9 December, 2020

NZ Automobile Association submission on:

EECA 2021/22 levy funding proposal

SUBMISSION TO:	Energy Efficiency & Conservation Authority
REGARDING:	EECA 2021/22 levy funding proposal
DATE:	18 December 2020

ADDRESS:	EECA PO Box 388 Wellington 6140 Email: levyconsultation@eeca.govt.nz
SUBMISSION AUTHORISED BY:	Mike Noon General Manager, Motoring Affairs New Zealand Automobile Association Incorporated (NZAA) PO Box 1, Wellington, 6140
SUBMISSION AUTHOR:	Mark Stockdale
AUTHOR E-MAIL:	mstockdale@aa.co.nz
AUTHOR PHONE:	(04) 931 9986

Executive Summary

The New Zealand Automobile Association (NZAA or AA) welcomes the opportunity to provide comment on EECA's 2021/22 levy funding proposal. The AA's submission relates to the funding from the Petroleum or Engine Fuel Monitoring (PEFM) levy.

The AA supports both the Low-Emission Vehicles Contestable Fund, and the EV and Low Emissions Vehicle Support campaign, but as by definition these generally focus on electric or hybrid vehicles, which only make up a small proportion of the nationwide fleet, we also believe there is a role for EECA to undertake programmes that aim to reduce emissions from the existing internal combustion engine (ICE) fleet, which makes up some 4 million vehicles.

Petroleum or Engine Fuel Monitoring (PEFM) levy

As noted above, the AA is supportive of both the programmes funded by the PEFM levy, but note that they generally focus on EVs and charging infrastructure, but meanwhile NZ still has a fleet of some 4 million ICE vehicles. There is no expectation that these vehicles, which are mostly light, will be converted to EV power, yet it will be decades before they exit the fleet and are replaced by EVs.

As the consultation document notes: "New Zealand's growing transport energy needs are almost exclusively met by petroleum-derived fossil fuels." The AA believes that there also needs to be initiatives to reduce the emissions from the current ICE fleet, in addition to encouraging the uptake of EVs.

One particular area to reduce in-service emissions of the 'legacy fleet' would be through uptake of biofuels. Sufficient uptake of biofuels could have a meaningful impact on NZ's transport emissions at negligible cost to consumers (compared to, say, upgrading to a new EV).

NZ did briefly have a biofuel sales mandate (in 2008, but repealed before the implementation date) and biofuels are another 'tool' in the toolbox to help reduce transport emissions. While that mandate was problematic in that not all ICE vehicles were (or are) biofuel-compatible, this could be managed (e.g. by exempting some petrol grades) but moreover, generation 2 biofuels (aka synthetic fuels) overcome this entirely as they are fully compatible with any ICE.

Ethanol is exempted from paying fuel excise duty (FED), whilst EECA administered an equivalent subsidy for biodiesel, although this was abolished a few years after the mandate was repealed. The AA believes EECA could play a role in encouraging both the development of biofuels, and their uptake by consumers (and there could also be a targeted focus on commercial users vs. motorists).

Note that the AA believes that the revenue from the Emissions Trading Scheme levy on mineral fuels should be hypothecated towards funding projects that actually reduce transport emissions, which could include developing a biofuels sector at scale. Currently the government is collecting about $420m a year in ETS revenue from transport, which could potentially double by 2025, yet none of this is dedicated to offsetting CO2 emissions from the transport fleet.

While biofuels are one option to reduce in-service emissions from the legacy fleet, there are others, but along with programmes to encourage the uptake of low-emissions vehicles, these are disconnected. The AA believes there needs to be a joined-up government and industry strategy. For this reason, in the AA's 2020 Election Calls (www.aa.co.nz/electioncalls), we specifically called for a "clear road map for safer, cleaner vehicles":

