MTA Submission

To the

Ministry for the Environment

on

Te hau mārohi ki anamata - Transitioning to a low-emissions and climate-resilient future

24 November 2021

Dear Sir / Madam

Submission: Te hau mārohi ki anamata - Transitioning to a low-emissions and climate-resilient future

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Thank you for the opportunity for MTA to provide comment on transitioning to a low-emissions and climate-resilient future regarding the views of and its effect on the automotive industry.

Yours sincerely,

Greig Epps
Advocacy & Strategy Manager

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About the Motor Trade Association (MTA)

The Motor Trade Association (Inc) (MTA) was founded in 1917 and in 2017 celebrated 100 years of trust with the NZ motoring community. MTA currently represents over 3,800 businesses within the New Zealand automotive industry and its allied services. Members of our Association operate businesses including automotive repairers (both heavy and light vehicle), collision repair, service stations, vehicle importers and distributors and vehicle sales.

The automotive industry employs 60,000 New Zealanders and contributes around $3.5 billion to the New Zealand economy.

MTA Position in the climate change discussion

MTA, through the depth of its expertise and networks, is a motor industry champion that:

- recognises the need for pragmatic action to reduce emissions to limit climate change
- recognises that the take up of low emission vehicles (LEVs) and electric vehicles (EVs) is an important (but not the only) part of that action
- has the expertise to lead in defining:
    - future uptake of low emission vehicles including EVs
    - motor industry emission reduction targets.

MTA acknowledges that carbon-based transport emissions are a large share of all greenhouse gas emissions. The heavy reliance placed on the transport system means that any transition must be practical – workable and fair – for all New Zealanders.

New Zealand must look at all policy options, adopt all possible technologies, and influence all relevant actors (Government, business, and consumers). We must especially look at the existing fleet, because this is the source of the bulk of our emissions. Tweaking the mix of vehicles coming into the country will only slowly move us towards better outcomes.

The Government has placed the onus on the motor industry to achieve emission reductions in five years that other countries have worked towards for over 20 years. We need to be clear about the timing and implementation of all relevant policies to ensure a just transition to a low carbon economy. The order in which policies are implemented will also be key, as the impact of one policy being realised before others may lead to unjust transition outcomes.

Businesses require a stable, predictable policy environment to enable investment in ways that deliver on the country's 2050 climate targets. Policymakers and industry can influence EV take up beyond 2030 by putting in place the right settings before that time. MTA is not seeking to scuttle plans, rather we want realistic plans implemented over realistic timeframes.

Key recommendations

In our submission to the Climate Change Commission in March 2021, MTA highlighted some key policy recommendations relating to addressing emissions reductions. We highlighted many of the same suggestions in response to the Ministry of Transport's consultation on its proposed *Pathways to Net Zero by 2050*. We now reiterate our views in response to this further consultation designed to seek views to shape the development of New Zealand's Emissions Reduction Plan:

1. **Technology:**
    a. No ICE ban – we should continue to leverage improvements in internal combustion engine (ICE) drivetrain technology for as long as possible.
        i. *Changing demand among consumers through education and incentives will ensure products are sourced to meet demand. Other disincentives, such as rising fuel prices (due to ETS and/or biofuel components), and positive policies such as improving public transport, will help modify behaviour.*
    b. Encourage emissions reductions through a mix of fuels and drivetrains (hybrid, plug-in hybrid electric vehicle (PHEV)), biofuel blends in the main fuel supply, hydrogen in heavy transport, etc).
    c. Support the roll-out of accessible and convenient charging infrastructure (by location and easy-to-use consumer payment systems).
2. **Behaviour:**
    a. Provide targeted financing packages to support household uptake of low emission vehicles (purchase support incentives, tax breaks, etc).
    b. Introduce a coordinated end-of-life waste programme for vehicle scrappage, which includes interlinking existing or to-be-developed waste management schemes and a financial incentive to vehicle owners to dispose of older vehicles.
    c. Introduce an emissions testing regime for in-service vehicles in the existing fleet to ensure all drivers are better educated about the emissions profile and impact of their vehicle.
    d. Introduce accelerated depreciation allowances for industry fleet vehicles, Government vehicles and rental fleets, to facilitate the supply of the used EV fleet for household purchase.
    e. Introduce differential road user charges to incentivise take up of low CO_2 emission vehicles including hybrid (ICE/Electric) and EVs.
3. **Regulatory:**
    a. Coordinate the timing of import restrictions on vehicles with the expected roll-out of alternative transport options, such as improved public transport and active modes (cycling)
    b. Coordinate product stewardship schemes to assist with the smooth implementation of an end-of-life vehicle disposal scheme.
4. **Mitigating risks:**
    a. New technologies will require new skills and may draw new candidates to the automotive industry. Government should implement permanent support for

