

## Electric Vehicles Programme: draft implementation plan

<b>Reason for this briefing</b>	To provide you with key information about how the Electric Vehicles Programme will be implemented by agencies, including key deliverables and milestones.
<b>Action required</b>	Consider the contents of this briefing, and discuss with officials.
<b>Deadline</b>	Thursday 9 June 2016
<b>Reason for deadline</b>	To enable a timely discussion with you about the implementation of the Electric Vehicles Programme.

### Contact for telephone discussion (if required)

Name	Position	Telephone		First contact
		Direct line	After hours	
[REDACTED]	Senior Adviser	[REDACTED]		
Erin Wynne	Policy Manager, Programme	[REDACTED]	[REDACTED]	✓

**MINISTER'S COMMENTS:** Withheld under section 9(2)(a) of the Official Information Act 1982

<b>Date:</b>	31 May 2016	<b>Briefing number:</b>	OC04064
<b>Attention:</b>	Hon Simon Bridges (Minister of Transport)	<b>Security level:</b>	In-Confidence

### Minister of Transport's office actions

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> <i>Noted</i>        | <input type="checkbox"/> <i>Seen</i>                 | <input type="checkbox"/> <i>Approved</i>            |
| <input type="checkbox"/> <i>Needs change</i> | <input type="checkbox"/> <i>Referred to</i>          |   |
| <input type="checkbox"/> <i>Withdrawn</i>    | <input type="checkbox"/> <i>Not seen by Minister</i> | <input type="checkbox"/> <i>Overtaken by events</i> |

## About this report

1. The purpose of this report is to inform you of how agencies intend to implement the Electric Vehicles Programme (the Programme) announced on 5 May 2016. This includes information about the timing of deliverables and key decisions that we will seek from you.
2. A summary of the actions to implement the Programme is set out in the attached A3.
3. Information about the implementation of each measure under the Programme is attached as Appendix 1.
4. The New Zealand Transport Agency (NZTA), Energy Efficiency and Conservation Authority (EECA), Ministry of Business, Innovation and Employment (MBIE – specifically, the Energy Markets Policy, NZ Government Procurement, ACC Policy units), the Accident Compensation Corporation (ACC), and Inland Revenue Department (IRD) have provided the content in Appendix 1 for the measures that they lead.

### *Amendments to this briefing following its submission to your office*

5. On 27 May 2016, your office provided comments on this briefing requesting:
  - 5.1. amendments to the key messages for some of the measures
  - 5.2. more information about EECA's public outreach activities under the electric vehicles information and promotion campaign.
6. We made changes to this briefing in response to the comments above.
7. As requested, we also provided to your office advice about whether the amendments to transport legislation to implement the Programme could be progressed through the Land Transport Amendment Bill or a Road User Charges Amendment Bill. We can provide you with this information if you wish to see it.

## Background

8. On 5 May 2016, you publicly announced the Government's Electric Vehicle Programme which aims to increase the uptake of electric vehicles in New Zealand. The package also aims to develop the electric vehicle market in New Zealand, and the supporting infrastructure for that market.
9. The Programme includes:
  - 9.1. a target of doubling the number of electric vehicles in New Zealand every year to reach approximately 64,000 by 2021
  - 9.2. extending the Road User Charges (RUC) exemption on light electric vehicles until they make up two percent of the light vehicle fleet
  - 9.3. a new RUC exemption for heavy electric vehicles until they make up two percent of the heavy vehicle fleet
  - 9.4. work across Government and private sector to investigate the bulk purchase of electric vehicles
  - 9.5. government agencies coordinating activities to support the development and roll-out of public charging infrastructure including providing information and guidance

- 9.6. \$1 million annually for a nation-wide electric vehicle information and promotion campaign
  - 9.7. a contestable fund of up to \$6 million per year to encourage and support innovative low emission vehicle projects
  - 9.8. enabling road controlling authorities to allow electric vehicles in bus lanes and high-occupancy vehicle lanes on the State Highway network and local roads
  - 9.9. a review of tax depreciation rates and the method for calculating fringe benefit tax to ensure electric vehicles are not being unfairly disadvantaged
  - 9.10. establishing an electric vehicles leadership group across business, local and central government.
10. The package will address barriers to the uptake of electric vehicles, including the limited supply of models in New Zealand, lack of awareness and misconceptions about electric vehicles, and a lack of widespread public charging infrastructure.

