

Options to provide Clean Vehicle information to consumers

Discussion Document November 2021





Ministry of Business, Innovation and Employment (MBIE)

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MBIE develops and delivers policy, services, advice and regulation to support economic growth and the prosperity and wellbeing of New Zealanders.

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Ministerial Foreword

Increasing the number of electric, hybrid and low-emission vehicles on our roads is a significant part of the work the Government is doing to build a low carbon Aotearoa in which people have clean, climate-friendly ways of getting around.

The Government's Clean Car Discount and Clean Car Standard were both announced this year. For these policies to be effective, consumers need to be able to easily access reliable information about rebates or fees (charges) and the emissions impact of different vehicles, at point-of-purchase.

New Zealand already has a highly effective vehicle labelling scheme in place that promotes awareness and displays information about the fuel economy of vehicles at point-of-purchase. This scheme is administered by the Energy Efficiency and Conservation Authority.

This document details a proposal to expand the existing vehicle labelling scheme in order to display Clean Car Discount and Clean Car Standard information at the point-of-purchase, in addition to existing vehicle fuel economy information. This proposal will support the effective roll-out of the Clean Vehicle programme policies and ensure that consumers have the information they need to make informed decisions about their vehicle purchases.

I look forward to hearing your views on this proposal.



Hon Dr Megan Woods

Minister of Energy and Resources

How to have your say

Submissions process

The Ministry of Business, Innovation and Employment (MBIE) seeks written submissions on the issues raised in this document by 5pm on 23 December 2021. Your submission may respond to any or all of these issues. Where possible, please include evidence to support your views, for example, references to independent research, facts and figures, or relevant examples.

Please include your contact details in your submission. You can make your submission:

- > By completing the online summary submission form which can be found at https://www.mbie.govt.nz/have-your-say/.
- > By sending your submission as a Microsoft Word document to: energymarkets@mbie.govt.nz.
- > By mailing your submission to:

Energy Markets Policy Ministry of Business, Innovation and Employment PO Box 1473 Wellington 6140

Please direct any questions that you have in relation to the submissions process to energymarkets@mbie.govt.nz.

MBIE WILL PUBLISH A SUMMARY OF SUBMISSIONS

After submissions close, MBIE will publish a summary of submissions on our website at www.mbie.govt.nz. We will not be making any individual submissions public. Should any part of your submission be included in the summary of submissions, MBIE will seek your permission to publish your information, and ensure it does not refer to any names of individuals.

When businesses or organisations make a submission, MBIE will consider that you have consented to the content being included in the summary of submissions unless you clearly state otherwise. If your submission contains any information that is confidential or that you do not want published, you can say this in your submission.

The Privacy Act 2020 applies to submissions and survey responses. Any personal information you supply to MBIE in the course of making a submission will be used by MBIE only in conjunction with matters covered by this document.

Submissions and survey responses may be the subject of requests for information under the Official Information Act 1982 (OIA). Please set out clearly if you object to the release of any information in the submission, and in particular, which part (or parts) you consider should be withheld (with reference to the relevant section of the OIA). MBIE will take your views into account when responding to requests under the OIA. Any decision to withhold information requested under the OIA can be reviewed by the Ombudsman.

WHAT HAPPENS NEXT

MBIE will analyse all submissions received and then report back to the Minister of Energy and Resources on the feedback, with recommendations for her consideration. Your submission will help inform decisions to ensure the availability of Clean Vehicle information to consumers.

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Glossary

The Act	Energy Efficiency and Conservation Act 2000			
APEC EWG	Asia-Pacific Economic Cooperation Energy Working Group			
E3	Equipment Energy Efficiency Programme			
EECA	Energy Efficiency and Conservation Authority			
EV	Electric Vehicle			
ICCC	Interim Climate Change Committee			
CCC	Climate Change Commission			
MBIE	Ministry of Business, Innovation and Employment			
The Minister	Minister responsible for the administration of the Act (currently the Minister of Energy and Resources)			
MOT	Ministry of Transport			
NZPC	New Zealand Productivity Commission			
Waka Kotahi	New Zealand Transport Agency			
The Regulations	Energy Efficiency (Vehicle Fuel Economy Labelling) Regulations 2007			
TTMRA	Trans-Tasman Mutual Recognition Arrangement			
VFEL	Vehicle Fuel Economy Labe			

Introduction: The 'Clean Vehicle' programme

In June 2021, the Government announced its Clean Vehicle programme, in line with the advice of the Climate Change Commission, to reduce emissions from road transport and contribute to New Zealand's efforts to transition to a net zero carbon economy by 2050. Implementation of the Package, which consists of two complementary policies – the Clean Car Standard and the Clean Car Discount – requires legislative amendments to the Land Transport Act 1998 and various other Acts¹. The Land Transport (Clean Vehicle) Amendment Bill is before the House.

