

Legislative Statement for the Land Transport (Clean Vehicles) Amendment Bill

Second Reading

Presented to the House of Representatives

In accordance with Standing Order 272

Introduction

1. This legislative statement supports the second reading of the Land Transport (Clean Vehicles) Amendment Bill (the Bill). The Bill aims to achieve a rapid reduction in carbon dioxide emissions from light vehicles imported into New Zealand. It seeks to do this by influencing the supply of and demand for zero- and low-emissions vehicles. The Bill establishes the broad legislative framework for the *clean vehicle standard* and *clean vehicle discount scheme*, while providing for the details of these policies to be set by regulation.
2. The *clean vehicle standard* will apply to importers of new and used light vehicles, to increase the supply and variety of zero and low carbon dioxide emissions vehicles available for purchase in New Zealand. Vehicle importers will be required to meet carbon dioxide emissions targets on the vehicles they import, and charges will apply if those targets are not met.
3. The *clean vehicle discount scheme* includes the provision of a rebate on the first New Zealand registration of zero and low emission vehicles and the imposition of charges on the first New Zealand registration of higher emission vehicles. Rebates were first available from July 2021 and charges may be imposed by regulation under new empowering provisions in the Bill.
4. Key provisions in the Bill will:
 - a. ***Establish the legislative framework for the clean vehicle standard.***

The Bill inserts a new Part 13 into the Land Transport 1998 (the LTA) to provide for the clean vehicle standard. New Part 13:

- Defines key terms relating to the clean vehicle standard.
- Specifies the targets for reducing carbon dioxide emissions that will apply to vehicle importers from 2023 to 2027. Targets for beyond 2027 may be set by regulation.
- Establishes the compliance regimes that will apply to category 1 and category 2 light vehicle importers.
- Prescribes charges for importers that exceed applicable targets and who do not have sufficient credits in their carbon dioxide account to offset the excess emissions.

- Allows vehicle importers to transfer carbon dioxide credits and bank an overachievement for the following three years and allows category 1 light vehicle importers to defer an obligation until the following year.
- Requires vehicle importers to hold a carbon dioxide account and provides for the operation of these accounts.
- Provides for information gathering and enforcement powers to protect the integrity of the standard.

b. ***Create new empowering provisions for secondary legislation to support the clean vehicle standard and clean vehicle discount scheme.***

The Bill inserts the following new empowering provisions into the LTA:

- New section 167A empowers regulations to impose fees and charges for the purposes of the clean vehicle discount scheme, in relation to the carbon dioxide emissions of new and used light vehicles. Before recommending regulations, the Minister must be satisfied of a number of factors, including that the fees or charges are appropriate to sustain a scheme designed to increase consumer demand for zero- and low- emission vehicles and decrease consumer demand for high-emission vehicles.
- New section 167B empowers regulations to impose charges on vehicle importers if they do not include, among the vehicles they import in a calendar year, a minimum proportion of vehicles with zero carbon dioxide emissions.
- New section 167C empowers regulations to prescribe certain matters relating to the establishment and implementation of the clean vehicle standard. This includes prescribing any vehicles excluded from the standard, processes for approval, suspension or revocation of a person as a category 1 light vehicle importer, setting targets for any calendar year beyond 2027, prescribing procedures and requirements for banking, deferring and transferring carbon dioxide credits, and prescribing for matters related to carbon dioxide accounts.

c. ***Provide for the funding and administration of the clean vehicle discount scheme.***

The Bill amends the Land Transport Management Act 2003 (LTMA) to establish the funding framework for the clean vehicle discount scheme. The amendments create a permanent legislative authority to provide funding for the purposes of the clean vehicle discount scheme up to the same amount as the revenue received from charges paid pursuant to regulations made under new section 167A. Amendments to the LTMA also specify that administering the clean vehicle discount scheme will be one of the functions of Waka Kotahi New Zealand Transport Agency.

d. ***Provide for regulations to prescribe vehicle labelling requirements to support the clean vehicle discount scheme.***

The Bill amends the Energy Efficiency and Conservation Act 2000 to insert a new empowering provision into section 36 which provides for regulations to prescribe vehicle labelling requirements in terms of carbon dioxide emissions, and any rebates receivable or charges payable.

5. The Bill was introduced to the House on 8 September 2021, had its First Reading on 21 September 2021 and was then referred to the Transport and Infrastructure Committee (the Committee). The Committee received 152 submissions and heard oral evidence from 28 submitters and reported back to the House on 22 December 2021.

Changes to the Bill proposed by the Committee

6. The Committee has recommended the following changes to the Bill:
 - a. That section 155(1) of the LTA is amended to allow rules to prescribe requirements for information and data related to vehicle fuel or energy consumption, efficiency or carbon dioxide emissions, and to provide formulas or methodology for determining these things.
 - b. That clause 5, sections 167A and 167C are amended so that regulations may provide for any unpaid charges under the clean vehicle discount scheme or clean vehicle standard to be recoverable as a debt due to the Crown.
 - c. That clause 5, sections 167A to 167C are amended to provide that before recommending the making of regulations for the clean vehicle discount scheme or the clean vehicle standard, the Minister must consult such persons as the Minister considers appropriate.
 - d. That clause 7, section 172 is amended to provide that use of a vehicle for a purpose connected with its manufacture or sale does not impact its status as a 'new' or 'used' light vehicle for the purpose of the clean vehicle standard.
 - e. That clause 7, sections 173 and 187 are amended to provide that vehicles are imported at the time they are certified for entry under the LTA, rather than the point at which they are issued, for the first time, with evidence of vehicle inspection.
 - f. That clause 7, section 174(2) is amended to provide that carbon dioxide emissions for the purposes of the clean vehicle standard and clean vehicle discount scheme are determined in accordance with regulations or rules made under the LTA, rather than by the vehicle manufacturer.
 - g. That clause 7, section 174(3) is amended to provide that where the carbon dioxide emissions of a vehicle have been determined using a test procedure other than the approved test cycle, regulations or rules under the LTA may set out how to determine the carbon dioxide emissions. This may include estimating the emissions that would have been expected if the vehicle has been tested using the approved test cycle.
 - h. That clause 7, sections 180 and 184 are amended to provide that vehicle importers cannot transfer carbon dioxide credits between a carbon dioxide account that relates to new vehicles and an account that relates to used vehicles.

- i. That clause 7, section 189 is amended to allow vehicles importers that import both new and used vehicles to hold a carbon dioxide account that relates to new vehicles and one that relates to used vehicles. Previously the Bill prevented importers holding multiple accounts.
- j. To insert a new provision into clause 7 requiring, by 30 June 2024, the Minister to initiate a review of the targets for reducing carbon dioxide emissions, taking into account specified matters including the anticipated impact of the targets on vehicle carbon dioxide emissions, vehicle safety, and the affordability and availability of vehicles.

Conclusion

7. The amendments in the Bill establish the legislative framework for measures designed to influence both the supply of and demand for zero- and low- carbon dioxide emissions vehicles, in order to achieve a rapid reduction in the carbon dioxide emissions from New Zealand's light vehicle fleet.

Hon Michael Wood
Minister of Transport