### **Programme governance**

11. We have responsibility for the coordination and delivery of the Programme, with support from the NZTA, EECA, MBIE, IRD and ACC.
12. To fulfil this role, we have convened an Electric Vehicles Programme Working Group (the Working Group) comprising the Ministry of Transport, MBIE, EECA and NZTA to ensure that the implementation of the Electric Vehicles Programme is coordinated, and to drive the delivery of the Programme as a whole. The Working Group is governed by agreed terms of reference (attached) and will work to the Electric Vehicles Programme Steering Group.
13. We will chair an Electric Vehicles Programme Steering Group (the Steering Group) of chief executives or tier two managers from MBIE, EECA and NZTA. The Steering Group will ensure the successful implementation of the Programme by ensuring that the key agencies are appropriately resourced, opportunities for synergy are grasped, and risks are managed.
14. In accordance with principles of good governance, individual agencies will remain accountable for delivering the initiatives for which they are responsible. The lead agencies for each of the measures in the Programme are set out in the attached A3.
15. The Electric Vehicles Programme Leadership Group (the Leadership Group) is not expected to make decisions, but it could:
  - 15.1. provide strategic leadership to the Programme as appropriate
  - 15.2. be a reference panel to test ideas and decisions with before they are implemented
  - 15.3. act as a conduit for information sharing between central and local government, and industry.

### **Overarching communications and stakeholder engagement approach**

16. We are preparing an overarching communications plan for the Programme in consultation with MBIE, EECA and NZTA. The plan will include the key messages for each component of the Programme (these key messages are contained in each of the subsequent sections of this report).

17. It will also identify key deliverables and milestones for stakeholder engagement and communications, including opportunities that could be leveraged (e.g. conferences). We will provide a copy of this communications plan to your office in mid-June.
18. Detailed communications plans will be developed by lead agencies for key milestones and will be referenced in the overarching communications plan.

**Regular reporting on implementation progress**

19. We propose to report to you monthly during the 2016/17 year. The report will consist of an updated implementation overview A3 (as attached) and a cover memo outlining:
  - 19.1. key achievements for the period
  - 19.2. upcoming deliverables and milestones
  - 19.3. emerging opportunities
  - 19.4. risks and mitigations.
20. We also propose to establish a monthly meeting with you and senior officials from the Ministry of Transport, NZTA, MBIE, and EECA to discuss the implementation of the Programme.
21. Any other matters will be raised with you by exception, either through the relevant agency's Weekly Report or at officials' meetings.

**Next steps**

22. Following your consideration of this paper, we would welcome a discussion with you, together with representatives from NZTA, MBIE, and EECA on the implementation of the Electric Vehicles Programme.

**Recommendation**

23. The recommendation is that you:
  - (a) **discuss** the implementation of the Electric Vehicles Programme with officials. Yes/No

  
**Senior Adviser**

Erin Wynne  
**Policy Manager, Programme**

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Official Information Act 1982

**MINISTER'S SIGNATURE:**

**DATE:**

## **Establishment of an Electric Vehicles Programme Leadership Group**

### **Cabinet decisions**

24. On 21 March 2016, Cabinet:

- 24.1. agreed that to provide ongoing leadership and coordination for the total government-industry package, a group of seven to eight representatives from industry, local government and relevant government agencies be convened
- 24.2. invited you to decide on the terms of reference, membership and administrative arrangements for that group [CAB-16-MIN-0108.01 refers].

### **Timing of key deliverables and milestones**

25. We will develop draft terms of reference, including recommendations about the membership of the Leadership Group, in consultation with key agencies and provide this to you for consideration in the week of 20 June 2016.
26. Subject to your agreement, we will provide you with letters appointing the members of the group in early July and seek to convene the first meeting of the Leadership Group in late July 2016.
27. At this stage, we propose that the Leadership Group meet on a quarterly basis. We will provide secretariat support to the Leadership Group.

### **Stakeholder communications and engagement**

28. The terms of reference will cover communications and engagement matters such as:
  - 28.1. protocols for informing members of matters relevant to the successful implementation of the Programme
  - 28.2. the treatment of information and advice provided in-confidence
  - 28.3. management of conflicts of interest.
29. The following key messages to respond to enquiries about the Leadership Group have been approved by your office:
  - The Ministry of Transport will convene a Leadership Group with up to eight representatives from industry, local government and relevant government agencies.
  - Decisions about the membership of the Leadership Group, and its terms of reference, are still under consideration.
  - People who have demonstrated leadership in this area, and are interested in joining the panel, can contact the Ministry of Transport on 04 439 9000 or [info@transport.govt.nz](mailto:info@transport.govt.nz).
  - It is planned that the Leadership Group will be in place in the next few months.



