

Office of the Minister of Transport

Chair
Cabinet Economic Growth and Infrastructure Committee

ELECTRIC VEHICLES: PACKAGE OF MEASURES TO ENCOURAGE UPTAKE

Proposal

1. This paper seeks the Cabinet Committee's agreement to a package of measures to encourage the uptake of electric vehicles (EVs).

Executive summary

2. New Zealand will face a number of transport and energy challenges as it moves to give effect to its intended nationally determined contribution to the new climate agreement, which it submitted for the twenty-first session of the Conference of the Parties in Paris. Our provisional target is to reduce greenhouse gas emissions by 30 percent below 2005 levels by 2030 – a reduction of 11 percent from 1990 levels.
3. Transport accounts for around 17 percent of New Zealand's greenhouse gas emissions. It was the second largest consumer of energy in 2014 and more than 99 percent of transport energy is oil-based. Projections indicate that by 2020, transport emissions will be 58 percent above 1990 levels.
4. EVs are part of a response that looks to adopt new technologies as a means to transition to a low carbon economy without compromising individual mobility or economic growth. EVs are a technology that is well suited to New Zealand. They represent an opportunity to leverage New Zealand's abundance of renewable electricity to reduce transport emissions.
5. Driving a fully electric EV in New Zealand results in 80 percent fewer carbon dioxide (CO₂) emissions than driving a conventional vehicle. As the renewable proportion of New Zealand's electricity continues to grow, the CO₂ emissions from EVs will reduce further.
6. However, a number of barriers stand in the way of New Zealand realising the benefits from this opportunity. Key among them are the relatively higher purchase price, the limited travel range (of pure EVs), and a number of misconceptions.
7. Officials have worked with key business leaders and local government to develop a government-industry package of measures to address these barriers and speed the uptake of EVs. The proposals in this paper represent central government's contribution to this package. The key initiatives proposed are:
 - 7.1. an information and promotion campaign directed at businesses and households
 - 7.2. investigating options for joint EV procurement across the private and public sector fleets, as a means to attain more favourable purchase prices and model availability

- 7.3. a contestable fund that would co-fund a range of initiatives to accelerate EV uptake.
 - 7.4. committing with industry and local government to a 'New Zealand Inc' uptake target of doubling the number of EV registrations each year so that EVs make up two percent of the vehicle fleet by the end of the 2021 calendar year
 - 7.5. supporting the private sector's development of public charging infrastructure by clarifying the regulatory framework and providing national information, guidance and promotion
 - 7.6. extending the road user charges exemption for light EVs until the end of 2021 when it is expected that two percent of the light vehicle fleet is electric. Also, to have an exemption for heavy EVs initially until the end of 2025, rather than 2021 as for the light vehicle RUC exemption, as it is likely it will take longer for them to reach two percent of the heavy vehicle fleet
 - 7.7. ensuring tax rules do not unfairly disadvantage businesses which opt for EVs, by reviewing the depreciation rate and the method used to calculate fringe benefit tax as they relate to EVs
 - 7.8. enabling Road Controlling Authorities (RCAs) to allow EVs to access bus and high occupancy vehicle lanes
 - 7.9. convening a group of representatives from industry, local government and relevant government agencies to provide ongoing leadership and coordination for the total government-industry package.
8. Funding for the package would be secured through a reprioritisation of existing baseline expenditure, and potentially through expansion of the purpose of an existing levy or another funding option, so the funds can be used to encourage the uptake of EVs. I will publicly consult shortly on a variety of options for expanding an existing levy.
9. Some of the proposals will require legislative change [REDACTED]
[REDACTED] Section 9(2)(f)(iv)

Background

10. New Zealand's intended nationally determined contribution to the new climate agreement is to reduce greenhouse gas emissions by 30 percent below 2005 levels by 2030. This target corresponds to a reduction of 11 percent from 1990 levels.
11. Transport accounts for almost 17 percent of New Zealand's greenhouse gas emissions. Transport emissions are currently 60 percent above 1990 levels and projections in the Ministry for the Environment Second Biennial Report¹ indicate that by 2020, transport emissions will be 58 percent above 1990 levels.

¹ <http://www.mfe.govt.nz/publications/climate-change/nz-second-biennial-report-under-unfccc>

12. A range of measures are already in place to reduce transport emissions. However, the contribution that EVs could play is underexploited. Benefiting from EVs potential requires consideration of the role government should play in facilitating an uptake in EVs.
13. In this paper, the term EV includes both motor vehicles powered solely by electric batteries as well as plug-in hybrid electric vehicles that operate on a combination of batteries that are charged externally, along with a petrol or diesel motor. Plug-in hybrid vehicles may use a conventional motor for a proportion of their travel, so produce some CO₂ emissions directly. Conventional hybrid vehicles, which have an internal battery charged by a petrol or diesel engine, are not included in the definition of EVs.

EVs are a great match for New Zealand's unique circumstances

14. Road transport must be a focus if real gains are to be made in reducing transport emissions. This is because 90 percent of transport emissions come from road transport, with 81 percent being from the light vehicle fleet. EVs offer a meaningful way to help road transport transition to a lower carbon future because:
 - 14.1. around 80 percent of New Zealand's electricity generation is from renewable sources and there is enough supply of renewable electricity, either existing or consented, to power New Zealand's entire light vehicle fleet in coming years
 - 14.2. 95 percent of daily travel demand is for distances of less than 120 kilometres, which is within the range of EVs on the market today
 - 14.3. we do not need major investment in infrastructure to support EVs. Domestic power supply is suitable for charging vehicles at home. Figures from Quotable Value NZ show that 85 percent of homes have off-street parking. This makes overnight charging of EVs as easy as plugging into the nearest power point.
15. In addition, increased uptake of EVs would bring other benefits without compromising individual mobility or economic growth, such as:
 - 15.1. reducing our reliance on imported fossil fuels, which currently cost New Zealand consumers around \$9 billion per year
 - 15.2. energy cost savings, as using electricity is equivalent to being able to buy petrol at about 30 cents per litre
 - 15.3. enhancing the efficiency of renewable electricity networks, for example, by utilising off-peak electricity generation
 - 15.4. environmental and health benefits from reduced harmful emissions. Pure EVs have zero tailpipe emissions.
16. EVs help build New Zealand's economic brand by promoting our renewable advantage story.

17. The real benefits from EVs for reduced carbon emissions will come when there are large numbers of them in the fleet. The benefits will also come over time, as the benefits of reduced emissions from each EV are not experienced just in one year. I am confident that the measures in this paper will help ensure that we enable EVs to make a major contribution to reducing our transport emissions over the longer term.

