MTA Submission

To the Ministry of Transport on Hīkina te Kohupara - Transport Emissions: Pathways to Net Zero by 2050 consultation

25 June 2021

Dear Sir / Madam

Submission: Transport Emissions: Pathways to Net Zero by 2050

This submission is from:

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Thank you for the opportunity for MTA to provide comment on *Hīkina te Kohupara* regarding the views of, and its effect on, the automotive industry.

Yours sincerely,

Greig Epps
Advocacy & Strategy Manager

Introduction

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 approximately 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 57,000 New Zealanders and contributes around $3.7 billion to the New Zealand economy.

General Comments

MTA is an automotive industry champion that:

- recognises the need for pragmatic action to address climate change challenges
- recognises low carbon emission vehicles and EVs are an important part of that action
- has the expertise to lead in defining:
    - future uptake of low emission vehicles including EVs
    - motor industry emission reduction targets.
- NZ must look at all policy options, adopt all possible technologies, and influence all relevant actors (Government, business, and consumers)
- we need clear timing and implementation of all relevant policies to ensure a just transition
- businesses require stable, predictable policy to invest in delivering NZ's 2050 climate targets.

MTA agrees with the 74% of people who responded "Yes" to the question "Do you support the Government's objective to reduce New Zealand's CO_2 emissions?" in a recently commissioned consumer survey.

MTA recommendations for policy initiatives

1. **Technology:**
    a. MTA does not support committing to an ICE ban. Negative approaches to the problem could hamper behaviour change and it is not clear that Kiwis, while supporting action on climate change, support this specific proposal[1]. We should leverage improving ICE drivetrains technology for as long as possible.
    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 (based on location and including easy-to-use consumer payment systems).

[1] Research conducted on behalf of MTA asked, "Do you support the approach of removing petrol and diesel driven vehicles?". The results showed a close split – 52% saying yes and 48% saying no.

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. Educate and support vehicle owners (who cannot shift to a replacement vehicle) to maintain their current vehicle to minimise the deterioration of emissions over time (eg replace fuel filters, exhaust sensors, and maintain catalytic converters)
    e. 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.
    f. 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.
    c. Work with education and immigration authorities.
4. **Mitigating risks:**
    a. Implement permanent support for firm-based training, such as 'Apprenticeship Boost'.
    b. Develop 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.

Consultation Questions

1. *Do you support the principles in Hīkina te Kohupara? Are there any other considerations that should be reflected in the principles?*

MTA supports the principles in Hīkina te Kohupara.

We recognise the need for pragmatic action to address climate change and that our sector has a key role to play to achieve targets. Co-ordinated action is key to achieving New Zealand's zero carbon targets. New Zealand must look at all policy options, adopt all possible technologies, and influence all relevant actors (Government, business, and consumers).

MTA's view is that the Government seek and consider industry knowledge immediately to adopt realistic and achievable goals and strategy. Government must form a strong industry partnership to achieve these goals.

A Just 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 SMEs. Businesses require a stable, predictable policy environment to enable investment in ways that deliver on the country's 2050 climate targets.

The principles set out in Hīkina te Kohupara align well with the position taken by MTA in its submission on the Climate Change Commission's draft advice in early 2021.

2. *Is the government's role in reducing transport emissions clear? Are there other levers the government could use to reduce transport emissions?*

In MTA's view both central and local government have a critical role to play in addressing climate action.

MTA's recommendations for policy initiatives include:

- 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 environmental impact of their vehicle. If someone can't afford a replacement, low emissions vehicle, then they should at the very least keep their existing vehicle maintained to mitigate emissions deterioration over time.
- 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).
- Coordinate product stewardship schemes to take a "whole-of-vehicle" approach[2].
- Get old vehicles off the road – 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.

[2] This will require establishing new product stewardship mechanisms for some components in vehicles. See Appendix I.

- Use positive incentives to move consumer and driver behaviour towards low/zero carbon transport options.

3. *What more should Government do to encourage and support transport innovation that supports emissions reductions?*

Government should leverage improving ICE drivetrains technology, invest alternative technologies, not just EVs (hybrid, plug-in hybrid electric vehicle (PHEV)), biofuel blends in the main fuel supply, hydrogen in heavy transport, etc). MTA welcomes the Ministry's current consultation on increasing the use of biofuels in transport. 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 is currently insufficient charging infrastructure in New Zealand, especially to provide the public with the comfort that they can move to electric vehicles with ease[3]. There needs to be targeted funding in the development of efficient, fast-charging infrastructure.

MTA agrees with the outlined role of Government in supporting transport innovation but echoes the BusinessNZ Energy Council's (BEC) caution against the Ministry being too prescriptive on the decarbonisation options for different transport uses.