firm-based training, such as 'Apprenticeship Boost', to facilitate more workplace training to service and repair the new-tech vehicle fleet.

b. Develop a support plan for Just Transition for affected businesses.
c. Recognise the supply chain risk - New Zealand sources vehicles from offshore supply with time lags in the case of used imports. An ICE ban would restrict the supply options available for businesses and communities. ICE solutions will remain sole viable options for a long time, especially in industry and agriculture.

While we are already seeing some of these initiatives become a reality, the time for planning has passed, we need to act now.

Just Transition and influencing consumer behaviour

The biggest influence on achieving New Zealand's low carbon goals will be consumer behaviour. We must ensure those unable to afford EVs or lower emitting vehicles are not stigmatised and targeted by those who can. We must also provide them with options to enable them to contribute to carbon reduction in their own way (eg a lower emission vehicle than their current car, or education and support to have their vehicle serviced to mitigate any emissions deterioration from age and wear and tear).

If, as we project, there is a limited supply of EVs, then consumers will have no choice but to turn to penalty-incurring ICE vehicles. The penalties will subsequently increase the price of ICE vehicles in the market; if this further suppresses demand then many people will stay in their old, carbon-emitting, unsafe cars. They are also unable to switch currently to alternative forms of transport, such as public transport, because it is simply not there.

MTA critique of ERP consultation

MTA agrees with the need to act and move to a low emissions future. However there have been several consultations on the same issues and little action by Government. The time for planning is over and we ne need to act now. Industry has told Government what is achievable, let's focus on realistic targets and pragmatic action.

The consultation document is very high level and vague. We need clarity and certainty on our next steps. There is no concrete detail in the proposals. Multiple parts of society have been asked for input, but there appears to be no discussion on how Government will synthesise and makes plans on that input.

Minister James Shaw has made numerous references for the Emissions Reduction Plan to be a "co-designed" process as did the consultation document. However, this high-level discussion document appears to be the last opportunity for engagement before the final release of the Emissions Reduction Plan in May 2022. Essentially, Government is "crowd sourcing" policy but not consulting on the results of this survey of a wide number of stakeholders.

There is little to no mention of what New Zealanders can do now to reduce emissions.

Consultation Questions

1. Do you agree that the emissions reduction plan should be guided by a set of principles? If so, are the five principles set out above the correct ones? Please explain why or why not.

MTA supports the principles in *Te hau mārohi ki anamata*.

A fair, equitable and inclusive transition is non-negotiable; people who already experience social/economic disadvantages will be affected as will businesses in the transport sector. A ***Just Transition*** should also look at the potential impacts to New Zealand small-to-medium enterprises (SMEs). Businesses require a stable, predictable policy environment to enable investment in ways that deliver on the country's 2050 climate targets.

If the Government wishes to follow an evidence-based approach, it should do just that: base actions on evidence. Government should take note of industry knowledge and experience to ensure it adopts realistic and achievable goals. We are concerned about this being the only opportunity for engagement before the final release of the *Emissions Reduction Plan* in May 2022.