### **Risks and mitigations**

30. Regardless of which parties you appoint to the Leadership Group, there will almost certainly be organisations who do not feel adequately represented. For this reason, we recommend drawing on local government and industry associations in some cases, and encouraging the sector to work through these bodies. This would also help minimise the risk of government being perceived as giving a particular company an advantage over competitors.
31. In cases where particular organisations have shown strong leadership on electric vehicle issues, we would also recommend they be considered for the Leadership Group.
32. The terms of reference will include protocols for dealing with any actual or potential conflicts of interest that members have.

### **Discussion point**

33. We welcome your initial thoughts about the membership of the Leadership Group, and the role it should play.

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## **Extending the RUC exemption for light electric vehicles and introducing an exemption for heavy electric vehicles**

### **Cabinet decisions**

34. On 21 March 2016, Cabinet:

#### *RUC exemption for light electric vehicles*

- 34.1. agreed that light electric vehicles be exempt from RUC until they comprise two percent of the light vehicle fleet, which is expected to occur by the end of 2021
- 34.2. agreed that the exemption from RUC for light electric vehicles 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 [CAB-16-MIN-0108.01 refers].

#### *Exemption for heavy electric vehicles*

- 34.3. agreed that the RUC exemption for electric vehicles be extended to electric heavy vehicles, including trolley buses, and that the exemption apply until heavy electric vehicles comprise two percent of the heavy vehicle fleet
- 34.4. agreed that the exemption from RUC for heavy electric vehicles be set to end on 31 December 2025, and that this date be reviewed as part of the 2019 review referred to above
- 34.5. invited you to issue drafting instructions to the PCO to give effect to the RUC exemptions.

### **Timing of key deliverables and milestones**

- 35. We are currently working with NZTA to develop drafting instructions, which we aim to issue to PCO by July 2016. This includes instructions for the Orders in Council that will be required to enact the exemptions for light and heavy electric vehicles.
- 36. Extending the exemption for light electric vehicles does not require an amendment to the RUC Act, and could be implemented by Order in Council before the end of the year.
- 37. The proposed amendments to the RUC Act for the heavy electric vehicles exemption are expected to be progressed through the Energy Innovation (Electric Vehicles and Other Matters) Bill. We understand from MBIE that the target date for introducing the Bill is October 2016. Once the Bill is passed, an Order in Council exempting heavy electric vehicles from RUC can be put in place.

## Stakeholder communications and engagement

38. Heavy vehicle operators are very interested in the RUC exemption for heavy electric vehicles and are already seeking to understand from when the exemption will apply, and what types of vehicle technology will meet the definition of ‘electric vehicles’ for the purposes of the exemption.
39. We have responded directly to some of these enquiries. Both NZTA and EECA have also been given the key messages below to use with operators they engage with regularly on operational matters.
40. The following key messages to respond to enquiries about the RUC exemptions have been approved by your office:
- The RUC exemption for light vehicles is already in place and this will be extended to 2021, or until light electric vehicles make up 2 percent of the light vehicle fleet. The extension of this exemption will be legislated.
  - The RUC exemption for electric heavy vehicles also needs to be legislated. This process will start soon and further details will be announced in due course. The RUC exemption for heavy electric vehicles will be in place until 2025 in the first instance.
  - The definition of heavy electric vehicle will be one of the matters considered in drafting the legislation and potentially through the select committee process.
  - The exemptions aim to encourage New Zealand consumers and businesses to buy electric vehicles as they can contribute to a reduction in transport emissions and greenhouse gases and reduce New Zealand’s reliance on imported fossil fuels.
  - Operators of electric light vehicles (such as cars and SUVs) are expected to save around \$600 per vehicle per year. While the savings will be significant for individual vehicle operators, the total cost is very small compared to the approximately \$4 billion spent each year through the National Land Transport Fund.

## Risks and mitigations

41. We are already aware that defining heavy electric vehicles for the purpose of the RUC exemption could be challenging. We are working with NZTA to determine what approach we might take to the definition for the purposes of issuing drafting instructions. We can continue to investigate options for the definition of heavy electric vehicles for the purpose of the RUC exemption after drafting instructions have been issued.
42. The part of the definition in the RUC Act that differentiates a *light RUC vehicle* from a *light electric RUC vehicle* (i.e. a RUC vehicle with motive power wholly or partly derived from an external source of electricity) is unlikely to be suitable for differentiating a heavy RUC vehicle from a heavy electric RUC vehicle in the RUC Act.



