16 August, 2024

NZ Automobile Association submission on:
New Zealand's Second Emissions Reduction Plan

SUBMISSION TO:	Ministry for the Environment - Te Manatū Mō Te Taiao
REGARDING:	New Zealand's second Emissions Reduction Plan
DATE:	16 August 2024
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Summary

1. The NZ Automobile Association (AA) welcomes the opportunity to submit on New Zealand's second Emissions Reduction Plan (ERP2).

2. We fully support amendments to the Energy Efficiency and Conservation Act 2000 to enable standards to be set for smart chargers, both public and private, so that they have the capability to control demand and manage flexibility of time of use and pricing.

3. We support the target of 10,000 electric vehicle (EV) chargers by 2030 but consider further incentives and public funding will be needed to accelerate the necessary commercial investment.

4. We are concerned that the combination of higher Emissions Trading Scheme (ETS) levies and the announced 20 cent increase to Fuel Excise Duty over the 2027-2030 period will increase costs for people whose transport options are inelastic.

5. We support the proposed investment in several major public transport projects in Auckland and Wellington and recommend the final ERP2 sets out what future public transport projects will be investigated between 2026 and 2030**.**

6. We are not satisfied that the combined impact of all the proposed policies in the draft plan will be enough to achieve the desired CO_2 reduction for the transport sector in the second period or set the platform for meeting our commitments in the third period. We believe achieving these reductions will require a more comprehensive and sophisticated suite of policies.

7. Finally, we would like to see more understandable information provided to the public showing how transport emissions tax (i.e. money collected via the ETS) is being used to meaningfully reduce transport emissions. This information would help the public better understand how this tax is being used towards meeting New Zealand's overall emissions reduction goals, and how it is assisting us all by providing for more sustainable transport options.

Introduction

8. The NZ Automobile Association (AA) welcomes the opportunity to submit on New Zealand's second Emissions Reduction Plan (2026-2030).

9. The AA has advocated for the transport interests of our Members throughout our 120-year history. Today our work reflects the wide range of interests of the 1.1 million Personal Members who belong to the AA, many of whom are public transport users and cyclists, as well as private motorists.

10. The submission has been prepared by the Policy and Advocacy Team at the AA and its focus is on transport-related aspects of the Draft ERP2.

Electric vehicle charging

11. We fully support amendments to the Energy Efficiency and Conservation Act 2000 to enable standards to be set for devices with capability for charging to be adjusted for demand flexibility, including EV smart chargers. We support regulating the 'smart capabilities' of EV chargers so that the full benefits of load management and time-of-use pricing can be attained. The opportunity to do this early is important so that legacy technology does not reduce the full benefits of load management. Issues, like safety, cyber security, communications, time-of-use variability, and energy efficiency should be addressed. We want to ensure the costs and benefits of smart EV chargers are equally shared across both electricity providers and consumers. Our concern is the cost to upgrade the physical network will be passed on to consumers through an increase in line charges while the benefits of managing peak electricity demand will accrue to the electricity providers. It's important that line companies play an integral role in understanding the uptake and location of EV chargers so that network upgrades and improvements are targeted and cost effective.

12. We support the target of 10,000 electric vehicle (EV) chargers by 2030. However, there are currently insufficient incentives and funding to accelerate the commercial investment in EV chargers. We believe the target is not on track and won't deliver the projected outcomes. Any investment should be based on a mix of private sector developers funding commercially viable locations and public/private investors focusing on locations that, due to their remoteness or other features, are not as commercially viable when built. We are concerned that the recent Budget announcement of $95m over four years is insufficient to reach the target of 10,000 EV chargers by 2030. Public charger investment needs to be leading, not lagging EV uptake. With uncertainty over the uptake rate of EVs due to the removal of the Clean Car Discount and introduction of Road User Charges for EVs/PHEVs, we believe private investors will tend to under-invest rather than over-invest. Analysis**,** from Concept Consulting,[1] around the outcomes from under- or over-investment calculated that bringing forward investment two years too early would cost $165m. Delaying the investment and impeding EV uptake by two years would increase transport costs by $4.2bn (25 times as much!). This shows the importance of the government investing at the right level at the right time to stimulate the transition to EVs at a desirable and achievable rate.

Transport emissions

13. The removal of both the Clean Car Discount and the EV Road User Charges exemption means the only transport-specific policy intervention to lower the light fleet vehicle emissions is the amended Clean Car Importer Standard (CCIS). The AA supported amending the Standard because the previous targets were unattainable and gave a false hope to the level of possible reductions to vehicle CO2 emissions.

14. It is highly probable that the targets set in the amended Standard will not be hit until 2027/28, around halfway through the second emissions reduction period. Up to this point, the motor industry will be using previously acquired CCIS credits to offset the debits they will incur by

[1] https://www.concept.co.nz/uploads/1/2/8/3/128396759/ev_study_report_3.pdf

not meeting the CO_2 emission targets as they will not have access to vehicle models capable of meeting the stringent targets until later years. Also, internationally there has been a move away from industry investment in fully electric vehicles towards Plug-in Hybrid Electric Vehicles (PHEV). This reflects consumer preference and, in our view, will negatively-impact the previously modelled savings in the light vehicle sector.