> ***The problem:***
> *The aim of improving the quality of New Zealand's vehicle fleet has been talked about for years with little progress or planning of how to achieve it. Nearly 1 in 5 light vehicles in New Zealand are 20+ years old and this has implications for occupant safety and the environment. Just because a car is older does not automatically make it unsafe or worse polluting, but in general terms newer vehicles will offer more protection from crashes and produce less harmful emissions. Upgrading our fleet is a complex and difficult challenge, needing a coordinated plan between Government and the industry to maximise the potential benefits.*
>
> ***The call:***
> *A realistic and unified action plan for improving New Zealand's vehicle fleet needs to be developed between Government and industry for this decade and beyond. This needs to agree clear timelines and steps for getting more people into safer and less-polluting vehicles. It should set ambitious but deliverable short and long-term targets, looking at all available tools like scrappage systems, import standards and incentive schemes.*

Additionally, whilst the two EECA programmes refer to 'low emissions' vehicles, the perception is that these are predominantly EVs (either BEV or PHEV). Whilst the global motor industry is investing significantly in developing and manufacturing EVs, the rate of production of right hand drive EVs in Japan and Britain remains very low – Japan's current EV production is only 5% of New Zealand's total annual vehicle imports.

But the motor industry has not been idle, and has constantly been developing engines to be more fuel-efficient. Even before the drive to reduce emissions, this was simply to reduce fuel costs for owners. Battery-hybrid technology has been widely adopted by manufacturers and is now commonplace in far more models than EVs. In contrast to Japan's production of EVs, it has manufactured 7.5 million hybrids.

Whilst not being plug-in, many modern hybrid vehicles have low fuel consumption (and thus emissions) and can be driven modest distances (such as in built-up areas) on residual battery power alone. These vehicles also cost much less than plug-in vehicles (little more than non-hybrids) and don't have some of the perceived disadvantages of EVs (like range anxiety or lack of model types) that may put off some buyers. The AA believes there is more scope to both publicise hybrid vehicles and encourage their uptake by fleets as part of both of EECAs programmes.

About the New Zealand Automobile Association

The NZAA is an incorporated society with over 1.7 million members, representing a large proportion of New Zealand road users. The AA was founded in 1903 as an automobile users' advocacy group, but today our work reflects the wide range of interests of our large membership, many of whom are cyclists and public transport users as well as private motorists.

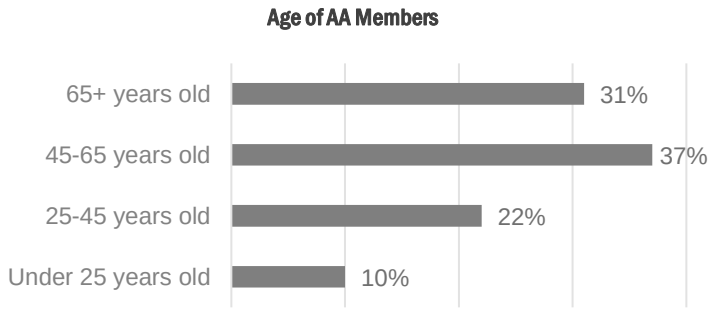
Across New Zealand, the motoring public regularly come into contact with the AA through our breakdown officers, 37 AA Centres and other AA businesses. Seventeen volunteer AA District Councils around New Zealand meet each month to discuss local transport issues. Based in Wellington and Auckland our professional policy and research team regularly surveys our Members on transport issues and Members frequently contact us unsolicited to share their views. Via the AA Research Foundation, we commission original research into current issues in transport and mobility. Collectively, these networks, combined with our professional resource, help to guide our advocacy work and enable the NZAA to develop a comprehensive view on mobility issues.

Motorists pay over $4 billion in taxes each year through fuel excise, road user charges, registration fees, ACC levies, and GST. Much of this money is reinvested by the Government in our transport system, funding road building and maintenance, public transport services, road safety work including advertising, and Police enforcement activity. On behalf of AA Members, we advocate for sound and transparent use of this money in ways that improve transport networks, enhance safety and keep costs fair and reasonable.

Our advocacy takes the form of meetings with local and central government politicians and officials, publication of research and policy papers, contributing to media on topical issues, and submissions to select committees and local government hearings.

Total Membership	1.7+ million members	
	Just over 1 million are personal members	
	0.7 million are business-based memberships	
% of licenced drivers	Half of licenced drivers are AA Members	
Gender split	54%	Female
	46%	Male

Age range & Membership retention



Half of AA Members have been with us for 10 years or more.