We need to address the barriers that are limiting the uptake of EVs

18. There were 1,057 light EVs as at 29 February 2016, which is 0.024 percent of the light vehicle fleet. Clearly there are a number of barriers that are limiting the appeal of EVs to consumers and businesses. These barriers include the:
 - 18.1. relatively higher purchase prices. Although EVs have fallen in price, they are still more expensive to buy than equivalent conventional vehicles. Price differences vary by make and model, and are generally falling as technologies develop. A 2015 report prepared for the Ministry of Transport² estimated current cost in 2015 of manufacturing a battery EV with a 120km range (e.g. the Nissan Leaf or the Ford Focus) is between NZ\$9,500 and NZ\$15,000 more than the cost of manufacturing an equivalent internal combustion engine vehicle. This cost differential is expected to drop to somewhere between NZ\$3,000 and NZ\$8,000 by 2025. Most consumers and businesses do not recognise the additional value of EVs, such as their environmental benefits
 - 18.2. limited travel range of EVs. Most pure EVs in New Zealand have maximum range of 150 kilometres before they require recharging. This makes their use for long journeys less appealing
 - 18.3. limited range of EVs models available in New Zealand, which have to compete in the market with the larger variety of conventional vehicles. Industry suggests that this is because:
 - 18.3.1. New Zealand accounts for a very small proportion of global sales of new light vehicles
 - 18.3.2. manufacturers prioritise supply to markets that offer substantial financial incentives for EVs
 - 18.3.3. importers of lower cost, volume-sales model EVs wish to see a minimum demand for EVs before they risk the upfront investment required to support these vehicles
 - 18.4. information problems. These problems include a lack of awareness of EVs, uncertainty about the total costs of ownership, expectancy of battery life, what, if any impact to the environment disposing of batteries may cause, and other misconceptions about EVs

² Emission Impossible Ltd and Covec Ltd, *Research into the long-term trends for electric vehicle price and supply - understanding developments in the global market*, June 2015,

- 18.5. coordination problems. For example, consumers and businesses may be reluctant to purchase EVs without public charging infrastructure being widely available. However, the private sector may be reluctant to invest in a comprehensive charging network until there is widespread uptake of EVs.
19. Over time these barriers will reduce through improved battery technology, cost reductions, improved public understanding, and greater global demand and supply.
20. In fact, some commentators expect EVs to reach price parity with conventional vehicles over the coming decade. This potential, coupled with their much lower running costs, will eventually make the economic case for EVs compelling.
21. Nevertheless, in my view there is a clear role for government intervention to help reduce these barriers sooner than would otherwise be the case. If we do nothing, the risk is that once EVs reach price parity with conventional vehicles, uptake in New Zealand will remain low because:
 - 21.1. consumer and business knowledge about EVs has not moved with the technology
 - 21.2. the motor vehicle and electric industries lack supporting capability and capacity or are not sufficiently coordinated
 - 21.3. vehicle suppliers continue to channel EVs to markets that fostered an early uptake of EVs.
22. Moreover, without intervention we would be foregoing the opportunity to leverage New Zealand's abundance of renewable electricity to reduce transport emissions.

The total government-industry EVs package

23. Officials have worked with key business leaders and local government to develop a government-industry package of measures to address the barriers identified above and speed the uptake of EVs. The package was also discussed at a meeting with senior Ministers in November 2015. The package has five key elements:
 - 23.1. an EV information and promotion campaign
 - 23.2. a contestable fund
 - 23.3. procurement across private and public sector fleets, including targets for EV uptake
 - 23.4. charging infrastructure
 - 23.5. financial incentives/removing disincentives.
24. The recommendations in this paper represent central government's contribution to this package. A table summarising the government-industry package is in Appendix 1.

Addressing information barriers through an EVs information and promotion campaign

25. To address the information barriers, I propose that the Energy Efficiency and Conservation Authority develop and deliver an EVs information campaign. The campaign would target businesses and household consumers over a period of five or more years.
26. Businesses are a key target audience because between 60 and 80 percent of all new vehicles come into New Zealand through fleet purchases. Overseas experience indicates that employees who experience an EV at work are more likely to consider an EV for their own private vehicle.
27. The campaign would aim to increase the purchase of EVs by:
 - 27.1. overcoming information barriers through developing information, workshops and other events
 - 27.2. enabling easy, whole of life cost comparisons via online tools
 - 27.3. providing opportunities to experience EVs first-hand
 - 27.4. showcasing high profile examples of successful adoptions of EVs
 - 27.5. ensuring the location of charging stations is accessible through communication, location and driving assistance devices including cellphone apps.
28. To enable the campaign to begin, I propose that the Energy Efficiency and Conservation Authority commence work in 2015/16 using reprioritised funding, and that from 2016/17 it reprioritise \$1 million per year from its existing baseline for an initial period of five years 2016/17-2020/21. Assistance or leverage with the campaign may also be provided by other public and private organisations. Oversight of the campaign would be provided by the Ministry of Business, Innovation and Employment.

Investigating joint procurement across the government and private sector fleets

29. Joint, or bulk, procurement across the government and private sector fleets would allow vehicle purchases to be aggregated. As larger orders tend to be more attractive to vehicle suppliers, joint procurement could secure an increase in the number of EV models available and lower their prices.
30. This initiative envisages a government agency coordinating the joint procurement with a commitment from public agencies and private businesses to purchase a set number of EVs.
31. Joint procurement would be successful if it achieves an increase in model availability, or a price discount, that outweighs the costs and risks involved. The risks are that:
 - 31.1. even with joint procurement the volume of vehicles purchased may be too low to influence purchase prices or model availability

- 31.2. the procurement agent negotiates the procurement of a number of vehicles that are then not wanted by their would-be buyers. It could then be left with the costs involved, including arranging for the sale of the surplus vehicles
- 31.3. it could reduce the ability of the existing mechanisms of vehicle procurement to secure ongoing savings and reasonable delivery options. For instance, the All-of-Government contract for vehicle procurement could be negatively impacted.
- 32. The significance of these issues would need to be analysed before this option is progressed.
- 33. As well, any joint procurement would need to fit within the basic decision-making framework fleet buyers use to select and purchase vehicles. The frame includes that vehicles must be fit for purpose, and expenditure decisions must be made on the basis of total ownership costs.
- 34. As a first step, I propose that the Ministry of Business, Innovation and Employment investigate the feasibility of the initiative and report back to the Ministers of Transport and Economic Development by 30 June 2016. If the initiative is likely to be feasible, the advice would include recommendations on the time period over which joint procurement would occur, and on the administrative arrangements.
- 35. The cost of the investigation is anticipated to be less than \$100,000. This cost would be met by the Ministry of Business, Innovation and Employment and the Ministry of Transport from existing baselines in 2015/16. If the initiative proceeds following the investigation, it would be funded from the contestable fund discussed below.