> **In addition to these principles, MTA supports the Climate Change Commission's recommendation of a principle relating to working in partnership with business.**

2. How can we enable further private sector action to reduce emissions and help achieve a productive, sustainable, and inclusive economy? In particular, what key barriers could we remove to support decarbonisation?

Businesses will likely have to do the heavy lifting; a true partnership between Government and Business is needed. SMEs will require a stable, predictable policy environment to enable investment in ways that deliver on the country's 2050 climate targets.

For example, New Zealand's service station sector faces a major financial barrier to investing in EV charging infrastructure. With the small number of EV's in the fleet now and no clear view on the size of the EV fleet past 2035, the sector may be reluctant to invest in charging facilities (assets that will need to provide ongoing value for more than 20 years).

If this is not addressed, the service station sector will risk being lumped with stranded assets and it will not be in a position to support the transition from predominantly fossils to low emissions fuels.

> **MTA has welcomed the announcements of Government plans to invest in broadening the EV charging network. This needs to include more than one or two providers and needs to look at convenient and accessible payment systems, rather than captive client account systems.**

3. In addition to the actions already committed to and the proposed actions in this document, what further measures could be used to help close the gap?

New Zealanders want to know about what they can do to decrease their emissions **now**.

MTA believes an emissions testing regime for in-service vehicles in the existing fleet will ensure drivers are better educated about their emissions profile and impact of their vehicle.

In MTA-commissioned research, 75% of respondents did not know the level of their current car's CO_2 emissions – 39% did not know where they would look for that information.

All vehicles (new and used) will (over time) operate at levels below their original manufactured specifications[1]. Being aware of their actual level of emissions is likely to impact consumer behaviour and guarantee reduction of carbon leakage.

The first use of emissions testing should be education. As time goes on, the Government might consider establishing an in-service emissions standard that triggers remedial actions when a breach is discovered at testing. Changes to the Vehicle Inspection Requirements Manual (VIRM) – the guidebook for vehicle inspections – could include the need for examination of exhaust systems to ensure catalytic converters or diesel particulate filters (DPFs) are present and operating normally.

7. Which actions to reduce emissions could increase future risks and impacts of climate change, and therefore need to be avoided?

MTA and other key industry associations have projected that the supply of EVs simply isn't there for Aotearoa to achieve the Government's targets. This means consumers looking to replace their current vehicle with a fresh import will have no choice but to turn to ICE vehicles that incur penalties under the Clean Car Standards element of the proposed clean vehicle legislation.

These import penalties will subsequently increase the price of ICE vehicles in the market; if this further suppresses demand for imported vehicles then many **people will stay in their old, carbon-emitting, unsafe cars for longer**. They will be unable to switch to alternative forms of transport, such as public transport, because it is simply not there.

The biggest influence on achieving New Zealand's low carbon goals will be consumer behaviour. We must ensure those unable to afford EVs or lower emitting vehicles are not stigmatised and targeted by those who can. We must also provide them with options to enable them to contribute to carbon reduction in their own way (eg a lower emission vehicle than their current car, or education and support to have their vehicle serviced to mitigate any emissions deterioration from age and wear and tear).

> **MTA recommends deferring the implementation of the Clean Car Standard and augmentation of the demand side boost from the Clean Car Discount.**

[1] MTA research estimates that a vehicle that has travelled 150,000km may have degraded its emissions profile by around 45% from manufacture.

Equitable transitions strategy

MTA supports the objectives for an Equitable Transitions Strategy.

Multiple industries are experiencing a skills shortage; at time of writing New Zealand's unemployment rate sits at 3.4% - this is the lowest level on record.

Low unemployment rates coupled with record low immigration have made it near impossible for businesses to fill available roles during the pandemic. Additionally, disruptions in the education and training sector have not made things any easier on businesses.

New Zealand needs to look overseas and learn from their experiences; we need to urgently amend our immigration laws to support new technology transfer and adoption.

