RE: SUBMISSION - ZERO CARBON BILL: OUR CLIMATE YOUR SAY

Introduction

1. This submission is made by Drive Electric Incorporated (DE). DE represents a member base comprising new car OEMs, used car importers and distributors, infrastructure organisations (electricity generators, distributors and retailers, electric vehicle service equipment suppliers) and electric vehicle users, and is an advocacy organisation for the uptake and mainstreaming of electric vehicles (EVs) in New Zealand, as well as seeing NZ become more energy independent.

2. In general DE supports the Zero Carbon Bill: Our Climate Our Say discussion paper, and the inclusive process it has undertaken to create this document.

3. DE has brought together feedback from our board members who represent all aspects of the converging EV industry, to inform our submission to the Ministry.

4. DE considers that there is a strong opportunity linked to decreased environmental costs in the next decade, through the uptake and mainstreaming of electric vehicles in NZ. In addition to the obvious wider economic benefits (WEBs) in the areas of air quality and health, NZ also stands to benefit from decreased oil imports and increased energy independence.

5. DE’s members’ recognize that the adoption of EVs (in its widest sense, so both Plug-in Hybrid EVs (PHEVs) and Battery EVs (BEVs)) represents the greatest opportunity to reduce transport emissions.

2050 Target (Questions 1-4):

1. DE supports setting legislation now, this enables the current Government to act on this legislation within the term with targeted initiatives.

2. Clearly transport has its part to play in reducing the carbon levels given transports 19.1% share of CO2 generation. We agree the burden sharing needs to be equitably distributed over all areas so all sectors ‘do their bit’ as transport does. Therefore DE supports the ‘Net Zero Emissions’ option, however suggests considering a targeting and reporting scheme by the Commission to indicate progress against the long-lived gases and stabilized short-lived gases option.

3. DE supports the ‘Domestic emissions only’ option. The reasoning for this response is that international trading schemes will one day be abolished and we will need to make up the difference in time. Ultimately this drains the funding from innovation in the short term to pay for credits, which is what NZ will need to “cross the divide” particularly in our transport and agricultural sectors (given the need for a mass market approach in both those sectors).

4. DE agrees that ‘yes’ the Zero Carbon Bill can be revised if circumstances change, as long as the target can be brought forward if needed and 2050 is agreed as the absolute back wall timeframe.
Emissions budget (Questions 5-8):

5. Yes, DE supports the proposal of three emissions budgets of five years each. DE notes that this has the potential to reduce the variability generated through electoral terms.

6. Yes, DE notes that technology and innovation change could result in a refocusing of resource into high value targets (such as electric shipping/domestic air travel), clarity in the reprioritisation should be created by setting the next budget in advance.

7. Yes, DE supports this option however, the structure of the budgets should be considered in order of agreed priority. As mentioned above, if the Net Zero target places higher priority on the long-lived greenhouse gases, a reprioritisation within the second term budget should demonstrate efficacy against those priorities.

8. Yes, however DE would add on the social front, the impact of global social macro-trends, such as the “share economy” for example which could dramatically shift our thinking around peer to peer transactions - notably in transport with opportunities in ride-share and co-transport. These have the ability to either amplify or negate the impacts of proposed net-zero activity and should be taken into account in budget activities.

Government response (Questions 9-10):

9. Yes, DE agrees the Zero Carbon Bill requires Government to set out plans within a certain timeframe, and again suggest that a high value target / prioritise list should be created to carry time-based expectations.

10. The Government should seek to develop or leverage existing groups (such as DE) to consult on and support the prioritisation of efforts to achieve government targets within a certain greenhouse gases emissions priority list. For example, in transports case, once the budgets are defined based on apportionment and priority, these groups become tasked with defining a meaningful activity, targeted programmes and reporting frameworks for tracking progress.

Climate Change Commission (Questions 11-13):

11. Yes, DE supports this approach and as mentioned in question 10, the Commission should consider sub-committees within targeted industries who would feed into the commissions goals.

12. The Commission should, to a degree, ensure the NZ ETS doesn’t cut across the efficacy of a longer term transition towards Net Zero Emissions - in effect, ensuring an NZ ETS doesn’t mask a problem which ultimately will need to be addressed. Others set caps on the amount of trades within certain sectors etc. and governs the overall outcome of the ETS.

13. Yes – DE agrees and as mentioned above, suggests the Commission should consider sub-committees (i.e. sub-committees on transport which could be made up representatives from of a body of organisations all in aim of reducing emissions from transport including for example DE, MBIE, NZTA, MoT, EECA, MIA, VIA) which would ensure coordination of activity between these bodies. (NB. Ministry of Transport has an EV Programme Leadership Group, who’s terms could be expanded to cover vehicle emissions - the group is representative of the bodies mentioned).

Adapting to the impacts of climate change (Questions 14-16):

14. Yes, DE agrees adapting to climate change should be included. Adaptation could act in effect like a national ‘change management’ which would assess the impact of the changes proposed by each sub-committee and the overall impact on the wider stakeholder audience (i.e. low income, import sector, housing, oil & gas workers etc.) and investigate/propose mitigation for those disproportionally affected - this group could also work laterally to support programmes across other government groups to enact the adaptation activities.
In addition to the above submission:

1. DE notes that the impact from EV’s is seen as “moderate” versus other actions so the Government still needs clear actions to stimulate the uptake of EV’s, for example; FBT relief measures, agreeing a proportion of EVs within Government fleets, adopting emissions regulations to get rid of the high-emitting vehicles on the roads are some suggestions that would all make a positive start.

