

OC240152

12 March 2024

Tēnā koe

I refer to your email of 19 February 2024 requesting information under the Official Information Act 1982 (the Act) which stated:

“Older PHEVs may achieve very low KM on electricity alone and more often than not will be operated as a standard Hybrid vehicle for most of the journey taken.

What calculations have been done to factor in battery degradation and older PHEVs in the \$53 per 1,000km costings?

What percentage of PHEV vehicles will have tax overlap between RUC and petrol tax as a result of the introduction of RUC on PHEVs?

I understand this may also be referred to as "Double Tax" by some people.

What considerations have been made to reclassifying older PHEV as Hybrid vehicles to avoid tax overlap?

I'm looking for any correspondence and data point calculations available to assist in answering the above questions.”

The Government has announced that a discounted light road user charges (RUC) rate will apply to plug-in hybrid vehicles (PHEVs). The discounted rate provides owners of PHEVs a 30 percent discount on the full light RUC rate, given that the owners of the vehicles also contribute fuel excise duty when they buy petrol at the pump. Instead of paying the full RUC rate of \$76 per 1,000 kilometres, a partial rate of \$53 per 1,000 kilometres will be provided for owners of PHEVs.

Different PHEVs will use different amounts of fuel, have different battery capacities, and users will drive, charge and use their vehicles differently. For example, a PHEV owner driving small distances in an urban area and charging frequently will likely use very little petrol and therefore pay very little fuel excise duty. This compares to someone with an older vehicle, with limited potential to use the battery. The Government, based on advice from the Ministry of Transport, has sought to set the PHEV RUC rate at an amount that means that on average, PHEV users will contribute the same amount in RUC and fuel excise duty as an electric vehicle pays in RUC.

The discounted PHEV RUC rate assumes petrol usage of around 2.86 litres per 100 kilometres. Relevant information that supports this rate includes:

- PHEVs in the fleet average around 2 litres of petrol per 100 kilometres based on manufacturer testing data.
- Testing by Consumer NZ found that new PHEVs performed around 73 percent worse than in manufacturer tests.
- 76 percent of PHEVs in New Zealand are registered to owners in large urban areas. PHEVs in urban areas are better suited to shorter trips and frequent charging.

- 68 percent of New Zealand PHEVs are under five years old. The newer the vehicle, the better the fuel economy.

Most petrol PHEV vehicles in New Zealand are relatively new. So, we do not expect the owner of the typical PHEV would over contribute but would rather pay roughly the same as a battery electric vehicle.

Consideration was given to alternative options for PHEVs, such as applying the full electric vehicle RUC rate while enabling refunds for petrol used or allowing PHEV owners to submit details of their actual usage and calculating RUC on this basis. However, these options were found to be administratively expensive and potentially subject to misuse.

No consideration to reclassifying PHEVs as hybrids has been undertaken by the Ministry. This will be a matter for the NZ Transport Agency to consider once legislation is in place.

Further information

The Government has proactively released Cabinet papers and advice it received on RUC for electric vehicles at www.transport.govt.nz/area-of-interest/revenue/road-user-charges-system/. This includes the advice provided on the discounted rate for PHEVs and the data that informed it.

As the information you seek is publicly available, section 18(d) of the Act applies. You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz.

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



Matt Skinner
Manager, Revenue