The Clean Car Standard (CCS) means vehicle importers will be subject to registration and reporting requirements, and the obligation to meet annual CO_2 targets by 1 January 2023. This policy will require vehicle importers to lower the average CO_2 emissions profile of the vehicles they bring into New Zealand.

The **Clean Car Discount** (CCD) is a 'feebate' scheme designed to increase demand for low-emissions vehicles. Consumers who purchase high emitting vehicles will be required to pay a fee (charge) in recognition of the increased environmental and economic costs they are imposing on others. The revenue from these fees is then used to provide a rebate (discount) to customers who buy vehicles with zero or very low carbon emissions.²

As part of the Clean Vehicle programme, <u>Cabinet has agreed</u> that the following information will be visible to consumers at the point-of-purchase through clear labelling on the vehicle, and through electronic labelling if the vehicle is advertised online:

- > a vehicle's CO₂ emissions in grams per kilometre
- > a star rating (for the CO, emissions), and
- > the monetary amount of any rebate or fee.

This sets a clear expectation that consumers will have access to Clean Vehicle information at the point-of-purchase. There is currently no requirement to display this information. This means that consumers are required to seek out the information for each potential vehicle purchase independently. There is a need to ensure consumers are provided with Clean Vehicle information at the point-of-purchase to maximise the effectiveness of the Clean Vehicle programme from its expected implementation date of 1 April 2022.

This discussion document seeks your feedback on options to achieve this. The preferred option is to add Clean Vehicle information on the existing vehicle fuel economy label. This requires an amendment to the Energy Efficiency (Vehicle Fuel Economy Labelling) Regulations 2007.

¹ Amendments are also required to the Land Transport Management Act 2003, Energy Efficiency Conservation Act 2000 and the Income Tax Act 2007.

² The scheme only applies to new and used light vehicles registered for road use for the first time in New Zealand, not vehicles in the domestic second hand market.

Options for providing Clean Vehicle information to consumers

The status quo is that consumers have to independently find Clean Vehicle information of cars they are looking at buying. The Government has considered three options to address the lack of Clean Vehicle information available to consumers at point-of-purchase.

These options are:

Option	Description
Option 1 Amend the Regulations to include a requirement to display 'Clean Vehicle' information at point-of-purchase	This option would consist of developing and implementing an amended Vehicle Fuel Economy label to include information about the fee or rebate of a car to the consumer at point-of-purchase
Option 2 Registered motor vehicle traders voluntarily provide 'Clean Vehicle' labels, supported by public education	This option would consist of registered motor vehicle traders independently providing 'Clean Vehicle' labels at the point of purchase. This would be supported by a government funded public education campaign. The campaign would educate consumers on the Clean Car Discount and Clean Car Standard, including on what information they should expect to see at the point of purchase.
Option 3 Individual vehicle fuel economy and 'Clean Vehicle' (feebate and emissions) labels maintained by Waka Kotahi NZTA.	This option would consist of maintaining the present conditions for the Vehicle Fuel Economy Label scheme and introducing a new, separate feebate and emissions label maintained and branded under Waka Kotahi NZTA.

The assessment criteria for the considered options are:

- > **Effectiveness** to what extent does the option effectively communicate CCS and CCD information to the consumer at point-of-purchase, in order to facilitate informed purchasing decisions and reduce emissions from road transport? This includes how easily accessible the information is and how much consumers are likely to trust the information.
- Efficiency to what extent does the option minimise undue costs and burdens? This includes the degree to which the outcomes justify the costs to businesses, consumers and government.
- Resilience how well does the option cope with market variation, change and pressures? This includes how the option keeps pace with low emissions vehicle innovation, new vehicle sales methods, international markets and evolving emissions reduction targets domestically.

This document seeks your views on the preferred option: to amend the Energy Efficiency (Vehicle Fuel Economy Labelling) Regulations 2007 to include requirements to display 'Clean Vehicle' information programme on existing Vehicle Fuel Economy Labels at point-of-purchase.

We also seek your feedback on the content and format of the proposed new label. An example of what this new label might look like is provided within this document.

