

20 August 2019

Ministry of Transport

PO Box 3175

Wellington 6140

By email: cleancars@transport.govt.nz

Dear Sir/Madam

Submission on 'Moving the light vehicle fleet to low-emissions: discussion paper on a Clean Car Standard and Clean Car Discount' (the Paper)

Summary

1. Orion welcomes the opportunity to submit on the Paper.
2. Reducing transport emissions is well recognised as one of the easiest means that New Zealand has to significantly reduce its carbon emissions. With the benefit of New Zealand's predominantly renewable energy system, by changing light vehicles from petrol/diesel vehicles to zero emission vehicles we have the potential to remove up to 13% of New Zealand's total gross emissions.
3. We therefore believe that if we're to decarbonise and achieve New Zealand's Paris accord targets, it is sensible to do all we can as a country to encourage low emission vehicles, be they electric, hybrid or hydrogen.
4. Given this belief, the Ministry's Clean Car Standard and Clean Car Discounts are prudent and overdue policy measures that we fully support (subject to some suggestions to the detail of the policies). The fact that we are only one of two OECD countries without a vehicle emission standard (the Ministry states Russia is a third such country, but Russia is not a member of the OECD) is in particular a policy area that is well overdue for overhaul.

5. However, we believe the Ministry is not going far enough with its proposals. According to the Paper, implementation of the Clean Car Standard and Clean Car Discounts will still not get transport emissions low enough, and quick enough, for New Zealand to meet its Paris targets. Consequently we believe the Ministry should be putting forward even more aggressive emission reduction policies for debate and consultation.
6. In our mind, it is somewhat futile for the Government to be setting a target on one hand, and signing up to such targets internationally, and then only consulting on measures which it knows won't get us to that target. We believe there is a need for leadership and some bold actions.
7. One such bold action would be a policy that effectively prohibits newly imported 100% petrol and diesel cars by a certain date. As the Ministry will be aware, one-quarter of the OECD have already implemented such actions from dates ranging from 2025 to 2040. We believe that New Zealand should be debating whether we too need to join the list of countries taking this policy approach.
8. To help contribute to this debate, Orion engaged respected consultants Concept Consulting to assess the net economic value to New Zealand of such an action. Concept Consulting examined measures of all new cars imported into New Zealand being zero emission, or having significant zero emission capability, by 2040, 2035 and 2030. With respective discounted economic benefits of \$8bn, \$18bn and \$30bn to New Zealand over and above a business-as-normal approach to low emission vehicle adoption, we believe there is clear financial benefit, as well as environmental, of more aggressive policy measures.
9. Consequently **we urge the Ministry and the Government to seriously examine the policy measure of all new cars imported into New Zealand being zero emission, or having significant zero emission capability, by a date between 2030 and 2040.**
10. The Concept Consulting report is attached and Orion will also be making it available on our website. We hope that it helps decarbonisation efforts and debate.
11. Our detailed comments on the Clean Car Standard and Clean Car Discounts policy measures are set out below. To repeat, we support these measures subject to the comments made below.

Clean Car Standard

Is the Clean Car Standard appropriate for New Zealand?

12. Our unequivocal answer to this question that the Ministry asks is yes. New Zealand needs a Clean Car Standard and implementation of it is long overdue. Our current transport emissions wouldn't be nearly as high as they are now if New Zealand had followed many other countries leads to implement such standards years ago.

Is the average emissions target of 105 grams CO₂ per kilometre by 2025 an appropriate target for New Zealand?

13. The following key facts from the paper are relevant:
- “The light vehicles that enter New Zealand over the next five years will lock in emissions until at least 2043. This is because a new vehicle is driven until it is, on average, 19 years old.” (page 8)
 - “We are proposing an emissions target of 105 grams of CO₂ per kilometre to be achieved by 2025. The emissions target would be phased in over five years. In 2021, vehicle suppliers would only be required to report the emissions of the vehicles they import” (page 10)
 - “In 2014, the average emissions of new light vehicles manufactured and registered in Japan met the proposed target of 105 grams CO₂/km. This is 10 years ahead of the full phase in date for New Zealand's standard. The Japanese passenger vehicle fleet is now trending to achieve an average of 82 grams CO₂/km by 2020” (page 12)
14. Based on the above facts, it would appear difficult to suggest that New Zealand is being over aggressive in the adoption of an emissions standard. By 2025, the proposal puts us only at the point Japan was at in 2014. And the standard is not actually proposed to be implemented until 2022, as 2021 has only a reporting requirement.
15. Adopting a policy that in 2025 puts New Zealand a whole 11 years behind Japan vehicle emission levels doesn't seem to reflect the drastic and quick action that needs to occur on reducing emissions. Given, in 2017, around 70 percent of new light vehicles and 95 percent of used light vehicles that entered the New Zealand fleet were sourced from Japan, we question the argument used by some that vehicle supply issues make emission level targets difficult, and suggest a policy that places New Zealand closer to Japan's fleet levels faster would be possible.

