



## COVERSHEET

<b>Minister</b>	Hon Megan Woods	<b>Portfolio</b>	Energy and Resources
<b>Title of Cabinet paper</b>	<b>Energy Efficiency (Vehicle Fuel Economy Labelling) Amendment Regulations 2022</b>	<b>Date to be published</b>	27 April 2022

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
March 2022	<i>Cabinet paper – Energy Efficiency (Vehicle Fuel Economy Labelling) Amendment Regulations 2022</i>	<i>Office of the Minister of Energy and Resources</i>
10 March 2022	<i>LEG-22-MIN-0018 Minute</i>	<i>Cabinet Office</i>
March 2022	<i>Regulatory Impact Statement: Options for providing Clean Vehicle information to consumers</i>	<i>MBIE</i>

### Information redacted

**NO**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

IN CONFIDENCE

Office of the Minister of Energy and Resources

Chair, Cabinet Legislation Committee

## **Energy Efficiency (Vehicle Fuel Economy Labelling) Amendment Regulations 2022**

### **Proposal**

1. This paper seeks policy decisions and authorisation for the submission of the Energy Efficiency (Vehicle Fuel Economy Labelling) Amendment Regulations 2022 to the Executive Council.

### **Executive Summary**

2. A clean vehicle discount scheme designed to stimulate consumer demand for low emissions vehicles will be introduced from 1 April 2022. Consumers will be incentivised to purchase light vehicles with lower or zero tailpipe emissions over those with higher emissions through the issue of rebates or the imposition of charges.
3. There is a need to ensure that consumers have access to information to make informed decisions when they purchase a vehicle to support the effective roll-out of the scheme.
4. In April 2021, Cabinet agreed that the following information would be visible to the consumer at the point of purchase through clear labelling on the vehicle, and through electronic labelling if the vehicle is advertised online [CAB-21-MIN-0128.01 refers]:
  - CO<sub>2</sub> emissions in grams per kilometre,
  - CO<sub>2</sub> emissions in the form of a refreshed star-rating, and
  - the amount of any rebate or fee.
5. Options to give effect to this decision were released for public consultation between 26 November and 23 December 2021. Following analysis of the 16 submissions, I am proposing to implement the option to revise the existing vehicle fuel economy label to include the above clean vehicle information, as well as additional 'energy economy' information. This paper seeks agreement to this policy.
6. The requirements for the existing label are set out in the Energy Efficiency (Vehicle Fuel Economy Labelling) Regulations 2007. I am recommending amendments to these regulations and this paper seeks authorisation for the submission of the Energy Efficiency (Vehicle Fuel Economy Labelling) Amendment Regulations 2022 to the Executive Council.
7. I am seeking a waiver to the 28-day rule so that the new requirements can come into effect on 1 April 2022 when the scheme takes effect.

## Policy

8. The clean vehicle discount scheme is one of a number of actions in response to Parliament's declaration of a climate change emergency. It gives effect to the commitment in the Labour Party's Clean Energy Plan to accelerate the electrification of the transport sector, and the cooperation agreement with the Green Party to increase the uptake of zero-emission vehicles.
9. The scheme will assist consumers with overcoming the higher upfront price barrier of vehicles with lower or zero tailpipe emissions compared to traditional internal combustion engine vehicles.
10. The scheme involves fees on high-emitting vehicles at the point of first registration in New Zealand to disincentivise the purchase of them. Revenue from those fees is then used to fund rebates on vehicles with lower or zero tailpipe emissions.
11. A critical component of the scheme is the clear display of information about a vehicle's emissions and the amount of fee or discount applying to that vehicle. This is information that will influence consumer choice at the time of purchase.
12. Cabinet made decisions on the design of the scheme in April 2021, including that a vehicle's CO<sub>2</sub> emissions in grams per kilometre, and in the form of a refreshed star-rating, and the amount of any rebate or fee, will all be visible to the consumer at the point of purchase through clear labelling on the vehicle, and through electronic labelling if the vehicle is advertised online [CAB-21-MIN-0128.01 refers].
13. Options to give effect to this decision have now been consulted on and I propose revising the existing label prescribed by the Energy Efficiency (Vehicle Fuel Economy Labelling) Regulations 2007 to include such information, including with the addition of 'energy economy' information and associated changes.

