

Clean Car Standard Consultation  
Ministry of Transport  
PO Box 3175  
Wellington 6140

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**06 September 2019**

**BMW Group Feedback – Clean Car Standard and Clean Car Discount.**

Dear Consultation Team

Thank you for the opportunity to provide our feedback to the proposed Clean Car Standard and Clean Car Discount.

The success of the BMW Group has always been based on long-term thinking and responsible action. The company has therefore established ecological and social sustainability throughout the value chain, comprehensive product responsibility, and a clear commitment to conserving resources as an integral part of its strategy.

The BMW Group:

1. Supports measures to reduce emissions;
2. Is focused on driving improvements with efficient, future-oriented technologies;
3. Reduced the CO2 emissions of its new vehicle sales in Europe by 42% between 1995 & 2018;
4. Accept regulatory standards and will use a combination of technologies to realize these goals:
5. Has enjoyed a leading market position in electro mobility via the early start in 2013 and ongoing continuous development / implementation of solutions. We currently have the broadest product offering on the market with the third generation of the BMW i3 and nine further PHEV models;

The BMW Group delivered more than 140,000 electrified vehicles to customers in 2018. We plan to have a total of 500,000 electrified vehicles in customer's hands by the end of 2019.

We will now introduce 25 electrified vehicles previously announced for 2025 by 2023.

6. Seeks to balance both the regulatory demands and the needs of our customers;
7. Are open to a long-term collaboration to realize these goals together. BMW Group has already made significant steps toward the use of electric vehicles in this country by contributing to the implementation of an electric charging network. In order to reach the proposed targets, we require the support of the government – in

**Registered Office**  
BMW New Zealand Ltd

**Postal Address**  
PO Box 9510  
Newmarket  
Auckland 1149  
New Zealand

**Address**  
7 Pacific Rise  
Pacific Business Centre  
Mt. Wellington  
Auckland 1060  
New Zealand

**Telephone**  
+ 64-9-573 6999

**Facsimile**  
+ 64-9-573 6998

**Email**  
info@bmw.co.nz

**Website**  
www.bmw.co.nz

the form of incentives and investment in the necessary infrastructure to introduce new technologies and provide solutions across all vehicle segments.

In support of the implementation of a robust government emissions strategy, the following initiatives should also be considered in tandem:

1. **Used vehicle scrappage scheme.**  
The purpose is to reduce the number of older high emitting and unsafe vehicles on NZ roads.  
Government pays a rebate for a used vehicle that is completely removed from service and scrapped. The rebate is only claimed after the purchase of a new replacement vehicle.
2. **Stricter emissions regulations for used import vehicles.**  
The purpose is to reduce the number of older higher emitting vehicles being imported into New Zealand.

Emissions regulations are made stricter in order to achieve a cleaner vehicle fleet.

BMW Group agrees that New Zealand should be a clean country with excellent air quality, and continue to maintain its green image. The Clean Car Standard should be fair and equitable to all, with no difference in the requirements between new and used import vehicles for it to be successful.

## **Clean Car Standard Feedback**

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

A fair and equitable solution is needed to guarantee environmental protection;

1. The Clean Car Standard is a good initial step and we see similar incentive schemes around the world;
2. The market dynamics must be recognised, with at least 2 used cars being imported compared to every one new car, thus the biggest levers must be addressed;
3. In order to achieve the objectives and full impact of the proposed standard, a holistic approach is needed across all vehicle segments and ownership types e.g. both new and used vehicles, small and large vehicles, and private individuals as well as companies;

However we contend that:

1. The proposed standard will put the new vehicle sector at a distinct disadvantage vs. the used vehicle import sector e.g.
  - I. New vehicle pricing will conceivably rise with the cost of investment required to meet CO2 targets. Used car importers do not have to pay for this investment.
  - II. This may reduce the number of new cars sold that have cleaner technology and drive buyers to used import vehicles based on price, thereby limiting the overall objective of the proposed standard by adding older less efficient vehicles to the overall fleet.
2. The penalties are significant and will have a business impact on both profitability and sustainability. Vehicle price increases may reduce the number of new vehicles sold with cleaner technology.

3. Any standard must be applied fairly and equitably for both the new and used vehicle sectors. The fees should be the same and not different according to the current proposal.
4. New Zealand has a vehicle fleet that averages 14+ years of age. In order to reduce the number of older less safe or efficient vehicles, a scrappage scheme should be considered.