Tackling the barriers to EV uptake and encouraging innovation through establishment of a contestable fund

- 36. To maximise the efforts of industry and government in addressing the barriers to EV uptake, and to encourage innovation, I propose including a contestable fund in the package.
- 37. The fund would be invested in projects that accelerate the uptake of EVs and for innovations that would not otherwise be funded. The projects may well be high profile in nature. The projects could be developed by businesses, local communities, or government. To be funded, projects would be required to commit co-funding. In this way the fund would be similar in approach to the Urban Cycleways Programme.
- 38. Co-funding is warranted because the barriers require a joint government-industry effort to reduce them. Examples of the type of projects that could be co-funded include:
 - 38.1. initiatives to support procurement, including helping fleet buyers and households bridge the purchase price gap between EVs and equivalent conventional vehicles, to support the targets of doubling the New Zealand EV fleet each year (see paragraphs 62-66 for discussion)
 - 38.2. the creation and promotion of branded tourism routes using EVs. On such routes tourists could hire EVs, and preferentially park and charge them at

participating tourist attractions, information centres, cafes and accommodation venues

38.3. demonstrations of vehicle types currently not used in New Zealand, such as electric buses utilising new technologies and electric vans in commercial fleets

38.4. EV car sharing schemes that promote EVs and new ways of addressing transport demand.

39. To have an impact with these types of initiatives, I propose a contestable fund of up to \$6 million per year that will also cover the costs of establishing and administering the fund. It is expected that at least \$1.5 million of the fund would be invested in the procurement measures discussed in paragraphs 55–61.

40. I propose that the contestable fund be initially created through a mixture of reserves and reprioritised existing baseline from the Energy Efficiency and Conservation Authority of up to \$4 million through to the end of 2016/17.

41. For years beyond 2016/17, I am considering options to recover the cost of the fund through a levy on consumers. Although there are existing levies collected in the transport and energy sphere, none can be used to fund initiatives such as promoting EV uptake without legislative amendment.

42. Two such levies are the levy on electricity industry participants (the Electricity Levy), and the levy on petrol and diesel consumers (the Petroleum Fuels Levy).

43. Currently the Electricity Levy can only be used to fund activities directly related to electricity efficiency. To use this levy for the contestable fund, a change to the Electricity Industry Act 2010 would be required, with consequential amendments to the associated levy regulations. [REDACTED]

[REDACTED] Section 9(2)(g)(i)

44. Currently the Petroleum Fuels Levy can only be used to fund fuel quality and safety monitoring, International Energy Agency (IEA) related costs (including acquiring energy data and liaising with the IEA), and was recently expanded to include the cost of compliance with our IEA oil stockholding obligation. To use the Petroleum Fuels Levy for the contestable fund, a change to the Energy (Fuels, Levies and References) Act 1989 would be required, with consequential amendments to the Energy (Petroleum or Engine Fuel Monitoring Levy) Regulations 2015.

45. Projects funded by the contestable fund would be approved based on an set of principles that would be agreed in advance by Cabinet.

46. Further work, including formal public consultation, is needed to determine the most appropriate existing levy for the contestable fund, and I seek agreement to report back by 30 May 2016 with policy decisions, including principles for funding allocation. This report back will also provide advice on other funding options for the contestable fund and the financial implications of any direct or indirect subsidies, such as the

appropriate split of funding for capital and operational expenditure for agencies that receive kickstarter funding (see paragraphs 58-61).

47. Once established, I propose that the Energy Efficiency and Conservation Authority administers the fund with oversight from the Ministry of Business, Innovation and Employment. The Energy Efficiency and Conservation Authority has considerable experience with co-funding arrangements through their residential programmes, administering contestable funds and has credibility and visibility in the market.
48. I also propose that the criteria for allocating the fund, and co-funding requirements be approved jointly by the Ministers of Transport and Energy and Resources, taking into account the guiding principles Cabinet is to agree. These decisions would be taken following advice from the Ministry of Business, Innovation and Employment, the Energy Efficiency and Conservation Authority and the Ministry of Transport.
49. The key risk with the contestable fund is that it could fund initiatives that local government, or industry, might have provided anyway. This risk would be reduced through the contestability of the fund and the co-funding approach, as well as through the fund's criteria, which would be designed to ensure that only initiatives warranting government investment are funded.
50. This contestable fund has been developed as a tool to promote EVs as they are already available and are a proven technology. However, I am aware that there are other technologies, including hydrogen, that may also have an important role to reduce emissions in New Zealand. I will ask my officials to consider how the fund might be expanded to include activities to promote other low and zero emissions technologies.

Procurement measures to increase EV supply and build demand

51. Meaningful procurement measures are needed to tackle the supply and demand issues facing EVs. Currently supply is limited with very few EV models available in New Zealand. As well, the purchase price gap between EVs and conventional vehicles, while reducing, remains. Both of these factors dampen demand for EVs.
52. Along with the other measures in the package, having joint, or bulk procurement across the government and private sector fleets will support the supply of vehicles.
53. This initiative seeks to address the supply of EVs with flow-on effects for demand.
54. The other three initiatives set out below – an EVs trial, a financial 'kickstarter' for government agencies, and uptake targets, focus on building demand in a way that will have flow-on effects for EV supply.

Having a demonstration of EVs in government fleets to build demand

55. To build demand and to show commitment to EVs, I propose that the Ministry of Business, Innovation and Employment administer an EVs demonstration programme across the government fleets. Currently there are over 20,000 vehicles in the government fleets. Around 4,000 new vehicles are purchased through the All-of-Government contract each year. To start to influence these buying decisions, the trial

could initially have 24 vehicles in four government fleet locations. Subject to funding being available, the demonstration could begin in the 2016/17 financial year and run from one to three years. The Ministry of Business, Innovation and Employment will determine the appropriate level of NZ Government Procurement's involvement in this demonstration.

56. Depending on the outcomes achieved, the demonstration could be scaled up. I propose that the Ministry of Business, Innovation and Employment report to the Ministers of Transport and Economic Development on the potential for the demonstration to be expanded, within six months of the trial commencing.
57. In the first year, 2016/17, the demonstration would require one-off funding of approximately \$500,000 to cover the incremental costs of the demonstration vehicles along with the costs of administration, monitoring and the production of case studies for public sector fleet managers. Future costs would depend on the outcomes achieved. I propose that this funding be sourced from the contestable fund outlined above.