## Appendix 1 – Electric Vehicle Programme implementation

43. This is because conventional hybrid heavy vehicles (such as the Mitsubishi FUSO Canter Eco Hybrid) could be retrofitted at low cost to enable it to plug-in, but may never actually be charged. Such retrofits would meet the definition of heavy electric vehicles if the definition of *light electric RUC vehicle* is used as a template.
44. In other words, a plug-in hybrid electric vehicle (PHEV) could provide 100 percent electric operation if used well, yet could provide no electric operation at all.
45. If the definition of heavy electric vehicle is left too open, it is likely to result in the number of vehicles meeting the definition reaching the 2 percent of the heavy fleet much earlier than previously anticipated, without achieving any significant benefit in terms of fuel savings or reduced carbon dioxide emissions.
46. We are developing a proposed solution in consultation with the NZTA. Through the drafting instructions, we will attempt to minimise the risk of the perverse outcomes noted above while also leaving the scope of the exemption open for innovative vehicle technologies that use renewable electricity, such as the Wrightspeed plug-in hybrid electric technology. We will provide you with further advice about this matter before issuing drafting instructions.
47. We are not concerned about the definition of *light RUC electric vehicle* because the value of the RUC exemption is lower, and therefore there is less incentive to retrofit. Plug-in electric light vehicles typically use petrol which is subject to fuel excise duty. This means that they have an added incentive to operate on electric power as much as possible. Although there are a small number of light diesel hybrids in use, we are not aware of any instances of these vehicles being converted to plug-in hybrids so as to qualify for the RUC exemption.

### Other considerations

48. *NZTA comment:* There are a number of critical dependencies that impact on the work the NZTA needs to do to deliver on its responsibilities identified in the Programme. The most pressing is an agreed definition of both a light and heavy electric vehicle. Without an agreed definition, any enforcement relating to electric vehicles will be ineffective. This will have a significant impact on some of the incentives in the Programme. For example, the ability for electric vehicle users to travel in bus or high occupancy lanes.
49. We are working with NZTA to develop agreed definition of both a light and heavy electric vehicle. We expect to have a proposed position by the end of June 2016.

## **Investigating the feasibility of joint public-private procurement**

### **Cabinet decisions**

50. On 21 March 2016, Cabinet directed MBIE to:
  - 50.1. investigate the feasibility of having joint public and private sector fleet procurement, including preferred administrative arrangements
  - 50.2. report back to the Minister for Economic Development and the Minister of Transport by 30 June 2016 [CAB-16-MIN-0108.01 refers].

### **Timing of key deliverables and milestones**

51. As part of the joint public-private procurement initiative, MBIE's NZ Government Procurement Branch has initiated project scoping for the feasibility review. Initial scoping will ensure the project is well established, including objectives, scope, project teams and roles, project governance, probity considerations, costs, risks and a timeline for the feasibility review. NZ Government Procurement expects to complete scoping by 10 June 2016.
52. In accordance with Cabinet decisions, NZ Government Procurement will report back to you and the Minister for Economic Development by 30 June 2016. This report back will cover:
  - 52.1. an assessment of the current opportunities for joint public-private procurement to support the proliferation of electric vehicles. Specifically understanding how a procurement partnership will impact demands and/or supply of electric vehicles.
  - 52.2. identification of requirements and criteria to inform the strategy to procure electric vehicles
  - 52.3. recommendations on how best to engage with fleet managers and manufacturers across the private and public sector and best deploy joint procurement
  - 52.4. report on recommendations for administrative arrangements and the mechanism for alignment with the MBIE All-of-Government agreement model.

### **Stakeholder communications and engagement**

53. NZ Government Procurement will lead the drafting of a stakeholder engagement and communications plan for the joint procurement initiative that will sit under the overarching communications plan.
54. The communications plan will reflect our discussion with you on 25 May 2016, and include key messages.

**Risks and mitigations**

- 55. There is a risk that the joint public-private procurement initiative will be seen as taking too long. To mitigate, NZ Government Procurement is working with existing All-of-Government contracted suppliers to add their current electric vehicles models to the existing catalogues. This will provide options to meet the immediate needs of government agencies while the wider joint public-private procurement initiative is progressed.
- 56. There is high potential for conflicts of interest given the overlaps between suppliers and advocacy groups. Probity and transparency will need to be managed effectively.