Electrification is only part of the solution. MTA's modelling showed that even our most ambitious scenario did not meet the Climate Change Commission's (CCC) chosen path. The CCC's final advice suggests that 36% of light vehicles will be electrified by 2035, in our view this may not be achievable due to EV supply limits. While we support New Zealand's climate change goals, we would like the Ministry to be aware of the risks associated with setting ambitious goals. The decarbonisation of our sector places key focus on the switch from ICE to BEV, however MTA and other industry players are concerned about the reality of this. As mentioned above, we caution the Ministry against being too prescriptive by placing all eggs in the EV basket; it is likely other sectors may have to step in if EV uptake does not meet the Government's target.

4. *Do you think we have listed the most important actions the government could take to better integrate transport, land use and urban development to reduce transport emissions? Which of these possible actions do you think should be prioritised?*

Public transport must be addressed urgently. The current public transport settings are inadequate to address the public's needs. In May, Wellington saw 3,412 buses cancelled leaving commuters with no alternative options.[4] There must be alternative travel options available before existing methods are removed or reduced. Cycle ways are also not currently adequate to support cyclists commuting to work.

[3] A respectable network is developing in New Zealand, but much of it comprises "slow" charging equipment. Time will be needed to go back through the network and add/upgrade charging equipment to HPC levels.
[4] https://www.stuff.co.nz/dominion-post/wellington/125383014/wellington-sets-new-record-with-more-than-3000-buses-cancelled-in-may

If, as MTA suspects, 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%)**.*

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5. *Are there other travel options that should be considered to encourage people to use alternative modes of transport? If so, what?*

Currently, public transport is inadequate, people are unable to rely on their local buses to get to work or complete essential errands;[6] urgent investment is required in this space. See above our answer to question 4.

6. *Pricing is sometimes viewed as being controversial. However, international literature and experiences demonstrate it can play a role in changing behaviour. Do you have any views on the role demand management, and more specifically pricing, could play to help Aotearoa reach net zero by 2050?*

MTA supports the Government's climate change goals; however, to achieve the net zero target a huge change in behaviour is required. Financial incentives are necessary to confer to people, in money terms, rewards and penalties for their various choices of vehicles/ modes of transport.

68% of respondents said they could not afford a new EV as their next car.

84% said the Government should offer financial support to help people purchase low emissions cars to comply with the net-zero carbon goals.

MTA agrees with the Ministry that:

> "*Transport pricing can be a strong signal to change people's behaviour but it can have material impacts on household budgets and access to*

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

[6] During the 2020 Covid-19 lockdown, travel for "essential purposes" was recognised as getting to healthcare, supermarkets, or employment in essential services. Outside of a lockdown, these tasks are still essential to many Kiwi families.

essential goods and services. It is important that we clearly understand the distributional impacts of pricing mechanisms, before imposing costs on users that could have unintended social consequences."[7]

Sometimes it is not a case of making some activities more expensive; rather, reducing costs on some activities could stimulate behaviour. As Norway has shown, it is not just about the pricing support for EV purchase; you also need ancillary benefits of EV ownership such as reduced or negated congestion pricing, road use charges, ferry prices, toll road charges, and city parking.[8]

7. *Improving our fleet and moving towards electric vehicles and the use of sustainable alternative fuels will be important for our transition. Are there other possible actions that could help Aotearoa transition its light and heavy fleets more quickly, and which actions should be prioritised?*

In MTA's view the Government must 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. All vehicles (new and used) begin to operate at a level below their original manufactured specifications. 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.

In recent 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.

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8. *Do you support these possible actions to decarbonise the public transport fleet? Do you think we should consider any other actions?*

MTA and its 3,800+ automotive business members, support the Government's climate change goals. Decarbonisation of the public transport fleet is in line with the concept that everyone in New Zealand needs to contribute to reducing carbon.

The automotive industry is working to accommodate the Clean Car Standard and Clean Car Feebate schemes. Similarly, Government procurement is supported by an EV subsidy almost

[7] **Hīkina te Kohupara – Kia mauri ora ai te iwi:** Transport Emissions: Pathways to Net Zero by 2050 (https://www.transport.govt.nz//assets/Uploads/Discussion/Transport-EmissionsHikinateKohuparaDiscussionDoc.pdf) p 57

[8] Presentation to the E-World Conference by Christina Bu, Secretary-General of the Norwegian EV Users Association on 6 May 2021.

four times greater than that available to the public[9]. Public transport operators should reduce their footprint, as much individual Kiwis.

9. Do you support the possible actions to reduce domestic aviation emissions? Do you think there are other actions we should consider?

MTA supports the Government's climate change goals, as such we support the actions to reduce domestic aviation emissions.

10. The freight supply chain is important to our domestic and international trade. Do you have any views on the feasibility of the possible actions in Aotearoa and which should be prioritised?