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

1. When considering the markets current position regarding the level of emissions, it will be a clear challenge to reach the targeted CO2 values under the proposed NEDC regulations;
2. However, BMW Group is fully committed to work with Government to achieve robust, sustainable, and achievable targets;
3. BMW Group is already heavily investing into efficient, hybrid, and fully electric vehicles;
4. To ensure target achievement we must jointly educate and incentivize customers with a comprehensive set of measures across all vehicle segments and our future product portfolio, as only then will the customer be prepared to opt for new efficient technologies;
5. Government support and attention would be required with incentives and investment in infrastructure to enable the introduction of new technologies.

In the case that the proposal is passed into law, we agree with a target structure. However there is still a risk in full target achievement where greater penalties may apply based on the purchaser's decision if a greater number of higher emitting vehicles are chosen for purchase, While we will educate customers towards more efficient vehicle choices, ultimately it is the choice of the purchaser as to which vehicles they choose.

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

We believe that there will be a significant effect to the market. Customer buying behaviour is very much influenced around the world by government regulations and incentives (e.g. The Netherlands example).

The Clean Car Standard will have a steering effect towards more efficient vehicles which the BMW Group welcomes.

However we contend that:

1. The price of cars will rise due to:
  - I. The added cost of technology required to meet the targets.
  - II. Potential penalties imposed.
2. Certain model viability in market may be jeopardised.
3. Inability to share models with other markets. This is typically done from a product perspective, however such alignment may not be possible in future if markets have

differing emissions standards e.g. it may no longer be possible for NZ to take Australian models in the case that our standards are more stringent, and we require different or newer technology vehicles to meet them.

4. The residual values of the existing fleet will drop due to rebates on some new models. This will make it harder for people to upgrade to cleaner vehicles.
5. Unsold stock carry over at year end where the CO2 limit for the older model vehicle is higher, an unplanned penalty may be incurred in the following year which was not applicable in the previous year. This may reduce new car availability as manufacturers reduce stock that may fall into this category.
6. If the new and used import standards / requirements are not aligned, there is a risk that older and higher emitting vehicles are imported, thereby undermining the objectives of the proposed standard.

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

The BMW Group is fully committed to work with Government to achieve robust, sustainable, and achievable targets.

Based on the information provided in the proposal, the following must be considered:

1. To enable manufacturers to react to the implementation of government regulations, it is essential that detailed information and requirements and a sufficient lead time are provided.
2. To ensure that the standard is successful, it must be workable, and fair and equitable for all, taking a holistic approach without loopholes;
3. All market segments need to be addressed alike: new car sales, imported used cars and existing used cars in the market;
4. The existing inefficient vehicle portfolio on New Zealand roads today (average age of vehicles in NZ is 14 years vs. 9 years in Europe\*) needs to be addressed to deliver a positive impact on the overall countrywide yearly emissions;
5. Scrappage schemes in combination with CO2 regulations have been a successful tool in other countries and should be considered to assist with the overall objectives of the proposed Clean Car Standard.
6. There may be a risk that incorrect data or incomplete data is supplied by importers – who will police this and how will the data be confirmed?
7. This is open to interpretation and abuse by using incorrect or more desirable data e.g. the same model vehicles and codes can be produced for different countries and have different equipment or options and therefore different CO2. It is possible that an imported vehicle with a higher than allowable CO2 rating is listed using the local vehicles lower rating.
8. As vehicles currently use NEDC, a newer technology cleaner vehicle on WLTP can have a higher CO2 consumption rating. A conversion or allowance from NEDC to WLTP is needed.
9. A clear framework is required to ensure that importers adhere to the same standards and levels of accountability as OEM's.

10. The definition of a 'New' and 'Used' vehicle needs to be clearly defined. If a vehicle has been registered overseas it has to be imported as a used vehicle. Currently this is not always the case.
11. The emissions data should only be accepted via an official source e.g. the vehicle brands manufacturer, distributor or an authorised Government agency. This will ensure that the correct vehicle data is entered into the MVR.

Additional administration costs would be incurred for the collating and supplying of all data required in this process. This should be set at a fair price across the industry and not used as a barrier to the use of correct data for the importation of vehicles.