Government should focus on making public EV charging systems more accessible. There is currently very little ability for EV owners to charge at any public charging point. Public charging points have been built using 50% public funds. Currently, drivers must register with the corporate entity that owns the charging facility to be able to charge their EV.

Low-income households will likely not be able to afford clean cars for several years and used EVs do not match the range of an ICE vehicle. As EV batteries deteriorate, a new battery can be more expensive than the car it will be fitted into. Initiatives that boldly seek to place low-income families into used EVs may wind up placing a millstone around their necks.

The biggest influence on achieving the low carbon goals will be consumer behaviour. We must ensure those unable to afford EVs or lower emitting vehicles are not stigmatised and targeted by those who can. We must also provide them with options to enable them to contribute to carbon reduction in their own way (eg a lower emission vehicle than their current car, or education and support to have their vehicle serviced to mitigate any emissions deterioration from age and wear and tear).

Aligning systems and tools

MTA agrees that coordinated action is key to achieving New Zealand's emission targets. Aotearoa must look at all policy options, adopt all possible technologies, and influence all relevant actors (Government, business, and consumers).

In terms of funding and financing, MTA would like to see more accessible funding to support the investment in EV charging and Hydrogen refuelling across the existing service station network.

Research, science and innovation are crucial in helping us reduce emissions, especially in areas where Aotearoa is lagging.

MTA agrees that behaviour charge is central to New Zealand achieving its low carbon goals. Government needs to focus on increasing consumer demand behaviour through incentives and education.

MTA's view is that the government should introduce an effective vehicle scrappage scheme to refresh the vehicle fleet to pragmatically substitute low emission vehicles for poor performing ICE vehicles. Newer cars are safer. Younger Used imports are safer. Importantly, for emissions policy, they are also cleaner.

A scrappage policy needs to be well-designed and considered in conjunction with in-fleet, age-appropriate emissions testing, and limits. It can be an effective approach[2] to support the uptake of more efficient vehicles (e.g. hybrid ICE/electric) and EVs. This aspect in its own right can be a viable effective incentive/disincentive lever for decarbonisation and safer travel.

MTA has collaborated with industry experts to start designing a scrappage scheme that works for Aotearoa. The preliminary output, which has more work to be done yet, can be found in Appendix I to this submission.

MTA supports moving New Zealand to a circular economy. MTA also understands that the Ministry is currently consulting on product stewardship regulations and Aotearoa's waste strategy. For further detail, please see MTA's submissions on those issues.

Transport

52. Do you support the target to reduce VKT by cars and light vehicles by 20 per cent by 2035 through providing better travel options, particularly in our largest cities, and associated actions?

VKT reduction is the wrong measure. MTA believes Government should look to measuring low emission vehicle uptake and public transport usage as markers of change.

The Government is trying to move New Zealanders to low emission vehicles (as well as changing the way we travel). As people move to these low emission vehicles, they will enjoy the benefits of lower cost operations and not necessarily reduce their VKT. The move to alternate vehicles is more likely to happen before the introduction of comprehensive public transport systems that reduce the amount of travel that people are doing in "cars" (however fuelled).

53. Do you support the target to make 30 per cent of the light vehicle fleet zero-emissions vehicles by 2035, and the associated actions?

MTA urges government to introduce more realistic targets.

To achieve the targets if current numbers followed trend, the number of EVs required is fantasy – this needs to be acknowledged.

Supply of zero emission is expected to remain scarce at least until 2025. Historically the supply of battery electric vehicles (BEV) to New Zealand has primarily been via the Japan used import sector.

[2] Global EV Outlook 2020 – Analysis - IEA

- BEV sales in Japan are minimal, with typical annual volumes around 20,000 or so units, in an annual vehicle market of close to 4 million.
- The opportunity to significantly increase used import BEV volumes from Japan does not currently exist.
- In the past, New Zealand has taken approximately half of all used BEV exported from Japan.
- It is unrealistic to expect we will be able to do much better than that given growing interest from many other countries in Japan's zero emission stock.[3]

54. Do you support the target to reduce emissions from freight transport by 25 per cent by 2035, and the associated actions?