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## Supporting the development and roll-out of public charging infrastructure

### Cabinet decisions

57. On 21 March 2016, Cabinet:

57.1. noted that NZTA will be supporting the development of public charging infrastructure through clarifying the regulatory framework and providing national information and guidance

57.2. directed NZTA and the Energy Efficiency and Conservation Authority to coordinate their activities in supporting the development of public charging infrastructure [CAB-16-MIN-0108.01 refers].

58. Specifically, the Cabinet paper seeking agreement to the Programme states that NZTA will support the development of public charging infrastructure by:

58.1. clarifying the regulatory framework for charging infrastructure. This includes:

58.1.1. working with local government to develop shared standards and a knowledge base on the best placement of charging infrastructure and minimum infrastructure requirements

58.1.2. ensuring processes to apply for access to the State highway corridor to install charging infrastructure are as streamlined as possible

58.1.3. 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 NZTA

58.1.4. aligning the deployment of charging infrastructure installation and scheduled road works.

58.2. providing national information and guidance for public charging infrastructure. This includes:

58.2.1. providing traffic pattern data to aid with the planning of charging infrastructure placement

58.2.2. developing standards for signage to indicate charging infrastructure or a special vehicle designation to ensure on-street charging infrastructure is reserved for electric vehicles

58.2.3. adding charging infrastructure locations to the journey information it already provides to customers

58.2.4. funding or co-funding enabling research

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

### Timing of key deliverables and milestones

59. Preparatory work needs to be done by NZTA, in conjunction with EECA and the Ministry of Transport, to develop national information and guidance for local authorities, private investors and the general public on charging infrastructure.

60. There are a number of issues related to the regulatory framework that must be in place before a full complement of guidance can be produced. It has therefore been proposed that the development of guidance take a staged approach, with more detail being added to the suite of information as things progress.
61. It is anticipated that the end of December 2017 will be the final completion date for national information and guidance, with a supporting regulatory framework in place. The first deliverable, a draft guideline, is due to be completed at the end of September 2016.

### **Stakeholder communications and engagement**

62. The NZTA is developing an integrated communications plan and engagement framework, due for immediate implementation. It is working with EECA and the Ministry of Transport on the development of this plan.
63. Proposed key messages to respond to any enquiries about government actions regarding public charging infrastructure are:
- NZTA is working on facilitating the uptake of electric vehicles into the New Zealand fleet.
  - Specifically, it is focused on supporting the private sector to provide charging infrastructure.
  - National guidance for road controlling authorities and private investors is being developed collaboratively so a consistent, market-led approach to charging station installation can be implemented throughout the country. This guidance will cover matters such as:
    - accessing data to inform planning and decision making, for example current traffic pattern data and future network development plans
    - minimum infrastructure requirements
    - common signage standards
    - a streamlined process for access to state highway corridors.

### **Risks and mitigations**

64. As the Programme is market driven, there is considerable pressure from private sector investors to get the foundations in place as soon as possible. Preparatory work therefore needs to be done quickly to facilitate the uptake of electric vehicles into the New Zealand fleet and provide both the legislative and regulatory foundation for the management of electric vehicles on New Zealand roads.

Appendix 1 – Electric Vehicle Programme implementation

65. There is also uncertainty regarding the safety of Electric Vehicle Supply Equipment (EVSE e.g. charging cables) currently in use, and their compliance with New Zealand electrical safety regulations. Some charging cables that come with used imported vehicles may not comply with New Zealand's electrical safety requirements.
66. The development of guidance material for electric vehicle buyers and other stakeholders is dependent on clarifying the regulatory requirements for this equipment. This work requires input from Worksafe New Zealand. EECA is currently seeking clarification on this issue with Worksafe and MBIE.

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## A nation-wide electric vehicle information and promotion campaign

### Cabinet decisions

67. On 21 March 2016, Cabinet:
- 67.1. agreed that EECA deliver an information and promotion campaign for electric vehicles that would be directed at businesses and household consumers
  - 67.2. invited you to request EECA to reprioritise \$1 million per annum from its baseline funding from 2016/17 to resource the information and promotion
  - 67.3. noted that MBIE would provide oversight of the information and promotion campaign [CAB-16-MIN-0108.01 refers].