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

With a heavy reliance on road transport to move freight around the country, more cross collaboration between freight service users and suppliers is needed. There has been some good work done by the Sustainable Business Council working with the freight sector to develop best practices to achieve sustainable and efficient freight movement with the development of the Sustainable procurement guidelines for freight[10]. Availability of EV truck technology to replace vehicles at the upper end of the weight classes is still developing but suitable, smaller-sized EV trucks are available and would suit the 'last mile' delivery of goods so there should be more incentives for freight service providers to adopt this technology.

There are several inland ports being built to provide centralised hubs for freight that utilises efficient transport options to deliver freight to these centres but there needs to be more work done on introducing more fuel efficient transport options to improve the efficiency of last mile urban delivery.

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.

Aligning an industry led approach to reducing emissions in the freight sector similar to what is coordinated through the Smart Freight Centre[11] (SFC) and their work with the Global Logistics Emissions Council (GLEC) should be explored.

[9] $30,000 per EV plus up to $5,000 for installing charging equipment. Per https://www.mbie.govt.nz/dmsdocument/15041-carbon-neutral-government-programme-report-back-and-further-implementation-decisions-proactiverelease-pdf, at page 34, accessed 25 June 2021.

[10] https://www.sbc.org.nz/__data/assets/pdf_file/0011/119783/Sustainable-procurement-guidelines-for-freight.pdf

[11] https://www.smartfreightcentre.org/en/

11. Decarbonising our freight modes and fuels will be essential for our net zero future. Are there any actions you consider we have not included in the key actions for freight modes and fuels?

Heavy trucks (10 - 50 tonnes) contribute the most emissions of all heavy vehicles, this should be taken into consideration in the Ministry's modelling.

New Zealand is well placed to adopt EV buses across all urban bus fleets and this should be given some priority now as EV technology in this area of transport is already available and proven. When public transport contracts are negotiated, the need to deliver EV buses should be mandatory. EV technology in other heavy vehicle applications where travel distances and schedules are regular and where a stop-start mode of operation is applied should also be encouraged.

In commercial transport operations, where EV technology already exists and is proven, converting from ICE to EV makes good business sense but businesses will need support to cover any additional capital investment required when comparing business cases supporting traditional asset purchases.

MTA supports and sees 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 – this relates back to the Ministry's Principle 4.

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[12].

To ensure a just transition from ICE vehicles to EVs or other low emission fuelled vehicles, it would be good practice to look at fleet optimisation and efficiency improvements first, embed these improvements and realise any financial benefits and then make a switch to low emission fuel options. This sort of transition would deliver immediate emission reductions as well as ensure business were able to improve bottom line performance that incentivises future plans for any capital investment to integrate low emission fuelled vehicles into their business.

MTA is aware of the *Safe and Fuel Efficient Driving* (SAFED NZ[13]) scheme that teaches heavy vehicle drivers how to drive safely and more fuel efficiently. Providing financial support or other regulatory incentives for more drivers to go through this training will return immediate fuel efficiency (emission reductions) benefits in the order of 10 to 20 percent as well as improve road safety outcomes.

[12] We understand this viewpoint is also raised in the submission from the Business Energy Council of NZ.
[13] https://safednz.govt.nz/

12. A Just Transition for all of Aotearoa will be important as we transition to net zero. Are there other impacts that we have not identified?

We are concerned that through the proposed changes, vulnerable people will likely be disadvantaged further.

The Clean Car Discount at it stands now has effectively left out the lower socioeconomic portion of the population. It also risks exacerbating the divide between urban and rural as low emission alternatives for rural activities will be slow in coming to New Zealand.

The current Feebate scheme provides incentives to those who can already afford luxury cars[14]. 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.

Again, we note that the Ministry states, "[t]ransport pricing can be a strong signal to change people's behaviour but it can have material impacts on household budgets and access to essential goods and services."[15]

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).

13. Given the four potential pathways identified in Hīkina te Kohupara, each of which require many levers and policies to be achieved, which pathway to you think Aotearoa should follow to reduce transport emissions?

A combination of Pathways 1 and 2 is required to reduce transport emissions. Public transport improvements must be made so that New Zealand's travelling community has options.

EVs are only part of the solution; in MTA's view, we need to leverage improving ICE drivetrains technology for as long as possible. The Government should 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).

Our research suggests a 90% mix of zero emission vehicle imports entering the fleet, with the many tailwinds supporting transition, might possibly be achieved between 2040 and 2050 without an unnecessarily limiting ICE ban. Any discussion of an ICE Ban whilst charging infrastructure is in its infancy and without a roadmap to mitigate homes without charging facilities is wishful and dangerous.

The CCC's final advice is still very ambitious; in MTA's view, Pathway 4 is not achievable.

