

Climate Change Policy: Options for Controlling Vehicle Entry: Fuel Economy Standards

On 2 October 2006, the Cabinet Business Committee (CBC), having been authorised by Cabinet with Power to Act [CAB Min (06) 36/6]:

Background

- 1 **noted** that on 23 May 2006 Cabinet:
 - 1.1 directed officials from the Ministry of Transport to engage with the transport sector on climate change policy options including investigating fuel efficiency standards (based on world's best practice) and raising the minimum requirement for imported petrol and diesel vehicles through the use of "harmful emission" standards;
 - 1.2 agreed that reports be made to the Cabinet Policy Committee (POL) on the whole-of-government climate change work programme, including, amongst other things, reports on transport measures by 31 August 2006 and further transport measures by 30 November 2006;

[CAB Min (06) 18/8]
- 2 **noted** that on 23 August 2006, the Cabinet Economic Development Committee (EDC):
 - 2.1 invited the Minister for Transport Safety, the Associate Minister of Transport, and the Minister Responsible for Climate Change Issues, to report to EDC by 30 November 2006 on:
 - 2.1.1 the climate change implications of the Land Transport Rule: Vehicle Exhaust Emissions 2006;
 - 2.1.2 whether there is a need for an age restriction on imported vehicles, given the improvement of emission standards in recent years;

[EDC Min (06) 13/9]
- 3 **noted** that the paper under POL (06) 236 is a companion to the paper under POL (06) 235 *Climate Change Policy: Overview of Progress Towards Reducing Transport CO₂ Emission* [CBC Min (06) 17/17] and is part of a wider group of initiatives that directly and indirectly reduce transport CO₂ emissions;

Measures to reduce greenhouse gas emissions from the transport sector

- 4 **noted** that New Zealand is a technology taker with respect to its vehicle fleet, and is influenced by technological improvements in other countries;

- 5 **noted** that measures to reduce greenhouse gas emissions from the transport sector deliver significant co-benefits in terms of enhanced air quality, health, energy security, cost savings and resilience to international oil price fluctuations;
- 6 **noted** that policy interventions for fuel economy outlined in the paper under POL (06) 236 establish a means to work with the motor industry to improve the fuel economy of vehicles over time and as such, provide a foundation from which other policy interventions can be built to ensure durable, long-term CO₂ reductions;

Options

- 7 **noted** that a minimum fuel economy standard would not be an appropriate, or particularly effective, mechanism for improving fleet fuel economy;
- 8 **agreed** that no further work should be done at present on the option of minimum fuel economy standards per vehicle;
- 9 **noted** that establishing a fleet sales-weighted standard would spread the incentive to improve fuel consumption across all vehicles, provide flexibility to the industry and choices to consumers;
- 10 **directed** officials to work with industry on options for a regulated sales-weighted standard;
- 11 **noted** that significant benefits can be realised through restricting the import of vehicles with older technology types;
- 12 **directed** officials to consider options for an age restriction on used imports entering the New Zealand vehicle fleet;
- 13 **noted** that mandatory collection of fuel economy information would allow for the establishment of trends and assessment of policy interventions, and would provide a default restriction on vehicles entering the fleet for which data cannot be provided;
- 14 **directed** officials to consider the appropriate mechanism, which may require a rule, to enable the mandatory collection of fuel economy information for vehicles entering the fleet;
- 15 **agreed** that this mechanism be developed in such a way as to accommodate the reported differences in fuel economy between new and used vehicles entering the New Zealand fleet;
- 16 **noted** that in September 2006 EDC authorised the release of a discussion document which proposes that oil companies be required to sell a minimum percentage of biofuels in transport fuels [EDC Min (06) 15/6];

- 17 **directed** the Ministry of Transport to consider import restrictions on vehicles unable to accept minimum thresholds of biofuel blends and report to POL by March 2007;
- 18 **directed** officials to proceed with urgency toward introduction of further measures to improve the fuel economy of the New Zealand vehicle fleet, which may include a sales-weighted target, differential pricing or age restrictions;

Next steps

- 19 **agreed** that the further work referred to in paragraphs 9 – 15 be included in the reports to POL and EDC in November 2006 referred to in paragraphs 1.2 and 2.1;
- 20 **directed** officials to report on costings to introduce mandatory collection of fuel economy information, as part of the transport initiatives for climate change to be considered as part of the Economic Transformation theme for Budget 2007/08;
- 21 **noted** that the Associate Minister of Transport, Minister of Transport and Minister Responsible for Climate Change Issues propose to publicly release the report under CBC (06) 236, with appropriate withholdings;
- 22 **noted** that the Associate Minister of Transport indicates that consultation is not required with the government caucuses but will be required with other parties represented in Parliament.

Nick Markwell
Secretary

Reference: CBC (06) 236