### Timing of key deliverables and milestones

68. The first stage of EECA's information campaign is focused on developing material to address immediate information needs and provide a base from which a broader public and fleet campaign can be built.
69. These resources include charging information, ensuring car dealers are well informed as to the requirements of New Zealand's electricity system when selling imported electric vehicles with chargers designed for other countries, and developing consistent guidelines for local authorities to use when considering electric vehicle infrastructure requests. The draft guidelines will be shared with your office prior to publication. These resources should be published by the end of September 2016, and will complement the material being developed by NZTA.
70. Supporting material will also be developed for business fleets including charging infrastructure requirements; these should also be available by the end of September 2016.
71. EECA will be working directly with fleets, including providing fleet consultations and supporting at least one fleet day event in 2016 (building on the event you attended in May 2015), and working with MBIE to support the joint procurement initiative.
72. EECA is also sponsoring a range of consumer and fleet electric vehicle events, with an increased focus on public outreach activities (including giving people the electric car driving experience) across the country (April 2017). These include The Wellington Electric Vehicle Symposium in June, a proposed International Electric Vehicle Week in September with the Better NZ Trust, fleet day(s) with Drive Electric (similar to the one you attended in May 2015) and an expanded nationwide electric vehicles road-trip in April with the Better NZ Trust. Further information will be provided to your office once details are confirmed.
73. The objective of this phase is to ensure the buying, driving and charging of an electric vehicle (at home, work or at a public charging station) is a smooth and positive process. This is essential to transition electric vehicles from 'early adopters' to the 'mainstream'.
74. A broader public advertising campaign will start after 2016/17 once basic information is in place, and supporting services are able to respond with authority to requests from the public and fleets, and there is a broader range of vehicles available for 'mainstream' consumers to buy.

75. EECA is undertaking market research to better understand consumer awareness, attitudes and understanding of terminology. EECA will provide you with an update once it has received the results.

### **Stakeholder communications and engagement**

76. Proposed key messages to respond to any enquiries about the information and promotion campaign are:
- The first stage of the information campaign is focused on resource development to address immediate information needs and provide a base from which a broader public and fleet campaign can be built.
  - This campaign is being led by EECA and it will have a community outreach component to it, building on the work that is already occurring with partners at regional and nationwide level.
  - EECA's business team will be working alongside fleets to identify opportunities to transition vehicles to electric, and to take advantage of the joint procurement process.

### **Risks and mitigations**

77. A key risk arises from the lack of clarity regarding the compliance and safety of EVSE (e.g. charging cables), as set out in paragraphs 61 and 62 above.

### **Other considerations**

78. *Ministry of Transport comment:* We expect that EECA will design a clearer programme of activity with specific milestones for the information and promotion campaign over the coming months. We will update you on progress through our regular monthly reporting.

### **Discussion point**

79. Which opportunities and events would you most like to be involved in (e.g. car launches, opening charging stations, community outreach)?

## **Contestable fund to encourage and support innovative low emission vehicle projects**

### **Cabinet decisions**

80. On 13 April 2016, the Economic Growth and Infrastructure Committee:
- 80.1. agreed that a contestable fund of up to \$6 million per annum be established to co-fund industry and government initiatives aimed at promoting the uptake of electric and other low emission vehicles
  - 80.2. agreed that the overarching principle of the contestable fund be that the fund should encourage innovation and investment to promote, enable, and/or accelerate the uptake of electric and other low emission vehicles into New Zealand, that might otherwise not occur
  - 80.3. agreed a set of guiding principles of the contestable fund
  - 80.4. directed officials to report back to you with a detailed proposal for how the assessment process would be deployed, including an indicative plan for years after 2016/17 and proposals for the role of the leadership group
  - 80.5. agreed that the contestable fund be administered by EECA, with oversight by the Ministry of Transport, MBIE and the Electric Vehicle Programme Leadership Group [EGI-16-MIN-0069 refers].

### **Timing of key deliverables and milestones**

81. EECA, in coordination with MBIE and the Ministry of Transport, is leading the development of the design of the contestable fund. EECA has initiated development of the terms of reference for the fund and expects to complete them by July 2016. A report back to you on the terms of reference is scheduled for July 2016.
82. The intention is that the first funding round would open in August 2016, with the market engagement process and decisions on winning proposals taking approximately four to five months. This means that the first funds may be awarded between December 2016 and February 2017.