[14] Prior to the introduction of the Clean Car Discount on 1 July 2021, MTA figured the lowest price for a new EV was around $48,000 and the average (of sub-$100,000 EVs) was around $68,000. Even with the Clean Car Discount, a $40,000 new vehicle is beyond the reach of most Kiwi households.

[15] Hīkina te Kohupara – Kia mauri ora ai te iwi: Transport Emissions: Pathways to Net Zero by 2050, p 57

Theme 3 is focussed on the heavy transport sector where a lot of initiatives undertaken to reduce emissions make good business sense by returning immediate financial savings along with emission reductions. Through the transition period there needs to be a strong focus on encouraging the sector to implement fleet optimisation and efficiency initiatives but the culture of lowest cost freight and just in time delivery needs to be addressed too.

14. Do you have any views on the policies that we propose should be considered for the first emissions budget?

We ask the Ministry to consider industry expertise and undertake meaningful consultation with the sector; the Clean Car Standard and Clean Car Feebate policy development has highlighted that policy on the run is policy underdone.

The Ministry of Transport will need to coordinate and engage with the following Ministries, departments, and agencies:

- Ministry of Education (and associated agencies such as TEC, Te Pukenga, and NZQA) regarding skills training to accommodate increased use of technologies (such as biofuels and hydrogen, as well as EVs[16]);
- Department of Immigration with respect to allowing people with the knowledge and experience needed to train the skills above[17];
- Ministry of Social Development and ACC, regarding financial support to people who need to inspect, maintain, and repair/replace older vehicles to ensure environmental and safety objectives are met; and
- Ministry for the Environment with respect to establishing and coordinating product stewardship schemes.

MTA appreciates the opportunity to submit on Hīkina te Kohupara - Transport Emissions: Pathways to Net Zero by 2050.

[16] A Level 5 qualification for EV diagnosis, service, and repair has been developed. However, we will need to transition more EV training into the main automotive technician qualification as EVs become more ubiquitous.
[17] Research by MTA has shown that the best ratio of skilled worker to apprentice is 2:1 – as the workforce ages, we will need to bring in qualified automotive technicians (and other transport skills) to ensure we can train the next generation of New Zealanders in this sector.

Appendix I

VEHICLE COMPONENTS AND WASTE

mta ASSURED

NZ FLEET STATISTICS *

14.1
average age of the light fleet

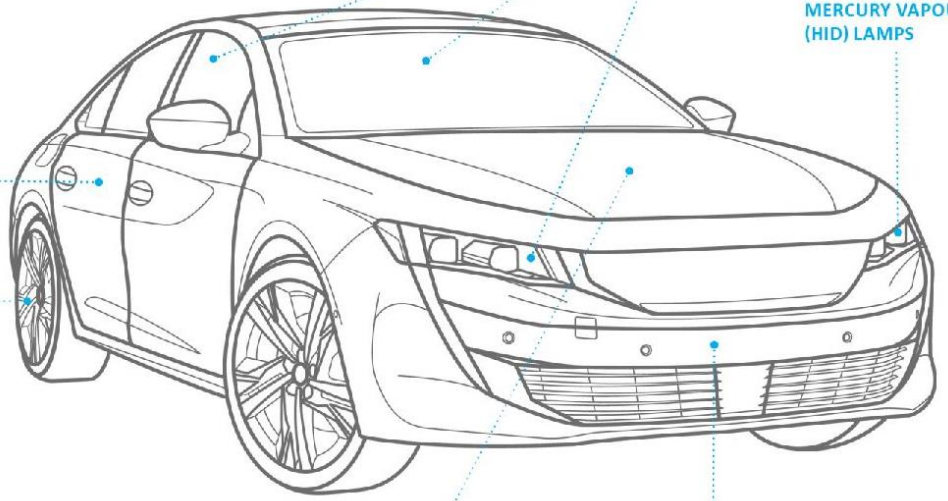
19.1
Average age of a scrapped light vehicle

300k
Average number of vehicles imported each year (new & used)

190k
Average number of light vehicles scrapped each year is approximately 180,000

SCRAP VALUE

1. Steel **$100/tonne**
2. Aluminium



VEHICLE STRUCTURE
- Steel
- Aluminium
- Exhaust system catalytic convertor

GLASS
- Windscreen/side and rear windows
- Light covers

MERCURY VAPOUR (HID) LAMPS

TYRES

ENGINE COMPARTMENT
- Air conditioning unit-synthetic refrigeration gas
- Engine coolant
- Oil filter
- Engine oil
- Auto-transmission oil
- Brake fluid
- Car battery (Pb/Li iron)
- Electronic components/wiring e-waste

PLASTICS
- Bumpers
- Interior/exterior trim panels

* Source: MOT 2019 fleet data.

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