MTA supports optimising freight routes, equipment, and vehicles to reduce emissions.

One of the biggest challenges will be addressing the market-led consumer demand for products which has driven suppliers and users of the freight system to an unsustainable model where goods are supplied just in time at the lowest price. While the just in time delivery process is critical for some food products, there are huge opportunities to improve efficiencies where non-perishables are concerned. These practices restrict opportunities for industry players to collaborate to offer more efficient and sustainable goods delivery models where businesses compete on the shelf rather than on the road[4].

We support and see a role for biofuels and hydrogen fuels for future heavy vehicle fleets. However, the technology for green hydrogen is currently costly and is not widely available. The future of any green hydrogen production may in fact rest with other industrial developments and climate change actions, for example in agriculture, dairy, and energy.

MTA supports the move to battery electric heavy trucks. The building of heavy vehicle charging infrastructure would support longer term development of charging infrastructure for light vehicles. More financial support is needed to assist existing refuelling stations install EV charging to take advantage of existing infrastructure and services able to be accessed by EV drivers while they wait for batteries to be charged.

55. Do you support the target to reduce the emissions intensity of transport fuel by 15 per cent by 2035, and the associated actions?

MTA supports the introduction of the Biofuels Mandate (subject to appropriate consultation with industry about the implementation) and the use of alternative fuels, such as hydrogen, to help reduce the carbon emissions from the transport fleet.

56. The Climate Change Commission has recommended setting a time limit on light vehicles with internal combustion engines entering, being manufactured, or assembled in Aotearoa as

[3] The MTA Submission to the Transport & Infrastructure Select Committee on the Clean Vehicles legislation has more information about why the UK market is not as viable a source for used EVs as some may think.

[4] For more information, please see https://www.smartfreightcentre.org/en/ and https://www.sbc.org.nz/__data/assets/pdf_file/0011/119783/Sustainable-procurement-guidelines-for-freight.pdf. These two organisations have excellent resources to assist the freight sector be more fuel / emission efficient.

early as 2030. Do you support this change, and if so, when and how do you think it should take effect?

MTA does not support a time limit on light ICE vehicles entering the fleet.

Government must let the market take its course (with a finger only on one side of the scale, the demand side). As stated above, our view of impending supply constraints means that we feel it is unlikely we will achieve EV uptake targets by 2030. If we were stop importing all ICE vehicles from 2030, before we have been able to make a substantial impact on the composition of the fleet, then people will simply continue to use existing ICE vehicles and hold on to them longer. We should leverage improving ICE drivetrains technology for as long as possible.

Furthermore, any discussion of a ban on ICE vehicles whilst charging infrastructure is in its infancy and without a roadmap to mitigate homes without charging facilities is wishful and dangerous.

MTA believes measures to avoid Aotearoa becoming a dumping ground for high-emitting vehicles rejected by other countries are unnecessary. **We will not become a dumping ground**. New Zealand gets 95% of its used vehicles from Japan, these are mainly smaller, more fuel-efficient vehicles. If, as we propose, we focus on demand incentives and follow through with existing workstreams on introducing Euro 5 and Euro 6 standards, we will find ourselves more in line with overseas standards. Their "rubbish" will not be fit to enter New Zealand and nor will there be demand for it.

57. Are there any other views you wish to share in relation to transport?

Public transport

As aforementioned, if low-emission vehicles remain unaffordable, and people hold on to their current vehicles longer, they will need suitable and convenient options for alternatives to vehicle use.

52% of respondents to a survey commissioned by MTA felt they did not have access to suitable and convenient public transport.[5]

*This was more noticeable for the over-55 age group (63%) and for those living in Northland (71%), Nelson (75%), Taranaki (77%), Southland (83%), and the **West Coast (100%)**.*

Energy strategy

The transport and energy sectors are becoming increasingly interconnected. As the number of EVs/PHEVs increases, there will be a close relationship between electricity markets and

[5] Question: "If you cannot afford a low emission car, do you have access to suitable and convenient public transport?".

transport. To ensure Aotearoa's energy strategy is fit for the future both sectors must work together.