## Analysis

14. The Energy Efficiency (Vehicle Fuel Economy Labelling) Regulations 2007 (the VFEL Regulations) require all light vehicles (under 3.5 tonnes, but excluding motorbikes) being offered for sale to display a fuel economy label as prescribed in Clause 4 of the Regulations. This existing vehicle fuel economy label is a recognised and trusted source of information.
15. The VFEL Regulations are made under the Energy Efficiency and Conservation Act 2000 (the EEC Act), which allows for regulations to be made that prescribe labelling requirements for energy-using products, including vehicles, which pertain to energy efficiency, or proficiency in conserving energy.
16. The EEC Act was recently amended<sup>1</sup> to enable vehicle labelling requirements to include the display of carbon dioxide emissions and any financial rebates receivable or charges payable relating to those emissions.
17. Public consultation through the *Options to provide Clean Vehicle information to consumers* discussion document released in November 2021 sought feedback on three options and a proposed revised vehicle fuel economy label.

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<sup>1</sup> Though the Land Transport (Clean Vehicles) Amendment Act 2022

18. All 16 submitters supported the option to amend the VFEL Regulations to require clean vehicle scheme information to be included on the existing vehicle fuel economy label. The submissions came from many different groups, including vehicle traders and climate advocates, and all agreed that clean vehicle information needed to be accessible to consumers.
19. I am therefore proposing to implement the option to amend the VFEL Regulations to include a requirement to display emissions or rebate/fee information, emissions intensity.
20. Most submitters had feedback on the proposed label, and this has been taken into account in the final revised label included in the draft regulations.
21. There was strong feedback that the amendments needed to go further, with many respondents wanting to see the label include more information, such as the energy consumption and driving range of a plug-in hybrid or fully electric vehicle.
22. Information regarding energy consumption falls under the empowering provisions in the EEC Act, so I am therefore proposing to also amend the VFEL Regulations to include a requirement to display the 'energy economy' of plug-in hybrid or fully electric vehicles, along with associated consequential changes to the regulations. Vehicle suppliers currently provide this information voluntarily and this change will align the requirements with those for petrol and diesel vehicles. It also aligns with the intent of Cabinet's decision to make clean vehicle information available at the point of purchase.
23. Information about driving range is out of scope of the EEC Act and recent amendments to that Act, so this feedback will be considered in a broader review of the energy efficient products and services regulatory system later in 2022.
24. I seek agreement to the policy change to amend the regulations, and authorisation for the submission of the Energy Efficiency (Vehicle Fuel Economy Labelling) Amendment Regulations 2022 to the Executive Council.

### **Timing and 28-day rule**

25. It is desirable for the amendments to the VFEL Regulations to come into effect at the same time as the clean vehicle discount scheme. This will ensure that consumers have access to the information they need to make an informed purchasing decision from day one of the scheme.
26. This will require a waiver to the 28-day rule. The grounds for the waiver are that the amendments will confer only benefits on the public by making existing clean vehicle information available to consumers at minimal cost (if any) to vehicle traders.
27. The amendments will be in the Gazette at least 14 days prior to 1 April 2022, and industry and other stakeholders are aware of the proposed change and will be updated on final decisions as soon as possible so they can be prepared for the change.

### **Compliance**

28. The Amendment Regulations complies with each of the following:
  - 23.1 the principles of the Treaty of Waitangi
  - 23.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
  - 23.3 the principles and guidelines set out in the Privacy Act 2020;

- 23.4 relevant international standards and guidelines;
- 23.5 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.

29. Under section 36(2) of the Energy Efficiency and Conservation Act 2000, the Minister is required to publicly notify the proposal to make the regulations, allowing time for interested persons to make a submission. This consultation and notification requirement has been met.<sup>2</sup>

30. A notification about the release of the discussion document was made in the Gazette and in regional newspapers on 26 November 2021, and the consultation was open until 23 December 2021.

### **Regulations Review Committee**

31. I have not referred a draft of the Regulations to the Regulations Review Committee under Standing Order 326(2).

32. I am not aware of any grounds on which the Rule could be drawn to the attention of the House under Standing Order 327(2).

### **Certification by Parliamentary Counsel**

33. The draft regulations have been certified by the Parliamentary Counsel as being in order for submission to Cabinet.

### **Impact Analysis**

34. A Regulatory Impact Statement has been prepared and is attached in Appendix One. The Ministry of Business, Innovation and Employment's Regulatory Impact Assessment Review Panel confirms the Regulatory Impact Statement meets the quality assurance criteria.

35. A Regulatory Impact Assessment for the clean vehicle discount scheme was prepared in accordance with the necessary requirements and submitted at the time Cabinet policy approval was obtained [CAB-21-MIN-0128.01].

