the exemption made sense as a preliminary financial incentive to supporting electric vehicle ownership. We understand, as a reasonable estimation from the Ministry of Transport, that if electric vehicles were to pay standard Road User Charge rates, this would price them too high.

We understand any petrol vehicle better than approximately 4.2L/100km aka 96 grams per km CO₂ would cost less to drive than an electric car paying full priced RUCs. This would very nearly include small petrol cars like Suzuki Swifts, and would certainly include 'plugless' hybrids such as the various models of Toyota Prius.

Exact modelling is needed to ascertain an appropriate discount level afford to Electric Vehicles, but by way of indication, we would be suggesting the discount to be in the order of 50%, so that it sends a strong signal to the market, and, enables existing electric vehicle drivers to remain incentivised to keep driving electric, but at the same time, get used to financially contributing to the roading network.

2030 the year to strive for zero emission imports.

In June 2019 Wellington City Council adopted its Te Atakura First To Zero Blueprint and Declared a Climate and Ecological Emergency. In doing so the Council accepted the overwhelming science that New Zealand must reach net zero emissions by 2050, if not sooner, and, that emissions reductions of around half must occur by 2030. Transport accounts for 58% of Wellington City emissions so is a significant priority for the Council to address.

New Zealand vehicles last about 19 years on the road before being scrapped, on average. That means that by 2031, every car that comes in to NZ that isn't an EV, takes us away from our 2050 goal. While the 2025 target is a substantial improvement over the 2019 status quo, we have a concern that there is nothing to indicate the 2030 goal (of being zero emission only imports) is consistent with the reality of a net zero transport emissions requirement. We see this as a mathematical rather political perspective.

We are aware that Auckland has a 'Fossil Fuel Free Street' declaration and is working towards areas of its CBD being for zero-emissions-vehicles only by 2030. Whilst Wellington City Council has not yet investigated something of a similar nature, we would note that such policies would be entirely consistent with our emission reduction aims, and, would require a strong position by central government around driving electric vehicles in order to be possible.