There is a real danger in treating each sector separately, Government must look at how impacts in the supply chain will affect various sectors.

58. In your view, what are the key priorities, challenges and opportunities that an energy strategy must address to enable a successful and equitable transition of the energy system?

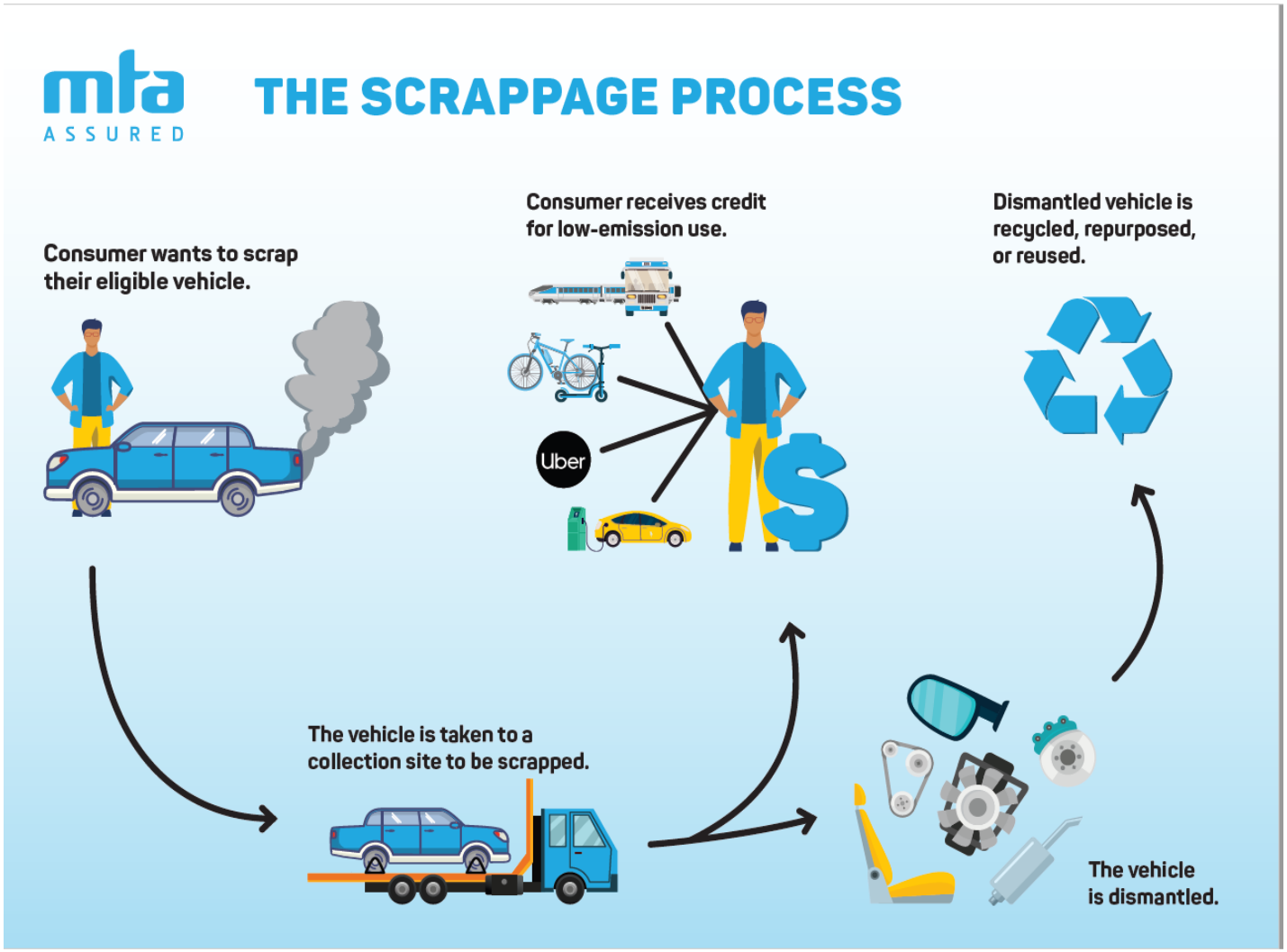
Government must pull all the levers to enable a successful and equitable transition of the energy system. MTA submitted on MBIE's biofuels consultation and is eagerly waiting for the Ministry's response. We want to ensure the industry can innovate and diversify in a way that New Zealand can leverage all available low emission technologies and work towards a low/no carbon future.