\*source – NZ Ministry of Transport

- **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?**

No – they should not be exempt and the standard should be fair and equitable for all:

1. The Clean Car Standard will only have a positive environmental effect if a holistic approach is followed;
2. To support the goal of a cleaner environment the standard should incentivise the introduction of efficient models and penalize the inefficient models on all imported vehicles – independent of age and channel;
3. An exemption does not make sense in our view regarding fuel efficiency targets; this will weaken the environmental effect - there are many thousands of cars privately imported each year. Exempting these vehicles will limit the effectiveness of the standard as they dilute the volume of vehicles meeting the CO2 target;
4. The overseas used car markets e.g. Japan, UK, etc. already provide many fuel efficient used cars that can be chosen for importers;
5. The importation of old and inefficient vehicles which might be cheap or unsellable in their country of origin should be avoided - NZ should not be the last station in the life of inefficient or unsafe old model vehicles from the rest of the world;
6. There are potential loopholes whereby e.g. a person could import many cars in total via 3 each purchased as relatives or friends, thus bypassing the intention of the standard and importing potentially high consuming CO2 cars with no penalty imposed. The same car imported by a registered trader or new car sector would not meet the exemption and is not equitable;
7. Loopholes would be extremely difficult to police and there would be too much scope for corruption.
8. It is our understanding that the objective of the Clean Car Standard is to reduce CO2 emissions, maintain our green image, and provide cleaner air quality for all New Zealanders, so there should not be the need for any exemptions.

- **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?**

If the standard was implemented we would prefer the multiple targets model as it is easier to align with vehicle production and technology.

Globally, BMW Group currently has 8 electrified models (fully electric and plug-in hybrid) and plans to have 25 by 2023, so this approach would support the multiple targets model.

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

Yes provided that the NZ fuel quality and RON requirements are completely compatible to the vehicle technology required to achieve the desired CO2 targets.

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

We are in support of the weight-adjusted Clean Car Standard because:

1. Motorists have differing requirements including vehicle sizes e.g. families, self-employed, etc, and the weight adjustment addresses this;
2. The CO2 value by itself does not make technological efficiency apparent;
3. The motorists requirements are accounted for and the adoption of environmentally friendly and efficient vehicles is more likely.

➤ **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?**

As vehicle manufacturers BMW Group already spends billions of dollars a year on creating safer, more efficient, and less polluting vehicles, therefore taking this into account, any penalty will have a financial impact.

1. It is one of BMW Groups strategic targets not to pay any penalties in the markets where we offer our products and we therefore wish to work with Government to achieve robust, sustainable, and achievable targets;
2. From our experience we believe incentives are a much more effective tool to achieve objectives and we do not favour penalties;
3. Customers should be incentivised to choose efficient cars equally over all vehicle classes;
4. Any penalty scheme should be fair and equitable so should be at the same level for both new and used import vehicles.

➤ **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?**

Used import vehicles are the oldest, highest polluting and most unsafe vehicles on New Zealand roads and we do not agree that the used import vehicle penalty is only 50% of the New Vehicle penalty.

1. While a used import vehicle may in be in the NZ fleet for a shorter time, the actual utilisation is the same as a new vehicle yet they typically produce more emissions;
2. Motorists need the right incentive to choose efficient vehicles – both new and used;
3. An incentive approach coupled with efficient vehicles is much more effective than

importing and then penalising old non efficient cars from other markets - overseas markets already offer modern and efficient used vehicles.

Having a different penalty structure will allow older, less efficient, less safe, and more polluting vehicles to enter the fleet at less cost than a new vehicle with better and cleaner technology. It is our understanding that the objective of the Clean Car Standard is to reduce CO2 emissions, maintain our green image, and provide cleaner air quality for all New Zealanders, therefore the penalties should be the same for both new and used import vehicles. This will contribute to a cleaner fleet.

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

Yes we agree with this approach.

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

Yes we agree with this approach as there are times when manufacturers may launch particular models in a year that are higher in emissions and this could be offset the following year.

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

Yes. Depending on the detail and operational parameters, we would support pooling or trading of credits.

Such a system however would need to be discussed regarding process and structure.

- **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?**

No. Used vehicle suppliers should not be able to leverage off new vehicle suppliers in any way.

1. In our view this would only support the growth of inefficient used vehicles vs new and efficient vehicles;
2. Taking into account the imported age of 5+ years this would not support the governments environmental targets;

- **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?**

We agree that penalties should apply in cases where deliberately supplying false data or a deliberate act of misrepresentation is proven. A clear framework as to how this would be monitored/audited is required including whether or not the penalty is on a per offence basis.