Context

The existing Vehicle Labelling scheme

The Energy Efficiency and Conservation Act 2000 (the Act) allows regulations to be made that prescribe labelling requirements for energy-using products, including vehicles, which pertain to energy efficiency, or proficiency in conserving energy.³

The Energy Efficiency (Vehicle Fuel Economy Labelling) Regulations 2007 (the Regulations) are made under this regulation-making power. The Regulations currently prescribe that all light vehicles under 3.5 tonnes being sold, except for motorbikes, display fuel saver information, which relates to their fuel economy, with a corresponding 'star' rating, provided the information is available.

The Energy Efficiency and Conservation Authority administers the Vehicle Fuel Economy Label programme and compliance with the Regulations in New Zealand.

Since April 2008, it has been mandatory for registered motor vehicle traders to display Vehicle Fuel Economy Labels when offering light vehicles for sale. These labels are unique to each individual vehicle, and allow consumers to compare the fuel economy of vehicles (using a six-star rating scale) and their average annual fuel costs. Research has found that vehicle labelling effectiveness increases when consumers can compare motor vehicles in the same categories on a fair and equitable basis.⁴

Introducing the labels facilitated the development of a fuel economy monitoring and tracking system, so that New Zealand could begin collecting and analysing information on the fuel efficiency of its light fleet. An example of the existing Vehicle Fuel Economy Label and what it shows is provided below.



³ Section 36(1)(b)

⁴ International experience on incentive program in support of fuel economy standards and labelling for motor vehicle: A comprehensive review

What is the problem?

The existing Vehicle Fuel Economy Label is a recognised and trusted source of information, but does not include Clean Vehicle (emissions or rebate/fee) information. Clean Vehicle information is not available to consumers in one location or at point-of-purchase. This puts unnecessary burden on consumers to seek out and verify Clean Vehicle information independently during their purchasing process.

Clean Vehicle information is scattered across a range of sources including

- > vehicle retailer websites,
- > government websites,
- > aggregator websites (i.e. car comparison websites)
- > vehicle retailer promotional campaigns, and
- > Government campaigns.

Pricing information is often wrapped up in promotion material, which can disguise the rebate available or fee applicable to the vehicle. Information on aggregator websites is not always frequently maintained and so may be out of date, leaving consumers with incorrect information about the rebate available or fee applicable to the vehicle.

This limits the effectiveness of the Clean Vehicle programme as consumers do not have easily accessible and reliable information about emissions and rebates/fees to inform their purchasing.

There has been previous consultation that is relevant

In 2019, EECA commissioned a review to identify issues that were affecting the successful operation of New Zealand's energy efficiency regulatory system. The Review was informed by EECA's technical experts, representatives from industry and other agencies responsible for product regulation, Australian officials, energy efficiency systems in overseas jurisdictions and existing domestic systems for product regulation.

The Review identified a number of issues preventing the optimisation of the regulatory system. One of these issues was that requiring labelling requirements to be updated by amending the regulations creates an unnecessary burden on the Cabinet decision–making process.

MBIE and EECA considered the results of the Review, and conducted initial engagement with stakeholders, to put together a range of proposals called the Regulatory Amendment Project (RAP). These proposals were consulted on in June 2021, including a proposal to enable the creation of regulation-making powers in the EEC Act to include emissions and pricing information on Vehicle Fuel Economy labels. This proposal was supported in the submissions received and the amendment to the EEC Act is being progressed through the Clean Vehicle Bill.

Why are we consulting on this now?

We are consulting to determine the best way to give effect to Cabinet's decision to make Clean Vehicle information visible to consumers at the point-of-purchase through clear labelling on the vehicle, and through electronic labelling if the vehicle is advertised online.

The options are to regulate (options 1 and 3) or to allow for the voluntary provision of information, supported by an education campaign (option 2).

The EEC Act states that public consultation is required before any change can be made to regulate for the provision of Clean Vehicle information.⁵

⁵ Section 36(2) of the Act. The amendment being progressed through the Clean Vehicle Bill only *enables* regulations to be made to require emissions and pricing information on Vehicle Fuel Economy labels.

Options for displaying 'Clean Vehicle' information available to consumers at point-of-purchase

Option 1: amend the Regulations to include a requirement to display rebate or fee (charge) information and emissions intensity on the existing Vehicle Fuel Economy Label.⁶

Description

This option would consist of developing and implementing an amended Vehicle Fuel Economy label to include information about the emissions and rebate or fee of a car to the consumer at point-of-purchase.