There needs to be additional support for low-income families. If Government wants to help low-income New Zealanders in purchasing low/zero emission vehicles their personal situation must be taken into account. These families are likely to be renting and will probably be unable to install charging equipment into their home.

MTA appreciates the opportunity to submit on transitioning to a low-emissions and climate resilient future.

Appendix I – draft output from MTA Scrappage Workshop

Vision: To inspire New Zealanders to remove unclean and unsafe vehicles from the fleet and replace them with low-emission mobility options					
Phases of the scrappage process	**Phase 1:** Consumer wants to scrap their eligible vehicle	**Phase 2:** Vehicle is taken to collection site to be scrapped	**Phase 3:** Consumer receives credit for low emissions use	**Phase 4:** The vehicle is dismantled	**Phase 5:** Dismantled vehicle is recycled, repurposed or reused
What does a successful scheme look like?	**Consumer:** The scheme incentivises behaviour change and ensures people take personal responsibility for understanding the role we can all play with climate change	**Consumer:** It is easy for consumers to drop off or have their vehicle collected **Vehicle collector;** The scheme ensures collectors do not have to make decisions regarding vehicle eligibility	**Consumer:** The scheme gives options for low-income New Zealanders to spend in the way that best suits them to enable mobility **Dealer:** The scheme should be designed so vehicle dealers are clear about their role and what vehicles they should supply. It should consider wider fleet management strategies (if any).	**Dismantler/Recycler:** The dismantling & recycling process remains profitable under the scheme	**Dismantler/Recycler:** The car recycling industry becomes a sustained industry locally (i.e. within NZ)
What are the key elements of a scrappage scheme?	• Marketing & education programme • Clear eligibility criteria for vehicles to be scrapped • Simple & easy to use application process	• Accessible options for drop-off and collection Drop off areas for running vehicles • An instant-access database collectors can access for verification	• Tailored options & flexibility for low-income New Zealanders	• Clear criteria for vehicles that can be dismantled for parts vs totally scrapped, and/or parts that can be re-used vs parts that should be recycled	• Strong connections to product stewardship schemes • Visibility for the consumer of how parts from their vehicle have been treated
How can we make the scheme simple & easy for consumers and businesses?	• Leverage existing touchpoints to promote the scheme and eligibility • All the info about the consumers car should be captured in the back end	• Online portal for booking collection/drop offs that fit around consumer schedules • Collectors have the technology to verify vehicles on the spot at collection/drop-off	• Consumer receives a card and/or app loaded with the credit that can be redeemed at accredited suppliers • Govt. communicates early with dealers about the types of replacement vehicles that are eligible	• A clear process for vehicle ID and steps that need to be taken to break down the vehicle	• Clear handovers to product stewardship entities • Support to ensure 'pure scrappage' (i.e. turning cars into haybales) can become sustainable for businesses • Online tool to for consumers to track parts


mta
ASSURED
THE SCRAPPAGE PROCESS
Consumer wants to scrap their eligible vehicle.
Consumer receives credit for low-emission use.
Uber
Dismantled vehicle is recycled, repurposed, or reused.
The vehicle is taken to a collection site to be scrapped.
The vehicle is dismantled.

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