A financial 'kickstarter' for the purchase of EVs in government fleets

58. In the current constrained funding environment, government agencies are facing difficulties in maintaining their current fleets and have been delaying the replacement of vehicles. Given this, it is likely that government agencies will favour cheaper conventional vehicles over an EV equivalent.
59. To overcome this resourcing barrier, I propose that a financial 'kickstarter' be available to government agencies. The 'kickstarter' would only be open to government organisations that are eligible to purchase from the All-of-Government vehicle catalogue.
60. The 'kickstarter' would provide funding to cover the price differential between a conventional vehicle and an EV equivalent. It would seek to reach a critical mass of at least 100 EVs into government fleets.
61. To do this, I propose that funding of \$1 million per year be made available. This funding would come from the contestable fund outlined above.

Committing with industry and local government to a 'New Zealand Inc' uptake target

62. Stakeholder consultation indicated that the private sector in particular wanted a target for EV uptake and one that demonstrated the Government's commitment to reducing transport emissions via EVs. They said a target would provide a tangible way to focus industry and government efforts in building demand for EVs.
63. I endorse this suggestion from stakeholders. Based on the stakeholder feedback, I propose a target of EVs making up two percent of the vehicle fleet by the end of 2021. To achieve the target, new EV registrations would need to double each year until 2021. This is an ambitious, but reasonable target given expected changes in technology and the expected effects of the measures set out in this paper. The target is also informed by modelling carried out by the Ministry of Transport on expected rates of EV uptake. Table 1 shows a possible path to achieve this proposed target.

Table 1: Uptake of EVs required to reach target of two percent by the end of 2021 (calendar years)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-------|-------|-------|--------|--------|--------|
| EVs as a percentage of the vehicle fleet | 0.07 | 0.13 | 0.27 | 0.53 | 1.06 | 2.06 |
| Annual registrations of EVs | 1,000 | 2,000 | 4,000 | 8,000 | 16,000 | 32,000 |
| Projected cumulative total | 1,950 | 3,950 | 7,950 | 15,950 | 31,950 | 63,950 |

64. The risk with specifying a target is that ultimately it may not be met. Non-achievement could give commentators an opportunity to criticise Government policy. In my view, however, this risk is limited by the fact that the target would be a 'New Zealand Inc' one. All parties involved in the EVs package would share responsibility for achieving it.
65. The government agencies represented on the EV leadership and coordination group (see paragraphs 105-106) would be responsible for delivering the government's contribution under the EV package.
66. It is not yet clear if a further target for EV uptake would be beneficial after 2021. Because the EV uptake target is not a legislated one, it can be reviewed prior to 2021 as part of other work planned as part of this package.

Supporting the development of public charging infrastructure

67. International research³ on the policy measures that make the most difference to EV uptake show that the availability of charging infrastructure is a necessity.
68. New Zealand does not technically need major upfront investment in new infrastructure to support EVs at this time. The domestic 230 volt power supply is suitable for charging EVs at home. Figures from Quotable Value NZ show 85 percent of New Zealand homes have off-street parking. This makes overnight charging of an EV as easy as plugging into the nearest power point.
69. However, there is still a need for public charging infrastructure. The private sector has started to invest in installation of public infrastructure. Several companies are installing charging facilities at both public and private locations. For example, Northpower installed the country's first fast charger in Whangarei and Vector has installed chargers in Auckland. The firm Charge.net has established six rapid chargers and is establishing further public charging infrastructure at shopping centres and other localities. Hamilton's first public EVs fast charger was opened at WEL Networks Limited in December 2015 and Tauranga's first charging station was opened by PowerCo in early March 2015.

³ Lieven, T., *Policy measures to promote electric mobility – A global perspective*, Transportation Research Part A: Policy and Practice, Vol 82, December 2015 pp 78-93

70. This development needs to be supported in a way that is complementary to or does not compete with private investment. In this regard the government's role is to:
 - 70.1. ensure public charging infrastructure is safe, reliable and developed in a cohesive manner
 - 70.2. promote the availability and use of the public charging infrastructure
 - 70.3. encourage innovation and technology development in New Zealand's electricity market and export opportunities for all forms of technology
 - 70.4. support independent participants, for example, retailers and accommodation providers with advice about the installation of charging infrastructure.
71. To fulfil this role I have asked the NZ Transport Agency, within the current settings of the Government Policy Statement on land transport, to support the development of public charging infrastructure through:
 - 71.1. clarifying the regulatory framework for charging infrastructure. This includes:
 - 71.1.1. working with local government to develop shared standards and a knowledge base on the best placement of charging infrastructure and minimum infrastructure requirements
 - 71.1.2. ensuring processes to apply for access to the State highway corridor to install charging infrastructure are as streamlined as possible
 - 71.1.3. investigating whether it owns any unused land that could serve as a charging site and the potential to include charging infrastructure at State highway rest stops that are managed by the NZ Transport Agency
 - 71.1.4. aligning the deployment of charging infrastructure installation and scheduled road works.
 - 71.2. providing national information and guidance for public charging infrastructure. This includes:
 - 71.2.1. providing traffic pattern data to aid with the planning of charging infrastructure placement
 - 71.2.2. developing standards for signage to indicate charging infrastructure or a special vehicle designation to ensure on-street charging infrastructure is reserved for EVs
 - 71.2.3. adding charging infrastructure locations to the journey information it already provides to customers
 - 71.2.4. funding or co-funding enabling research

71.2.5. supporting any shared procurement process for charging infrastructure to maximise economies of scale.

72. The NZ Transport Agency will meet the cost of this work from its existing funding.
73. Information about public charging infrastructure will also be covered by the proposed campaign to be delivered by the Energy Efficiency and Conservation Authority. To maximise the synergies of the agencies' initiatives, I propose that the Energy Efficiency and Conservation Authority and the New Zealand Transport Agency be directed to coordinate their EV activities.
74. As well, officials from the Ministry of Transport and the Ministry of Business, Innovation and Employment will continue to monitor how the charging infrastructure develops over the next couple of years. This monitoring will focus on whether the infrastructure is developing in a coordinated way to minimise any potential data issues, or issues of interoperability between providers. It will also monitor the impact of EVs on national and local electricity infrastructure.

Providing a financial incentive through extending the road user charges exemption

Exemptions from road user charges for light vehicles

75. Light EVs are currently exempt from road user charges until 30 June 2020. When the Government agreed to this exemption, it was intended that it would apply until one percent of the light vehicle fleet was electric (approximately 30,000 vehicles). At this one percent threshold, the foregone revenue is in the order of \$17.5 million⁴ per year.
76. Exempting EVs from road user charges is a transparent and efficient way of providing a financial incentive to encourage consumers and businesses to opt for EVs over equivalent conventional vehicles. With the current exemption, someone purchasing an EV today receives a subsidy that is worth around \$2,500 between now and 2020 when the exemption is set to expire.
77. Instead of the road user charges exemption, some people advocate exempting EVs from fringe benefit tax. This would only benefit certain businesses. I do not support using the tax system to encourage uptake as it would:
- 77.1. be inconsistent with New Zealand's broad based tax system, which ensures all earnings and non-cash benefits across the economy are taxable
 - 77.2. compromise the fairness of the tax system by affording a tax advantage to those companies and employees where an EV company car is made available for private use.
78. Rather, in line with the proposed uptake target, I propose that the current exemption be extended until at least two percent of the light vehicle fleet is electric. This would be achieved by amending the date the existing exemption ceases.