### **Climate Implications of Policy Assessment**

36. The Amendment Regulations support the implementation and maximum effectiveness of the clean vehicle discount scheme. The cumulative impact of the clean vehicle discount scheme from 2022 to 2050 is a reduction of between 2.6 and 9.2 mega tonnes of CO<sub>2</sub>.

### **Publicity**

37. The Amendment Regulations will be notified in the New Zealand Gazette.

38. The Energy Efficiency and Conservation Authority administers the vehicle fuel economy label and will communicate details of the amendments with the motor vehicle industry and dealers to ensure they are prepared for the changes.

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<sup>2</sup> There is a transitional provision in Part 4 of the Land Transport (Clean Vehicles) Amendment Act which states that consultation concerning regulations relating to motor vehicle labelling undertaken by the Minister of Energy and Resources before the commencement of that Act is deemed valid under section 36(2) of the EEC Act for the purposes of making the regulations under section 36(1)(ba) of that Act and bringing those regulations into force.

39. Waka Kotahi is undertaking an advertising campaign on the clean car discount scheme to ensure wider public awareness. The new label will feature on the Waka Kotahi website to help consumers understand the information about CO<sub>2</sub> emissions and the corresponding rebate or fee that will apply.

### **Proactive release**

40. I intend to proactively release this Cabinet paper shortly after decisions are made on this paper. Release will be subject to appropriate redactions consistent with the Official Information Act 1982.

### **Consultation**

41. Under section 36(2) of the Energy Efficiency and Conservation Act 2000, the Minister of Energy and Resources is required to publicly notify the proposal to make the regulations, allowing time for interested persons to make a submission. Public consultation took place from 26 November to 23 December 2021. There were 16 submissions on the proposed regulatory amendment.

42. The summary of submissions from this consultation will be published on the Ministry's website for interested parties to review.

43. In recommending these regulations, I am satisfied that appropriate persons have been consulted on the development of the regulations.

44. The Ministry of Business, Innovation and Employment prepared this Cabinet paper. The following agencies have been consulted on this paper: Waka Kotahi, Ministry of Transport, Ministry for the Environment, and the Energy Efficiency and Conservation Authority. The Department of Prime Minister and Cabinet was informed of the paper.

### **Recommendations**

I recommend that the Cabinet Legislation Committee:

1. **note** that a clean vehicle discount scheme will be introduced from 1 April 2022, and consumers need access to information to make informed decisions when they purchase a vehicle to support the effective roll-out of the scheme.
2. **note** that on 19 April 2021, the Cabinet Economic Development committee agreed on the design of the scheme, including that the following would be visible to the consumer at the point of purchase through clear labelling on the vehicle, and through electronic labelling if the vehicle is advertised online [CAB-21-MIN-0128.01 refers]:
  - 3.1 CO<sub>2</sub> emissions in grams per kilometre,
  - 3.2 CO<sub>2</sub> emissions in the form of a refreshed star-rating, and
  - 3.3 the amount of any rebate or fee.
3. **note** that there has been public consultation on options to provide this clean vehicle information to consumers, and the views of submitters have been taken into account;
4. **agree** to revise the existing vehicle fuel economy label to include the above clean vehicle information and give effect to Cabinet's decision in recommendation 2;
5. **agree** to include a requirement that the energy economy (in kilowatt hours per 100 kilometres) of a plug-in hybrid or fully electric vehicle is also displayed on the existing label, and to associated consequential amendments to the regulations;

6. **note** that the requirements for the existing vehicle fuel economy label that need amending are set out in the Energy Efficiency (Vehicle Fuel Economy Labelling) Regulations 2007, which are made under the Energy Efficiency and Conservation Act 2000;
7. **note** that section 36(2) of the Energy Efficiency and Conservation Act 2000 requires the Minister of Energy and Resources to publicly notify the proposal to make the regulations, allowing time for interested persons to make a submission;
8. **note** the advice of the Minister of Energy and Resources that the requirement in recommendation 7 has been met;
9. **note** that the Energy Efficiency (Vehicle Fuel Economy Labelling) Amendment Regulations 2022 will give effect to the decisions referred to in paragraphs 4 and 5 above;
10. **note** that a waiver of the 28-day rule is sought:
  - 3.4 so that the regulations can come into force come into force on the same day as the Clean Car Discount, which is 1 April 2022;
  - 3.5 on the grounds that they will confer only benefits on the public;
11. **agree** to waive the 28-day rule so that the regulations can come into force on 1 April 2022;
12. **authorise** the submission to the Executive Council of the Energy Efficiency (Vehicle Fuel Economy Labelling) Amendment Regulations 2022.

Authorised for lodgement

**Hon Dr Megan Woods**

**Minister of Energy and Resources**