15. This will mean that New Zealand's transport fleet will still be heavily dependent on hydrocarbon fuels which are subject to the ETS. Currently the ETS price component from petrol is around 12 cents per litre and 14 cents for diesel. We are concerned that the recommended reduction in availability of New Zealand Units (NZU) at auction and the Government's desire that the ETS will do the heavy lifting to achieve our emission reductions will lead to higher NZU prices and subsequently higher fuel prices. The latest modelling on unit limits and price control settings for ERP2 assumes that 100% of emissions pricing is passed through to consumers by NZ ETS participants.

16. The combination of higher ETS levies and the announced 20 cent increase to Fuel Excise Duty over the 2027-30 period will increase costs for motorists whose transport options are inelastic. The current stock and cost of efficient low emitting vehicles and lack of nationwide public transport (which is only realistic for urban populations) leads to our low level of confidence that emissions prices will lessen over time due to enough consumers and firms taking up low carbon technologies and changing their behaviour. Our view is influenced for the light fleet from AA Members surveyed stating only 19% would find it easy to replace car travel with bus travel. Even fewer Members (15%) say they would find it easy to replace car travel with cycling, walking or taxis, and only 9% could easily use rail. Without additional demand side policies, and only limited availability of affordable alternative transport options, our Members will still be highly reliant on private vehicle travel, largely in traditional internal combustion vehicles, in the next two emission periods. The technology limitations and the ability to shift to intermodal options is less for heavy vehicles.

17. We believe that the ETS, Clean Car Import Standard and the proposed level of investment in public transport and EV charging alone will not achieve the desired CO_2 reduction in the second Emissions Reduction Plan. Nor will they set the platform for meeting our commitments in the third period. We believe we need a comprehensive and sophisticated suite of policies as too much reliance is placed on the ETS to meet our targets.

Public transport in our main cities

18. The AA agrees with the draft ERP2's description of the role public transport can play in supporting New Zealand's emissions goals by enabling more efficient use of the wider transport network in our largest urban centres.

19. We think the right public transport infrastructure projects in the right place can also make a key contribution to the Government's overarching priority for transport investment – supporting economic growth and productivity. The productivity benefits of public transport investment that result from improved connectivity and the greater housing and employment density it facilitates (agglomeration benefits), are well established in economic, urban and transport literature.

20. We are pleased to see the government has proposed investment to enable several major public transport projects in Auckland and the lower North Island to be completed over the next decade. As well as their emissions reduction potential, all five projects are regional priorities and are driven by a range of objectives including getting more out of current public transport networks, expanding networks to link up major centres, and responding to and providing for growth.

21. We note that construction is well advanced on Auckland's City Rail Link and Eastern Busway, but the remaining three projects are currently at early planning stages. We recommend careful consideration be given to the optimal sequencing, delivery, and staging options of those projects, including progressing them as a pipeline. This will help ensure they can be completed within the proposed 10-year timeframe and may offer similar benefits to those the government anticipates from the pipeline approach for the major road projects.

22. We agree with the draft ERP2's position that realising public transport's benefits "will require continued planning, delivery and maintenance to support growing populations and meet demand in our largest cities". To maximise the emissions reduction and other benefits of the proposed major projects, this will need to include complementary investment in new or improved connecting or feeder services.

23. We recommend the final ERP2 also set out what future potential public transport projects will be investigated between 2026 and 2030. This reflects the need to plan to meet increasingly large emissions reductions targets as we get closer to 2050. It is also consistent with the need for "continued planning…to support growing populations", as well as for an ongoing public transport pipeline of public transport projects.

24. In Auckland's case, three of the four current and proposed major public transport projects will primarily provide for demand on the outer parts of the city. The much greater housing density on Auckland's isthmus, and the potential for public transport investment to catalyse further density, means it is the part of the city with the greatest demand (and therefore greatest emissions reduction) potential.

25. There is also a strong case for investigating a public transport connection from the north to Auckland's airport precinct, which is the city's second biggest employment location after the city centre. We note that the Minister of Housing recently announced that Auckland Council will be required to upzone part of the isthmus and areas north of the airport. This strengthens the case for investigating the potential of both locations for future major public transport projects.

About the New Zealand Automobile Association

The NZAA is an incorporated society with over 1.1 million Personal Members who belong to the Association, representing a large proportion of New Zealand's 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.

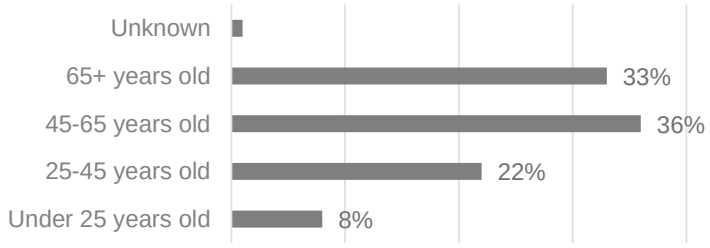
Across New Zealand, drivers regularly come into contact with the AA through our breakdown officers, 36 AA Centres and other AA businesses. Meanwhile, 18 volunteer AA District Councils around New Zealand meet each month to discuss local transport issues. Based in Wellington and Auckland, our professional 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 contribute over $4.5 billion in taxes each year through fuel excise, road user charges, registration fees, ACC levies, and GST. 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	1.8+ million New Zealanders belong to the AA Around 1.1 million are Personal Members
% of licenced drivers	At least 29% of licensed drivers are AA Members
Gender split	54% Female 46% Male
Age range & Membership retention	

Age of AA Members



52% of AA Members have been with us for over 10 years.