### **Stakeholder communications and engagement**

83. A communications and promotion plan for the contestable fund is to be completed in parallel to the terms of reference.
84. Proposed key messages to respond to any enquiries about the contestable fund are:
  - The contestable fund is aimed at promoting the uptake of electric and other low emission vehicles.
  - the overarching principle of the contestable fund is that the fund should encourage innovation and investment to promote, enable, and/or accelerate the uptake of electric and other low emission vehicles into New Zealand, that might otherwise not occur.

## Appendix 1 – Electric Vehicle Programme implementation

- The design of the contestable fund is currently underway, with more detailed information to be made publicly available by the end of July at the earliest.
- It is important to think about and scope potential projects, in light of the objective of the fund to encourage and support innovative low emission vehicle projects.
- Subsidies for vehicle purchases are outside the fund's scope.

### Risks and mitigations

85. *Delays during the design stage:* A number of key questions on the nature of the fund and how it will be implemented are currently unclear. Officials are working at a cross agency level to develop an effective design.
86. *Level of stakeholder response to first funding round:* The first funding round may not get sufficient responses from stakeholders because some worthwhile projects may not fit the fund's design parameters. Alternatively, EECA may experience oversubscription of unsuitable projects. Officials are considering options to help ensure that the fund's design and criteria are sufficiently broad so as not unnecessarily preclude worthwhile ideas.

### Discussion points

87. Is the contestable fund to target low emission vehicle projects that represent both innovation and investment, or will projects be considered if they have at least one of these attributes?
88. EECA has received a number of enquiries from interested stakeholders around the scope of the contestable fund and whether or not it extends to electric ferries or electric bicycle projects. Do you have any views on the scope of the fund and whether it is to be exclusively used for projects related to light and heavy road vehicles?
89. *Ministry of Transport comment:* We recommend that the fund focus on projects to support the uptake of light and heavy electric vehicles, and thereby help achieve the uptake targets set by the Government.

## **Enabling electric vehicles to access bus and high-occupancy vehicle lanes**

### **Cabinet decisions**

90. On 21 March 2016, Cabinet agreed to:
- 90.1. amend the Land Transport Act 1998 to clearly empower road controlling authorities to make bylaws allowing electric vehicles to use special vehicle lanes
  - 90.2. 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 electric vehicles access to bus and high occupancy vehicle lanes [CAB-16-MIN-0108.01 refers].

### **Timing of key deliverables and milestones**

91. We expect to develop drafting instructions to give effect to the decision in paragraph 86.1 by July 2016, and issue them to PCO at the same time as drafting instructions for the RUC exemptions. Both sets of amendments will be progressed through the Energy Innovation Bill.
92. We expect to seek your agreement to consult on the draft Rule to give effect to the decision in paragraph 86.2 in August 2016. If you agree, the draft Rule would be out for consultation at the same time that the Energy Innovation Bill is at select committee. This would mean that stakeholders could view the proposed amendments to the Land Transport Act alongside the draft Rule, and therefore make more informed submissions on both matters.
93. Following a three month consultation period on the draft Rule, we will provide you with further advice about the proposed Rule changes, and a final Rule for signing in early 2017. We will provide you with more advice on the proposed timing of Rule changes when we provide you with the draft Rule.

### **Stakeholder communications and engagement**

94. As part of the rule-making process, there needs to be consultation on the draft Rule to enable road controlling authorities to allow electric vehicles access to bus and high occupancy vehicle lanes. We will prepare consultation material to support this process. You will have the opportunity to review the draft Rule and associated material before it is released for consultation.
95. Proposed key messages to respond to any enquiries about enabling electric vehicles to access bus and high-occupancy vehicle lanes are:
- Overseas experience has shown that allowing electric vehicles into transit and bus lanes is a very effective non-financial incentive to encourage people to switch to electric vehicles.
  - The Government will need to make changes to Land Transport Rules and the Land Transport Act 1998 to enable the NZTA and local authorities to allow electric vehicles into special vehicle lanes, such as bus and transit lanes.

## Appendix 1 – Electric Vehicle Programme implementation

- This process is due to begin shortly and further details, including consultation, will be announced in due course.
- Opening up these special vehicle lanes to electric vehicles will ultimately be a decision for local councils and the New Zealand Transport Agency, in consultation with communities.

### Risks and mitigations

96. To mitigate the risk of confusion to road users, we recommend that the Rule process follow the timing of the Energy Innovation Bill, particularly in terms of consultation and enactment.
97. We will need to balance competing interests (for example efficiency of the network, enforcement, and costs) when designing the Rule and Act amendments to give effect to the Government's decisions. As a first step, we will engage with NZTA and NZ Police to develop the draft Rule amendments and options for balancing competing interests within the regulatory regime.