⁴ This is based on the existing road user charges rate of \$62 (GST inclusive) per 1,000 kilometres and an average distance travelled of 9,000 kilometres. It reflects existing policy that the exemption will end on 30 June 2020.

79. The EV market is subject to significant uncertainty, including around future prices and availability. Nevertheless, modelling commissioned by officials suggests that achieving a target of two percent of the light fleet being EVs by the end of 2021 is a realistic goal⁵, given additional measures proposed in this paper, over and above 'business as usual'.
80. I propose to amend the existing road user charges exemption for light vehicles until 30 December 2021, which is when I expect the two percent target to be met. This is an 18 month extension from the existing end of the exemption. I propose that my officials carry out a review in 2019 as to whether the two percent target is likely to be met by the end of 2021, and will recommend adjustments to the end date if needed at that time.
81. At this threshold, the maximum foregone revenue would be in the order of \$35.7 million per year, based on current road user charges rates. Table 2 shows the annual level of foregone revenue leading up to the threshold being reached.

Table 2: Annual road user charges revenue foregone if uptake target for light EVs is met (calendar years)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|------------|------------|------------|------------|-------------|-------------|
| Projected cumulative total EVs (if targets met) | 1,950 | 3,950 | 7,950 | 15,950 | 31,950 | 63,950 |
| EVs as a percentage of the vehicle fleet | 0.07 | 0.13 | 0.27 | 0.53 | 1.06 | 2.06 |
| Foregone revenue (in million \$)⁶ | 1.1 | 2.2 | 4.4 | 8.9 | 17.8 | 35.7 |

82. There are concerns that if EVs are required to pay the full road user charges once the exemption ends, EVs may pay higher levels of tax than fuel efficient petrol vehicles, which would create a disincentive to purchase them. There will also be problems with over taxation for petrol plug-in hybrid vehicles, which will pay fuel excise duty for the portion of travel that uses the conventional engine, as well as road user charges for all travel, once the exemption ceases.

Exemptions from road user charges for heavy vehicles

83. The heavy vehicle fleet⁷ is much smaller in numbers than the light vehicle fleet, with approximately 150,000 vehicles making up around 3.5 percent of the total fleet. However, the heavy vehicle fleet uses roughly 20 percent of all New Zealand's fuel, so it is important to consider this sector as well if the transport sector is to reduce its total emissions.

⁵ Assumes price parity between pure battery electric vehicles and petrol vehicles in 2024, a replacement age for new vehicles of 4 years, and expiry of the RUC exemption in 2020.

⁶ Assumes current road user charges rate of \$62 (GST inclusive) per 1,000 kilometres.

⁷ Heavy vehicles are defined as those having a gross vehicle mass greater than 3,500 kilograms. Virtually all heavy vehicles are buses or trucks.

84. I propose that amendments are made to the Road User Charges Act 2012 to enable an exemption for heavy EVs from road user charges, as it applies to light vehicles.
85. I also propose that this exemption initially last until 2025, rather than 2021 as for the light vehicle RUC exemption, as it is likely it will take longer for them to reach two percent of the heavy vehicle fleet (3,000 vehicles).
86. The number of heavy EVs is currently extremely small, with less than 60 heavy EVs known⁸ (0.04 percent of the heavy vehicle fleet). Officials have been unable to model likely future heavy EV uptake as there is insufficient information to make any robust predictions. Current battery technologies are too heavy to provide enough power for most heavy vehicles, especially those travelling long distances, without imposing a substantial weight penalty. However, this is expected to change as battery technology develops. Electric buses and small urban delivery vehicles are likely to be among the first heavy EVs to be commercially viable, but their expected higher capital costs means they may take longer than light vehicles to increase in numbers.
87. A two percent uptake of EVs across the heavy vehicle fleet by 2025 would result in foregone revenue of about \$24 million per year, once the threshold is reached. A two percent uptake of EVs across the heavy vehicle fleet by 2030 would result in foregone revenue of about \$29 million per year.
88. It is reasonable to expect that a two percent threshold for heavy EVs would not be reached by the end of 2021, as for the light fleet. Therefore, the total amount of foregone revenue as a result of the exemptions for both light and heavy vehicles would not be as high as \$64.7 million in any one year. Rather, a loss of foregone revenue in the order of up to \$40 million might be experienced by the end of 2021. This would be followed by a maximum of \$29 million per year foregone revenue by 2030, assuming two percent of the heavy fleet is electric by that time.
89. Nevertheless, the loss of foregone revenue would have implications for the National Land Transport Programme, if the risks are not properly managed. The key risks are that:
- 89.1. other road users would face greater increases to fuel excise duty and road user charges over this period to offset the foregone revenue, and/or
- 89.2. desirable transport investment may need to be reduced or delayed.
90. These risks would be managed as existing revenue and expenditure pressures currently are. The New Zealand Transport Agency Board would decide on the projects to be prioritised for funding in the National Land Transport Programme. These decisions would be made in line with the Government's priorities articulated in the Government Policy Statement on Land Transport.
91. Because of the high degree of uncertainty around likely level of heavy EV uptake, I propose that officials carry out a review in 2019, at the same time as the review for

⁸ In Wellington there are currently 57 electric trolley buses operating although these are planned to be decommissioned, and the Kapiti Coast District Council is using an electric rubbish truck. Data is not sufficiently robust to be certain there are no other licensed vehicles.

light vehicles, as to whether the two percent target is likely to be met by the end of 2025, and will recommend adjustments to the end date if needed at that time.

92. There is also the risk that EVs do not become cost effective without the exemption before 2021. This would put pressure on the government to continue the exemption.

Ensuring current tax rules are not discouraging companies from opting for EVs

93. Industry representatives have raised concerns that two areas of tax law may be discouraging the purchase of EVs by companies. The first concern is that the current tax depreciation rate that applies to EVs may be wrong. This results in periods of over taxing business income.
94. The second concern relates to the method for calculating fringe benefit tax, where an employee is able to use a company EV for private purposes. The concern is that the fringe benefit tax calculation is overvaluing and thus overtaxing the private use of a company EV.
95. To address these issues, I propose that Inland Revenue, in consultation with industry stakeholder groups, review the depreciation rate and the method used to calculate fringe benefit tax as they relate to EVs, and report on the results to the Minister of Revenue and subsequently to the Minister of Transport by 31 March 2017.
96. If there is evidence that shows that the current tax rules are overtaxing EVs then this would provide a strong case for change. The evidence base should include data on the fixed and operating costs of EVs, and evidence that would assist in determining the expected decline in value of EVs.
97. Relevant industry groups, for example, Drive Electric, EV manufacturers and the Sustainable Business Council, are likely to be well placed to provide the evidence base to assist with these reviews.