16. We do not believe the emissions standard is being implemented quick enough and aggressively enough. Would an emissions target of 105 grams CO₂/km by 2024 or even 2023, with a starting year of 2021 (with reporting in the last six months of 2020) not be achievable? Given new vehicles imported into NZ remain on our roads for 19 years a slightly faster implementation of the Clean Car Standard will make a significant difference.
17. We also suggest that the Ministry consider putting a cap on the emission level of each individual vehicle that can be bought into New Zealand. In other words, there is a combined average emission requirement (e.g. average 105 grams CO₂/km) with a further requirement that no single vehicle has an emission level greater than some cap level (say 150 grams CO₂/km). This cap level could vary depending on the class of vehicle imported and be reduced over time.
18. The main benefit of establishing a cap on individual vehicle emissions is to ensure that ‘very poor performers’ are excluded from entering the national fleet – it sets a bottom line of achievement. We believe this is particularly important given the long life of New Zealand vehicles – on average 19 years.
19. This cap limit could be introduced independently of and before the remainder of the Clean Car Standard. i.e. the cap could be introduced with only say 6 months notice or by say mid-2020.

Clean Car Discount

20. Given the greatest barrier to low emission vehicle adoption is the current relatively high capital cost of low emission vehicles and given the success witnessed in Norway of policies to lower the price of electric vehicles, so they more closely match that of petrol/diesel cars, we agree in principle with the Clean Car Discount scheme.
21. However, we believe implementation dates are conservative.
22. The proposal is that the “Clean Car Discount will be timed to replace the exemption from road user charges that applies to electric vehicles. For light vehicles the exemption applies until December 2021” (page 26).
23. We see problems with this delayed implementation.

24. It is highly likely that the Clean Car Discount scheme will result in some drivers delaying their purchase of a low emission vehicle until after the scheme is introduced. For instance, if the scheme is targeted to be introduced in Dec 2021, and someone was thinking in early 2021 of purchasing an EV, a potential \$8,000 discount for waiting say 9 months may sway them to hold off their purchase decision. The impact of this sort of delay is that the penetration rate in the next couple of years of low emission vehicles in the fleet will be reduced.
25. Consequently, we believe that the Clean Car Discount should be brought in at the earliest feasible point. Ideally this would be in 2020 but if this is not achievable then early 2021 at the earliest.
26. We also support any efforts to 'gradually' introduce the Clean Car Discount before 'full implementation'. For instance, could someone who purchases a newly imported low emission light vehicle before 'full implementation' of the Clean Car Discount, be able to retrospectively claim for the discount? i.e. they buy a low emission vehicle in 2019, and only after Dec 2021 apply for a retrospective payment of the discount.
27. All measures that encourage low emission vehicles into New Zealand's fleet sooner – remembering that a new car imported stay on our roads for 19 years on average – need to be considered.
28. We also note that the general consensus of international experts is that EVs will be capital cost neutral with equivalent petrol vehicles by the mid 2020's. When, Concept Consulting, in the low emission value paper commissioned by Orion and attached to this submission, considered the lower costs of operation of an EV, they concluded that from a whole-of-New-Zealand perspective EVs will become cheaper than internal combustion engines for light vehicles on a total lifetime cost basis by 2021. And from, a consumer (i.e. vehicle owner) perspective the breakthrough point for lifetime cost neutrality is around 2023-2024. Concept noted that these values for when EVs are likely to be cheaper than internal combustion engines are consistent with (indeed slightly more pessimistic than) recent studies by Bloomberg New Energy Finance and McKinsey & Co.
29. This means that if the Clean Car Discount is only implemented in Dec 2021, within a very short space of time EVs will likely become lower cost transport solutions for New Zealand than petrol or diesel vehicles, even before any subsidy is applied.
30. This tends to suggest that if the Clean Car Discount is to have a net positive impact, recalling it is likely to have an initial negative impact of delaying low emission purchases, then an earlier implementation than December 2021 is needed. Implementation in December 2021 of the Clean Car Discount is likely to be too little, too late.

Concluding remarks

31. Given New Zealand's high renewable electricity percentage, solid electrical infrastructure and driving habits, a focus on lowering transport emissions is one the easiest and best methods New Zealand has to decarbonise.
32. Consequently we support in principle the Ministry's Clean Car Standard and Clean Car Discounts policies. They are a good first step and we encourage the Ministry to advance the implementation of each of the policies
33. However, as implementation of the Clean Car Standard and Clean Car Discount policies will still not get transport emissions low enough, and quick enough, for New Zealand to meet its Paris targets, we urge the Ministry to consider other means to achieve New Zealand's transport emission goals.
34. We believe that the Ministry should consider and consult on implementation of a policy measure of all new cars imported into New Zealand being zero emission, or having significant zero emission capability, by a date between 2030 and 2040. Our report shows this would have enormous financial benefit to New Zealand, and it would help New Zealand reach our 2030 and 2050 emission targets.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rob Jamieson', with a stylized, flowing script.

Rob Jamieson
Chief Executive Officer