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## **Review of tax depreciation rates and the method for calculating fringe benefit tax (FBT) for electric vehicles**

### **Cabinet decisions**

98. On 21 March 2016, Cabinet:

- 98.1. directed IRD, in consultation with industry stakeholder groups, to review the depreciation rate and the method used to calculate fringe benefit tax as they relate to electric vehicles
- 98.2. invited the Minister of Revenue to report on the results of these reviews to you by 31 March 2017 [CAB-16-MIN-0108.01 refers].

### **Timing of key deliverables and milestones**

99. IRD will advise the Minister of Revenue on the results of the reviews by February 2017. The Electric Vehicles Programme Working Group will be informed of the reviews' findings.

### **Stakeholder communications and engagement**

100. IRD will be seeking information from industry stakeholder groups to determine whether the estimated useful life of electric vehicles is different to the estimates that apply to other motor vehicles. This information will also inform work on how the amount of FBT is calculated where business electric vehicles are used for private purposes.
101. Proposed key messages to respond to any enquiries about the reviews of tax rates applying to electric vehicles include:
  - The reviews will consider whether the depreciation rules and the FBT rules are discouraging otherwise sensible investment in electric vehicles.
  - The reviews require evidence that will enable estimates of an electric vehicle's useful life to be calculated.
  - If the reviews demonstrate that electric vehicles are being disadvantaged, it could result in changes to put electric vehicles on a level playing field with petrol and diesel vehicles.
  - The reviews will be undertaken in accordance with the generic tax policy process, which is a highly consultative process.

### **Risks and mitigations**

102. The industry might argue for concessions to encourage investment in electric vehicles. The Government's broad-base, low-rate tax policy framework suggests that there is little room for such arguments. Moreover, both the depreciation and fringe benefit rules also use robust analytical frameworks.
103. The generic tax policy process enables open communication between officials and industry. This reduces the risk of surprises.

## **Review ACC levies for plug-in hybrid electric vehicles**

### **Cabinet decisions**

104. On 21 March 2016, Cabinet:

- 104.1. directed officials to work with MBIE to investigate how the ACC levy overcharge by plug-in hybrid electric vehicles (PHEVs) might be addressed, and to report back to Cabinet by 1 October 2016 with recommendations
- 104.2. agreed that if any changes require amendments to the Accident Compensation Act 2001, these can be considered as part of the Energy Innovation Bill [CAB-16-MIN-0108.01 refers].

### **Timing of key deliverables and milestones**

105. At this stage, officials consider that regulatory options to address this issue can be progressed under existing legislation.
106. With our support, MBIE and ACC will review the way PHEVs are levied. Together, we will keep you and the Minister for ACC informed of this work and on any proposed changes to the way PHEVs are charged ACC levies.
107. In accordance with the Accident Compensation Act 2001, ACC is required to consult on any proposed changes to the way PHEVs are levied. ACC intends to undertake this consultation as part of its wider levy consultation on 2017/18 and 2018/19 levies later this year (likely to be held over September or October 2016).
108. Any proposed changes to the way PHEVs are levied will be considered by the Economic Growth and Infrastructure Committee later this year. This may be considered in conjunction with decisions sought on levy rates and other levy proposals for the 2017/18 and 2018/19 levy periods. Any changes to the way PHEVs are levied would be effective from 1 July 2017, and would apply for the 2017/18 and 2018/19 levy periods.

### **Stakeholder communications and engagement**

109. As noted above, formal consultation is required on any proposed changes to levies, including levies paid for PHEVs. Cabinet would note or agree to the consultation prior to it occurring.
110. Proposed key messages to respond to any enquiries about the review of ACC levies for plug-in hybrid electric vehicles are:
  - Officials are looking into the way PHEVs are levied, to ensure owners of these vehicles pay fair ACC levies.
  - After considering feasible options, any prospective changes to the way these vehicles are levied would be consulted on as part of the next ACC levy consultation later this year.

**Risks and mitigations**

111. There are sufficient regulation making powers to create new differentiated levies to progress options that could address this issue (i.e. differentiated levies can be applied to different categories of vehicles). This means legislative amendments would not be required. However, the feasibility of options may be limited at this time due to operational constraints. Operational implications will be considered as the investigation into options to address the ACC overcharge progresses.

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