Addressing the small ACC levy overcharge on plug-in hybrid EVs

98. Currently the owners of petrol plug-in hybrid EVs pay an estimated \$15 to \$40 more per year in ACC levies than equivalent diesel or pure EV owners⁹.
99. This overcharge occurs because plug-in hybrid EVs are classified as 'non-petrol driven' vehicles by the New Zealand Transport Agency. Non-petrol driven vehicles are charged a higher ACC levy as part of their annual vehicle licence fee as it is assumed they do not pay the ACC levy that is included in the price of petrol. However, as plug-in hybrid EVs may use petrol for approximately 40 percent of their travel, they end up being charged additional ACC levy payments.
100. I propose that my officials work with the Ministry of Business, Innovation and Employment, which has oversight for the ACC legislation, along with the ACC, to investigate how this overcharging might be addressed and report back to Cabinet by 1 October 2016. It is possible that changes would require amendments to legislation

⁹ The issue does not arise if a plug-in hybrid also uses diesel power, as it would not pay the ACC levy as part of the fuel costs. At present there are no diesel plug-in hybrid electric vehicles.

and these can be considered as part of the proposed package of legislative amendments presented in this paper.

Allowing EVs access to bus and high occupancy vehicle lanes

101. A range of incentives, other than direct subsidies, have been used in other countries as part of programmes to promote deployment of EVs. Of these other measures, access by EVs to bus and high occupancy vehicle lanes (lanes where a vehicle must have more than a certain number of occupants) has been reported to have the highest value as an incentive to the owners.¹⁰ Access to such lanes enables EV owners to travel more quickly than vehicles otherwise held up in traffic, so gives a direct advantage to the owner. This advantage diminishes with EV uptake.
102. I propose to remove the regulatory barriers that prevent RCAs from allowing EVs into bus and transit lanes. This would require amending land transport Rules¹¹. It would also require a minor amendment to the Land Transport Act 1998 to empower road controlling authorities to make bylaws for that purpose.
103. Under this option, RCAs would maintain the flexibility to choose which bus and transit lanes EVs could access, allowing them to manage transport priorities along a corridor, including balancing EV promotion with network efficiency.
104. If the power was used by an RCA, it would add a small cost (the level of which is yet to be determined) in terms of planning, monitoring, enforcement, and implementing road markings and signage.

Leadership and coordination of the government-industry EVs package

105. To provide ongoing leadership and coordination for the total government-industry package in Appendix 1, I propose establishing a coordinating group convened by central government. The group would have seven to eight people representing industry, local government and relevant government agencies. This type of arrangement is supported by stakeholders.
106. I also propose that Cabinet invite the Minister of Transport to decide on the terms of reference, membership and administrative arrangements for the EVs group.

Legislative implications

107. Legislative change would be required to expand the purpose of an existing levy so that it can be used to resource initiatives relating to EVs. Legislative change is also required to exempt heavy EVs from road user charges and to clearly empower RCAs to make bylaws allowing EVs into special vehicle lanes. If Cabinet agrees to these proposals, [REDACTED]

Section 9(2)(f)(iv)

¹⁰ See for example: <http://www.thelocal.no/20150506/norway-strips-electric-cars-of-ke>

¹¹ The Land Transport (Road User) Rule 2004, and related provisions in Land Transport Rule: Traffic Control Devices 2004

108. An amendment to the Accident Compensation Act 2001 may be required to address the anomaly of petrol plug-in hybrid vehicles overpaying. This will be the subject of a separate report back.
109. Extending the exemption for light EVs can be done via an Order in Council under the Road User Charges Act 2012.

Financial implications

The proposals

110. The proposals in this paper do not require any additional funding from the Crown at this stage. The report back on levy and other funding option for the contestable fund may have its own financial implications on the Crown.
111. The loss of revenue due to the extension of the road user charges exemption will be reflected in lower revenue available to the National Land Transport Fund. This will be managed by the NZ Transport Agency Board in their approval of projects that can be funded.
112. The cost of developing the policy, estimated at \$100,000, will be met from the existing 2015/16 baselines of the Ministry of Transport and the Ministry of Business, Innovation and Employment
113. Should the package be approved, ongoing costs will be funded as follows:
 - 113.1. the Energy Efficiency and Conservation Authority will reprioritise \$1 million per annum of its baseline, initially for five years (2016/17 – 2020/21), to fund the information campaign
 - 113.2. the Energy Efficiency and Conservation Authority will allocate up to \$4 million through a mixture of reserves and reprioritisation of its existing baseline for 2016/17 for the contestable fund
 - 113.3. a levy from consumers will be investigated to cover the contestable fund in later years, as well as other funding options.
114. If a levy or other funding approach is not approved, the contestable fund may exhaust its funding beyond 2016/17.

Financial effect of kickstarter funds on agencies

115. If government departments receive capital increases as part of the kickstarter package, their liability for capital charge (currently 8 percent per annum) will increase. There will also be increases in depreciation charge due to higher value assets. This would only be significant for departments with large fleets which receive high kickstarter amounts.
116. If the departments received the kickstarter amounts as revenue, they would need to retain the amount as surplus at the end of the financial year. Departments usually receive contributions to asset purchase as capital injections.

117. Non-departmental agencies that received kickstarter amounts would account for the money as appropriate.
118. These financial impacts of the kickstarter scheme on the recipient agencies will need to be considered as part of implementation.

Consultation

119. The government-industry EVs package was developed by a group from industry, local government and central government. The companies and organisations involved were: the Sustainable Business Council, Air New Zealand, Mighty River Power, Vector, Contact Energy, the Electricity Network Association, Wellington Electricity, Drive Electric, the New Zealand Automobile Association, the Motor Industry Association, the Imported Motor Vehicle Industry Association, Local Government New Zealand, Auckland Transport, Wellington City Council, Greater Wellington Regional Council, Tararua District Council, Christchurch City Council, the Ministry of Business, Innovation and Employment, the Ministry for the Environment, the Energy Efficiency Conservation Authority and the Ministry of Transport.
120. The following government agencies were consulted on this paper, and their feedback has informed this paper – the Energy Efficiency and Conservation Authority, Inland Revenue Department, Ministry of Business, Innovation and Employment (Government Procurement, Energy Markets Policy and ACC Policy), Ministry for the Environment, Ministry of Foreign Affairs and Trade, NZ Transport Agency and the Treasury. The Department of the Prime Minister and Cabinet has been informed.