The emissions data should only be accepted via an official source e.g. the vehicle brands manufacturer, distributor or an authorised Government agency. Data accuracy would be assured and correct vehicle data entered into the MVR.

Additional administration costs would be incurred for the collating and supplying of all data required in this process.

- **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?**

As per above clear criteria, including penalties and / or disqualification should apply to those who deliberately provide false or misleading data to avoid meeting targets.

- **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. However it is important to ensure that comparisons or conversions between standards are fair, equitable, and transparent.

For vehicles tested to NEDC and JC08 there should be an internationally recognized calculation to provide a WLTP figure for vehicles tested to these standards. This should stop the higher emitters being imported by the new and used sector under inferior test cycles.

1. WLTP has been established as the new world wide method to measure fuel consumptions e.g. UK, JP etc;
2. Thus moving forward we believe WLTP is the most modern standard and should be also accepted in NZ as in other countries;
3. A common standard would make vehicle data transparent and comparable on an international basis – for new and for used vehicles;
4. Where vehicles are sold in the EU and are also coming to New Zealand WLTP information should be available.

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

The BMW Group is fully supporting the reduction of vehicle emissions;

1. Future targets will need to be considered based on the ability of the vehicle manufacturers to introduce measures in market to meet the desired targets within the required timeframe;
2. The balance between target expectation, the cost of future technology to meet the targets, and the demand of those vehicles in market allowing for the price increases to cover the cost of technology implementation must be maintained;
3. Our product portfolio clearly targets to offer more PHEV and BEV models; 25 xEV models by 2023;
4. It is important to align the regulatory requirements with customers' needs;
5. One essential element is a wide spread and available infrastructure to make new technologies viable;
6. BMW Group is happy to be a partner in the discussion and development of future regulations; **a long term outlook** is essential for us to steer our development and portfolio.



## Clean Car Discount Feedback

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

Yes. This is a good incentive to increase the more widespread adoption of these vehicles into the fleet thereby helping to reduce pollution in New Zealand.

From our experience we believe incentives are a much more effective tool to achieve objectives and we do not favour penalties.

We do not however agree with the rebate only being applicable for vehicles priced up to \$80,000.

The quoted RRP for the cheapest NZ new EV is circa \$60,000, plus additional specification. Most pricing starts at \$70,000 to \$75,000. These vehicles currently have lower production volumes but tend to be specified with many vehicle and pedestrian safety options. Taking this into account the new vehicle price can realistically climb above the \$80,000 limit very quickly.

With a goal of having a larger percentage of EV's in market, and the resulting reduction on emissions, the \$80,000 limit is counterproductive and should be removed, thereby making the scheme fair and equitable to all purchasers of these vehicles.

➤ **Is the emissions benchmark of 105 grams CO<sub>2</sub> per kilometre by 2025 an appropriate one to have for the Clean Car Discount? If not, why?**

Whatever the final agreed targets are set to for the Clean Car Standard, they should also be relative to the Clean Car Discount.

➤ **Would an initial emissions benchmark of 150 grams CO<sub>2</sub> per kilometre be suitable for the first year of the Clean Car Discount? If not, why?**

The proposed values in appendix 4 seem fair, however they need to be relative to the final agreed targets of the Clean Car Standard.

➤ **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?**

Yes definitely provided that the \$80,000 claiming limit is removed to make all EV vehicles more attractive.

➤ **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?**

The proposed zero band in the Clean Car Discount is diminishing from 2021 to 2028. In order to continue the motorist's appetite for the purchase of EV's, and the ongoing success of the policy, keeping a level of rebate from 2028 onwards should be considered.

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

No. Near new vehicles should not be considered new vehicles. Technology advancement is

included in new vehicles whereas it remains static in used import vehicles introduced to the market. Fleet CO2 emissions and safety systems will be compromised with a significant amount of older technology importation and operation.

If the vehicle has been previously registered anywhere in the world, it is no longer a new car.

➤ **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 provided that it can be appropriately regulated.

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

No. While this could work it would water down the effect the scheme has on public perception. All vehicle purchases are negotiated with the dealer and there would be a danger this rebate would be lost in the purchase activity. Our preferred option would be that it is claimed or paid by the owner after the vehicle is first registered. This would be between the vehicle owner and the administrator (NZTA).

➤ **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?**

Yes. Fees and rebates should be displayed on the vehicle.

Kind regards  
BMW Group New Zealand

  
Mark Metcalfe  
Head of Aftersales

  
Karol Abrasowicz-Madej  
Managing Director