Analysis

Using the established mandatory vehicle-labelling scheme provides a number of benefits for vehicle traders, consumers and the government. These benefits include:

- > The Vehicle Fuel Economy Labelling scheme has existing infrastructure that traders are currently comfortable navigating.
- > The Vehicle Fuel Economy Labelling scheme has proven effective at assisting customers. The Asia-Pacific Economic Cooperation Energy Working Group (APEC EWG) found New Zealand's Vehicle Fuel Economy Label scheme to be one of the most comprehensive in the world.⁷
- Integrating emissions and feebate information into the existing label removes the cost of building and maintaining a new, dedicated and separate system.
- > EECA have established a strong reputation with consumers and the Vehicle Fuel Economy Label is a trusted source of information.

Stakeholder research conducted by EECA shows that vehicle retailers think that the Vehicle Fuel Economy Label scheme has made fuel efficiency easier to understand and more tangible for customers. They also said its independence is important, given the lack of trust many customers have in salespeople.

Using the infrastructure of and consumer trust in the existing VFEL scheme carries minimal regulatory costs for government, reduces compliance costs for industry and minimises engagement costs for consumers while achieving the highest effectiveness. This option will make Clean Vehicle information available at point-of-purchase in a consistent, recognisable and trusted way. This will support the effectiveness of the Clean Vehicle programme to enable consumers to make informed purchasing decisions and ultimately support emissions reduction from road transport.

⁶ A change to section 36(1) of the Energy Efficiency and Conservation Act 2000 to include emissions and rebate/fee information is also underway to enable this. This change is being progressed in the Land Transport (Clean Vehicle)

Amendment Bill that is currently before the House.

⁷ A Review and Evaluation of Vehicle Fuel Efficiency Labelling and Consumer Information Programs.

Option 2: Registered motor vehicle traders independently provide 'Clean Vehicle' labels, supported by public education

Description

This option would consist of registered motor vehicle traders independently providing 'Clean Vehicle' labels at the point of purchase. This would be supported by a government funded public education campaign. The campaign would educate consumers on the Clean Car Discount and Clean Car Standard, including on what information they should expect to see at the point of purchase.

Analysis

In this option, the development and implementation of feebate and emissions information at the point-of-purchase would be the responsibility of the vehicle retailer. There could be a problem if each retailer implemented its own style of label, as this may hamper recognition and comparability of the information on the labels. One way to improve this would be to introduce a standard template for the labels, but being voluntary there is no guarantee that all, or even most, traders would use it.

Additionally, general awareness campaigns can be expensive, and there is no guarantee that this awareness would carry over to the time of purchase. Consumers would still be required to find specific information about each vehicle themselves. This would not mean lower compliance costs for industry, as they are already required to display the Vehicle Fuel Economy Label. Accordingly, the only benefit of this option is that it does not involve further government regulation.

This option is not preferred because it would generate substantial costs to industry of developing the labels and to Government of enforcing non-standardised labelling. This option is also unlikely to have a strong effect on consumer behaviour. The feebate scheme will not provide an incentive for consumers if they cannot compare the additional costs or savings associated with each vehicle.

Moreover, non- or under-engagement by traders will likely lead to a loss in consumer trust. Research commissioned by EECA found that consumers in New Zealand rated affordability as the most important factor when purchasing a car. Although there are a large number of factors that people are trading off when it comes to purchasing a vehicle, price is the primary driver. Concealing a significant financial component of purchasing a car from the point-of-purchase may lead consumers to feel they have been let down and reduce the effectiveness of the Clean Vehicle programme.

Option 3: Individual vehicle fuel economy and 'Clean Vehicle' (feebate and emissions) labels maintained by Waka Kotahi NZTA

Description

This option would consist of maintaining the present conditions for the Vehicle Fuel Economy Label scheme and introducing a new, separate feebate and emissions label maintained and branded under Waka Kotahi NZTA.

Analysis

The interplay of different regulatory regimes that cover similar or overlapping areas can create cumulative costs. There would be some cost involved with designing an additional label. There would also be costs involved in designing and implementing an additional software system for traders to print the label. The Vehicle Fuel Economy Label scheme has well-established infrastructure that traders are comfortable using. Requiring traders to navigate two different systems to label the performance of vehicles is an unnecessary burden.

7. Research commissioned by EECA found that, compared to other labels (such as the AA Odometer Passed Label), the Vehicle Fuel Economy Label has the highest level of overall consumer awareness. The independence of the vehicle fuel economy label, backed by a government organisation, makes consumers feel they are getting the best information possible.

This option is not preferred because it would involve additional operational and compliance costs for government and industry and will likely prove less effective.