2. DE would like to acknowledge that there are already several positive government interventions to support EV uptake such as exemption of road user charges, procurement of EVs for government, supporting the roll out of charging infrastructure and a contestable fund of $6 million per annum to encourage uptake and innovation. As DE member organisations have previously stated, these policies should continue, but linked to some clear and measureable targets or KPIs. However, at some point EV users, as well as all road users (consider cyclists also) will need to pay their share of road infrastructure costs, and this transition will need to be well managed and signaled early, so that consumers can make informed choices, knowing future cost imposts.

3. DE member organisations support introducing:
   a. Vehicle emissions standards – New Zealand is one of the few developed countries without vehicle emissions standards. Introducing standards is warranted, and will reduce the risk of New Zealand becoming a dumping ground of high-emitting vehicles from overseas.
   b. A price feebate scheme – through which importers would either pay a fee or receive a rebate, depending on the emissions intensity of the vehicle. A feebate should be technology neutral and, apart from administrative costs, fiscally neutral for the Crown.

4. These measures would need to be carefully designed and to the extent possible any regressive impacts on low income households would need to be avoided or mitigated. In particular, the price of EVs and their uptake by different household types will need to be monitored for any negative impacts on the mobility of low income households. This will especially be the case if cheap fossil-fueled transport ceases to be available.

5. DE recommends introducing an initiative to address the age of the NZ light vehicle fleet, as it is one of the oldest in the world. This might require higher incentives for those driving such vehicles, should they switch to a low emission and/or electric vehicle. A ‘cash for clunkers’ programme with a low emission twist. This would also have a positive side benefit in also removing unsafe vehicles from the NZ fleet (1 and 2 star vehicles).

6. While some of our Members would not be opposed to an explicit goal to phase out the importation of fossil-fuel vehicles, we as an organisation consider getting the price incentives right, to be far more important, and that with the right incentives, businesses and the public will transition along the most efficient path and avoid the potential shock that reaching a hard deadline might create.

7. DE wishes to highlight that NZ is a technology taker and no OEM produces light vehicles solely for the NZ market - we are simply too small. So, as a technology taker, we will receive products primarily based on those sold in the UK and Japan - the major RHD markets of the world.

8. DE advocates the idea of implementing Project ‘Switch’, a programme expounded to Ministers and Government, which encourages the government to offer companies Fringe Benefit Tax (FBT) relief on new EVs for a period to accelerate EV uptake in corporate fleets (and potentially GST for individuals). Put simply, the incoming fleet EV should pay the FBT based on the new car value of the fossil fuel vehicle exiting the fleet - currently EVs are significantly more expensive than their fossil fuel equivalent vehicle size e.g. Toyota Corolla and Renault Zoe EV.
9. Currently, the 29 lines companies allocate the costs of running, maintaining and expanding their networks to customers in a range of different ways but the dominant methodology is to allocate network costs on a variable, per kilowatt hour basis. Variable charging like this is poorly aligned with the true drivers of network costs (largely based on peak demand and fixed costs) and is not providing realistic or efficient cost signals to customers, particularly the adopters of new technology like EVs. This means the pace of electric vehicle uptake is reduced, with significant costs to the country and potentially 37 percent higher emissions from the light vehicle fleet by 2050 (see Concept Consulting Driving change (2018)).

10. DE would like to emphasize the importance of ensuring sufficient provision of charging infrastructure and suggests that we need both the increase in the number of charging facilities available as well as a lift in the charge capacity “a nationally recommended standard” – it is already known that 150kW plus will become the standard for a “fast or rapid charger” from 2019.

11. It is easy to assume that private organisations are taking care of this and to some extent they are. Rapid charging stations have been deployed across NZ, so a backbone exists. But further options exist. For example, DE has suggested that organisations such as KiwiRail and NZTA could consider logical EV charging points along their land corridors. In addition to this, local councils and RCA’s could allow for such infrastructure in the LTP’s, enabling the private sector further augment.

12. DE also believes a closer look at regulation for charging installations is needed. Newer EVs with longer ranges are coming, a trickle charge from home power-points, will take 4 days to charge such a vehicle. This would be unacceptable to most owners so they will want to create a faster charging solution in their home and/or place of work, or both. Having a fuel station in one’s home could generate perverse outcomes if charger standards, certifications and installations go unchecked. Worksafe NZ should be approving such infrastructure for home, and it should be smart charging that can be managed from afar, and controlled if necessary, like a hot water cylinder for example. This way we futureproof housing stock and ensure consumers aren’t dumped with cheaper unreliable and unsafe options.

13. DE suggests that rebates for charger installations should be considered for commercial application and the consideration of GST exemption or similar for domestic installation.

14. A road map is required so that some clarity can be given to EV owners as the future roll out of EV’s and related charging infrastructure. This would ensure standards are adopted, and a charging network is developed that will meet the expectations of EV owners.

15. New technology will be critical to reducing New Zealand’s emissions and the country must remain flexible to take advantage of them as they emerge. Advances in E-Buses, E-Ferries, E-Heavy Transport and Light Rail are continual, however, there needs to be a mechanism to make sure those making the decisions are fully aware of developments. A screening process is necessary to ensure that as evolutions in public transport are taking place, they are being considered and incorporated in the public transport infrastructure. There is some scepticism still on KiwiRail’s decision to retire electrification of the main trunk line between Palmerston North and Hamilton, for freight movements.

Summary

16. DE’s members recognize that the adoption of EVs represents the greatest opportunity to reduce transport emissions in NZ, and ties to our reason for being.

17. With it EV infrastructure is rapidly becoming part of the New Zealand’s critical infrastructure DNA.

18. DE welcomes the opportunity to help educate and facilitate this change, particularly with New Zealand’s corporate fleet transition.
I, and members of our Board, would be very happy to discuss any of these points in further detail if this would be of benefit to the project.

Yours sincerely,

[Signature]

Mark Gilbert
Chairman
DRIVE ELECTRIC INCORPORATED