Departmental comment – Treasury

Proposed contestable fund

121. Further analysis in the following areas is required to ensure that the activities supported through the contestable fund are of high value:
 - 121.1. the target recipients of the funding
 - 121.2. the appropriate forms of funding
 - 121.3. the potential to extend the scope of the fund to other low emission technologies.
122. In particular, further work is needed to understand the particular problem which the public sector ‘kickstarter’ payment is intended to address and whether this is the appropriate policy lever to address it.

Proposed road user charges exemption

123. The Treasury does not support the proposed extension of the road charges exemption for light EVs, or the introduction of an exemption for heavy EVs because:
 - 123.1. road user charges reflect the damage to roads and congestion that vehicles cause. EVs contribute to this so should face the cost. Crown financial support

for the uptake of EVs should be explicitly linked to the level of public benefits associated with their use

- 123.2. an exemption to road user charges will not address the identified barrier to EV uptake of a higher upfront purchase price. Support in accessing finance and making more informed long term decisions could be more appropriate
- 123.3. extending the exemption until 2 percent of the fleet is electric creates uncertainty to consumers on how long the exemption will last for (and therefore the value to them), as well as fiscal uncertainty for the Crown on the level of foregone revenue from the exemption. Time-limited measures which provide a specific amount of financial support would resolve these issues
- 123.4. once an exemption is in place, it may be presentationally difficult to remove as EVs that were economic under the exemption may no longer be economic once they must face the full cost

Next steps and publicity

124. I expect there to be a high level of interest in the government-industry EVs package and particularly in the contribution that central government will make. If Cabinet agrees to the proposals for this contribution, details of it will be made at an event shortly after decisions have been taken.
125. The announcement, at the event, could be made with the key participants involved in the package's development. This could reinforce the fact that government will be making a contribution to the wider government-industry EVs package.
126. A copy of this Cabinet paper including attachments will be published on the Ministry of Transport website at the same time as the package is announced.
127. I will publicly consult on a range of options to expand an existing levy so that one may be used to fund transport energy initiatives such as the EV package.

Human rights, gender, disability, legislative implications

128. There are no human rights, gender, or disability implications.

Regulatory Impact Analysis

129. A regulatory impact statement (RIS) is attached. The transport sector independent RIS panel has reviewed the RIS prepared by the Ministry of Transport and considers that the information and analysis summarised in the RIS partially meets the quality assurance criteria. There is a lack of strong evidence to demonstrate the options would be effective in improving the uptake of EVs.

Recommendations

130. I recommend that the Committee:

1. **note** that electric vehicles (EVs) (including both motor vehicles powered solely by electric batteries as well as plug-in hybrid electric vehicles that operate on a combination of externally charged batteries, along with a petrol or diesel motor) offer a way to leverage greater value from our renewable electricity supply and to reduce transport greenhouse gas emissions, without compromising individual mobility or economic growth
2. **note** that officials have worked with key business leaders and local government to develop a government-industry package of measures to speed the uptake of EVs and the proposals in this paper represent central government's contribution to this package

An EVs information and promotion campaign

3. **agree** that the Energy Efficiency and Conservation Authority deliver an information and promotion campaign for EVs that would be directed at businesses and household consumers
4. **direct** the Energy Efficiency and Conservation Authority to reprioritise \$1 million per year from its baseline funding from 2016/17 to resource the information and promotion campaign
5. **note** that oversight of the information and promotion campaign will be provided by the Ministry of Business, Innovation and Employment

Joint procurement across the government and private sector fleets

6. **note** that a potential way to reduce the relatively higher purchase prices of EVs and the limited range of models available in New Zealand would be to have joint procurement across the government and private sector fleets
7. **direct** the Ministry of Business, Innovation and Employment to investigate the feasibility of having joint public and private sector fleet procurement, including preferred administrative arrangements, and to report back to the Ministers of Transport and Economic Development by 30 June 2016
8. **note** that the costs of the investigation into the feasibility of joint procurement would be funded by the Ministry of Business, Innovation and Employment and the Ministry of Transport from existing baseline funding

A contestable fund to drive uptake

9. **agree** that a contestable fund of up to \$6 million per year be established to co-fund industry and government initiatives aimed at driving EV uptake
10. **agree** that the contestable fund be administered by the Energy Efficiency and Conservation Authority with oversight provided by the Ministry of Business, Innovation and Employment
11. **agree** that the costs of the contestable fund will initially be met through the use of Energy Efficiency and Conservation Authority reserves and reprioritisation of

expenditure within Vote Business, Science and Innovation: Energy Efficiency and Conservation totalling up to \$4 million to the end of 2016/17

12. **agree** that the funding would be allocated based on a set of guiding principles that will be agreed by Cabinet
13. **note** that there are options for legislative change to expand the purposes of an existing levy to recover the costs of the contestable fund post 1 July 2017
14. **invite** the Minister of Transport and the Minister of Energy and Resources to report back with recommendations for funding options, which include possible changes to an existing levy, and principles for allocation of the fund, by 30 May 2016 (noting there would be public consultation on the expanded levy options)
15. **note** that the report back will include advice on the implications of any direct and indirect subsidies for EVs, including the road user charges exemptions set out in recommendations 26 to 33 below
16. **note** that the scope of the contestable fund could be expanded in the future to include other low or zero emission technologies once it is operational
17. **agree** that the criteria used for allocating the contestable fund, including costs of establishment and administration, along with decisions about co-funding rates be approved by the Ministers of Transport and Energy and Resources

OR (Treasury preferred) replace recommendations 14, 15, 16, 17 and 21 with:

18. **invite** the Minister for Transport and the Minister for Energy and Resources to report back to the Committee on how a contestable fund could best be utilised to help the uptake of low emission technologies

A demonstration of EVs in government fleets

19. **agree** that there be an EVs demonstration across the government fleets initially involving approximately 24 vehicles and that the estimated cost of \$500,000 be funded from the contestable fund in recommendation 9 above, noting that the intention would be to expand the demonstration
20. **direct** the Ministry of Business, Innovation and Employment to commence the EVs demonstration in 2016 and to report back to the Ministers of Transport and Economic Development, within six months of the trial commencing, on the potential for the demonstration to be expanded

A financial 'kickstarter' for the purchase of EVs in government fleets

21. **agree** that to overcome resourcing barriers a financial 'kickstarter' of \$1 million be available to government agencies to cover the price differential between an EV and the equivalent conventional vehicle and that this funding be sourced from the contestable fund in recommendation 9 above