There would also be additional costs associated with the compliance regime necessary for a separate vehicle-labelling programme. EECA has an established compliance strategy for the Vehicle Fuel Economy Label.

We seek your feedback on the following questions:

Questions for stakeholders

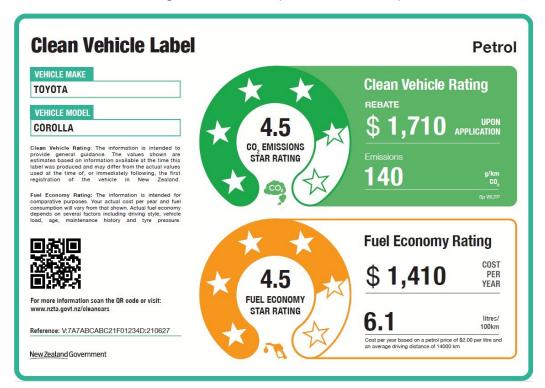
- 1. Which option do you think is the best way to make Clean Vehicle information visible to consumers at the point-of-purchase through clear labelling on the vehicle, and through electronic labelling if the vehicle is advertised online?
- 2. Why do you prefer that option?

Options for displaying 'Clean Vehicle' information available to consumers at point-of-purchase

	Status Quo	Option 1 (preferred)	Option 2	Option 3
	Consumers have to independently find Clean Vehicle information of cars they are looking at buying	Amend the Regulations to include a requirement to display 'Clean Vehicle' information at point-of-purchase	Registered motor vehicle traders voluntarily provide 'Clean Vehicle' labels, supported by public education	Individual vehicle fuel economy and 'Clean Vehicle' (feebate and emissions) labels maintained by Waka Kotahi NZTA
Effectiveness	O Minimal effectiveness of the Clean Vehicle programme as consumers have to find information themselves and may not have awareness of the Clean Vehicle programme.	++ Strong effectiveness as the VFEL scheme has proven effective at assisting customers. EECA has established a strong reputation with consumers and the VFEL is a trusted and widely recognised source of information.	O Low effectiveness as the burden to find specific information about each vehicle would sit with consumers. If information about a significant financial component of purchasing a car is not easily available at the point-of-purchase may lead consumers to feel they have been let down and reduce the effectiveness of the Clean Vehicle programme.	+ Medium effectiveness as the information would be available but building widespread awareness and trust in an unfamiliar label can take years, which would reduce the immediate effectiveness of the Clean Vehicle programme. Effectiveness would be achieved in the medium term.
Efficiency	O Engagement costs to consumer of having to spend time and energy researching the rebates or fee for different cars	++ Minimal costs to government and industry to integrate into the existing VFEL scheme. Industry is comfortable navigating the existing scheme.	- Higher compliance costs for industry, as they will be required to develop and display a new label as well the Vehicle Fuel Economy Label. Engagement costs to consumers might decrease slightly if promotion makes information more accessible. Option does not involve further government regulation but would have costs to government of funding extra campaign material.	- Highest regulatory and compliance costs. There would be cost involved with designing an additional label and in designing and implementing an additional software system for traders to print the label.
Resilience	O Low resilience as relies on consumers being engaged with international and domestic developments in low emissions policies beyond their immediate interest in purchasing a car.	++ High resilience as The APEC Energy Working Group (APEC EWG) found New Zealand's VFEL scheme to be one of the most comprehensive in the world. Existing scheme already adapts well to changes in international standards and domestic expectations.	- Independent labels would make it difficult to ensure consistency and accuracy of information. If the Clean Vehicle programme expands, or the levels of feebate get reviewed, there is a risk that information may become outdated.	+ A dedicated label designed for this sole purpose would likely be resilient but this would take time.
Overall assessment	0	++	-	+

The proposed label

The Government's preferred solution is to amend the Regulations to include a requirement to display rebate or fee (charge) information and emissions intensity (in grams per kilometre and as a star rating) on the existing Vehicle Fuel Economy Label.⁸ We are seeking your feedback on this option, and on what this new label might look like. An example of a revised label is provided below.



We seek your feedback on the following questions:

Questions for stakeholders

- 3. What are your views on the example label?
- 4. Does it effectively communicate Clean Vehicle information?
- 5. If not, what changes would you suggest?

⁸ A change to section 36(1) of the Energy Efficiency and Conservation Act 2000 to include emissions and rebate/fee information is also underway to enable this. This change is being progressed in the <u>Land Transport (Clean Vehicle) Amendment Bill</u> that is currently before the House.