Targets for EV uptake

22. **note** that having 'New Zealand Inc' targets would focus industry and government efforts in gaining a visible increase in the number of EVs in the vehicle fleet
23. **agree** that the EVs package include the target of EVs making up two percent of the vehicle fleet by the end of 2021, noting that achieving this target implies new EV registrations would need to double each year

Supporting the development of public charging infrastructure

24. **note** that the New Zealand Transport Agency will be supporting the development of public charging infrastructure through clarifying the regulatory framework and providing national information and guidance
25. **direct** the New Zealand Transport Agency and the Energy Efficiency and Conservation Authority to coordinate their activities in supporting the development of public charging infrastructure

Extending the road user charges exemption

26. **note** that light EVs are exempt from road user charges until 30 June 2020 and the exemption is an efficient way of providing an incentive to encourage the purchase of EVs
27. **rescind** Cabinet's earlier decision of 16 April 2012 that the road user charges exemption for light EVs end on 30 June 2020 [CAB Min (12) 12/6A (11) refers]
28. **agree** that light EVs be exempt from road user charges until they comprise two percent of the light vehicle fleet, which is expected to occur by the end of 2021
29. **agree** that the exemption from road user charges for light EVs be extended until 31 December 2021, but that the appropriateness of this date, relative to the target of two percent of the fleet, be reviewed in 2019
30. **note** that the two percent threshold for the light vehicle fleet equates to an estimated maximum loss of foregone revenue of around \$35.7 million per year once the threshold is reached, assuming current road user charges rates
31. **agree** that the road user charges exemption for EVs be extended to electric heavy vehicles, including trolley buses, and that the exemption apply until heavy EVs comprise two percent of the heavy vehicle fleet
32. **agree** that the exemption from road user charges for heavy EVs be set to end on 31 December 2025, and that this date be reviewed as part of the 2019 review agreed in recommendation 29
33. **note** that the two percent threshold for the heavy vehicle fleet equates to a maximum loss of foregone revenue of around \$29 million per year assuming the threshold is reached by 2030

Or (Treasury preferred) – replace recommendations 26-33 with:

34. **invite** the Ministers of Transport and Energy and Resources to report back to Cabinet on options to address the upfront price barrier to EV uptake

Ensuring tax rules do not disadvantage companies choosing EVs

35. **note** that the current tax rules may be overtaxing business investment in EVs
36. **direct** Inland Revenue, in consultation with industry stakeholder groups, to review the depreciation rate and the method used to calculate fringe benefit tax as they relate to EVs, and that these reviews be added to the Government's Tax Policy Work Programme
37. **invite** the Minister of Revenue to report on the results of these reviews to the Minister of Transport by 31 March 2017

Addressing the small ACC levy overcharge on plug-in hybrid EVs

38. **note** that the owners of petrol plug-in hybrid EVs are overcharged a small amount in ACC levies because they are classified as 'non-petrol driven' and so they pay a higher annual levy, even though some of their operation is using a petrol engine
39. **direct** officials to work with the Ministry of Business, Innovation and Employment, which has oversight for the ACC legislation and the ACC, to investigate how this overcharging might be addressed and report back to Cabinet by 1 October 2016 with recommendations
40. **agree** that if any changes require amendments to the Accident Compensation Act 2001 these can be considered as part of the proposed package of legislative amendments presented in this paper

Allowing EVs access to bus and high occupancy vehicle lanes

41. **agree** to amend the Land Transport Act 1988 to clearly empower road controlling authorities to make bylaws allowing EVs to use special vehicle lanes and make amendments to the Land Transport (Road User) Rule 2004, and related provisions in Land Transport Rule: Traffic Control Devices 2004 to enable Road Controlling Authorities to allow EVs access to bus and high occupancy vehicle lanes

Leadership and coordination of the government-industry package

42. **agree** that to provide ongoing leadership and coordination for the total government-industry package in Appendix 1, a government agency convene a group of seven to eight representatives from industry, local government and relevant government agencies
43. **invite** the Minister of Transport to decide on the terms of reference, membership and administrative arrangements for the group referred to in recommendation (42) above

Securing legislative change

44. **invite** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to give effect to the decisions in recommendations (27), (28) and (31)

Next steps and publicity

45. **note** that the details of the central government contribution to the government-industry EVs package will be announced shortly after Cabinet has taken its decisions
46. **agree** that the Ministry of Transport publish a copy of this Cabinet paper on its website at the same time as the package is announced.

Hon Simon Bridges
Minister of Transport

Dated: _____

Appendix 1: The government-industry electric vehicles package

| Leadership and coordination | | | |
|---|--|--|---|
| A group convened by a government agency with representatives from business, local government and central government | | | |
| | Business | Central government | Local government |
| Information and promotion | Advocacy and corporate engagement to encourage electrification by other fleet owners | EECA information campaign | Local government electric vehicle groups and programmes |
| | Mighty River Power partnering with Audi, Mitsubishi, Holden, Nissan and BMW including point of sale promotional material | Technology knowledge hub | |
| | Car companies promoting their electric vehicles | Enable road controlling authorities to make bylaws to allow electric vehicles into special vehicle lanes (e.g. bus lanes)* | Christchurch Electric Vehicle Forum (established and chaired by Council) |
| | Publicity | | Investigate possibility of preferential parking for electric vehicles |
| Contestable fund for innovative projects | Project proposals under the contestable fund | Establish and administer contestable fund | Project proposals under the contestable fund |
| | Co-funding contribution for approved projects | Government co-funding contribution for approved projects | Co-funding contribution for approved projects |
| | Implementation | Monitor and report on effectiveness of the fund | Implementation of approved projects |
| Joint procurement across the government and private sector fleets | | | |
| Procurement | Targets for fleet uptake | Targets for fleet uptake | Targets for fleet uptake |
| | | Demonstration of EVs in government fleets | Auckland Transport and Christchurch City Council investigating electric car sharing schemes |
| | | Financial kickstarter for government agencies* | |
| Charging infrastructure | Consortium of organisations to establish 'renewables highway' | Local government and government agencies shared vehicle (electrification) project in Christchurch | |
| | Lines companies installing charging infrastructure independently and in partnership with others | Clarifying the regulatory framework for charging infrastructure | |
| | Off-peak electricity rates for electric vehicle owners | National information, guidance and promotion for public charging infrastructure | |
| Financial incentives/removing disincentives | | Light and heavy EVs exemptions from road user charges until they are 2 percent respectively of the total light and heavy vehicle fleets* | |
| | | Depreciation rate and fringe benefit tax regime review to ensure EVs are not disadvantaged | |
| | | Plug-in petrol hybrids will be reclassified so they are 'petrol driven' vehicles. This will ensure no ACC levy overcharge | |

*Not part of the proposed package developed by stakeholders.