



Electric vehicles package: final Cabinet paper

Reason for this briefing	To provide you with the final Cabinet paper seeking agreement to an electric vehicle package, and inform you of the substantive feedback from departmental consultation. In particular it discusses the diverging views of Treasury on two key points. Announcement options for the agreed package are also set out in Appendix 2.
Action required	Consult relevant Ministers about this Cabinet paper. Lodge the Cabinet paper by 25 February 2016. Discuss Treasury's comments and announcement options with officials on 22 February 2016.
Deadline	22 February 2016
Reason for deadline	We would like to discuss the electric vehicles package with you at our meeting of 22 February 2016, particularly the remaining issues raised by Treasury in its agency comment and recommendations.

Contact for telephone discussion (if required)

Name	Position	Telephone		First contact
		Direct line	After hours	
[REDACTED]	Senior Adviser	[REDACTED]	[REDACTED]	
Erin Wynne	Manager, People and Environment	[REDACTED]	[REDACTED]	✓

MINISTER'S COMMENTS: Withheld under section 9(2)(a) of the Official Information Act 1982

Date:	17 February 2016	Briefing number:	OC03725
Attention:	Hon Simon Bridges	Security level:	In-Confidence

Minister of Transport's office actions

- | | | |
|---------------------------------------|---|--|
| <input type="checkbox"/> Noted | <input type="checkbox"/> Seen | <input type="checkbox"/> Approved |
| <input type="checkbox"/> Needs change | <input type="checkbox"/> Referred to | |
| <input type="checkbox"/> Withdrawn | <input type="checkbox"/> Not seen by Minister | <input type="checkbox"/> Overtaken by events |

Purpose of report

1. This report:
 - 1.1. summarises key issues raised in departmental consultation, and in particular those of the Treasury, and how these have been addressed in the final Cabinet paper seeking agreement to a proposed electric vehicles package
 - 1.2. sets out announcement options for the agreed package.
2. The final Cabinet paper incorporates the changes requested by your office on 2 February 2016.

Key concerns raised in departmental feedback

3. We discussed departmental feedback with you on 15 February 2016. All of the substantive issues have now been resolved to the satisfaction of departments, with the exception of the Treasury. Appendix 1 sets out the issues raised by the other departments and how they have been addressed.
4. We have had a series of discussions with Treasury and have now resolved many of the issues that it raised about the draft Cabinet paper. However, Treasury still has concerns about two key aspects of the paper. These are that Treasury:
 - 4.1. does not support extending the road user charges exemptions for electric vehicles
 - 4.2. does not consider sufficient analysis has been presented to justify establishing the contestable fund.
5. These concerns have been reflected in Treasury's separate departmental comment and recommendations in the paper.
6. In response to Treasury's comments we note that the exemption for light electric vehicles from road user charges is already in place and has already been approved by Cabinet twice, so is not new policy and the same concerns were considered on those previous occasions. We appreciate it cannot be possible to know in advance exactly when the target will be reached, but, as drafted, the exemption is clearly time limited (i.e. it ceases on a specified date that is set well in advance).
7. The contestable fund was developed jointly with stakeholders as one of the options to promote uptake, similar to the Urban Cycleway Programme.
8. We would like to discuss these matters with you at our meeting of 22 February 2016.
9. A number of departments, as well as Treasury, expressed general concerns with how the various components of the proposed contestable fund would work in practice. We consider these issues should be able to be addressed in the May 2016 report back on funding options for the contestable fund.
10. We did not receive any comment from the Department of Prime Minister and Cabinet (DPMC). We did not submit the Cabinet paper for consideration by the Official's Economic Growth and Infrastructure Committee on the recommendation of DPMC.

Next steps

- 11. We recommend that you consult the relevant Ministers about the Cabinet paper prior to lodging. In particular, the Ministers of/for Finance, Economic Development (responsible for government procurement) Climate Change Issues and Revenue would need to be consulted on aspects of the Cabinet paper.
- 12. Appendix 2 sets out announcement options that you may wish to consider. We would welcome the opportunity to discuss these options with you at our meeting of 22 February 2016.
- 13. The Cabinet paper needs to be lodged by 25 February 2016 in order to be considered by the Economic Growth and Infrastructure Committee's (EGI) meeting of 2 March 2016. This is the earliest that the paper could be considered. The next meeting of EGI is scheduled for 9 March 2016.

Recommendations

14. The recommendations are that you:
- (a) **consult** the relevant Ministers about the attached electric vehicle Cabinet paper prior to lodging the paper Yes/No
 - (b) **discuss** with officials the remaining issues of concern to Treasury Yes/No
 - (c) **discuss** the announcement options set out in Appendix 2 with us at our meeting of 22 February 2016 Yes/No
 - (d) **lodge** the attached Cabinet paper by 25 February 2016 so that it can be considered at the meeting of the Economic Growth and Infrastructure Committee on 2 March 2016 Yes/No



Senior Adviser

Erin Wynne
Manager, People and Environment

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MINISTER'S SIGNATURE:

DATE:

20/2/16

Appendix 1: Key issues raised by agencies and consequent changes to the Cabinet paper

Department	Comments	How comments are addressed in the Cabinet paper
Treasury (Additional issues)	<p>The paper does not make a clear case for development of a levy, as opposed to using any other funding options. Treasury would like Cabinet only to agree to further analysis of a levy as a possible funding option.</p> <p>The paper does not explain the specific financial implications of various initiatives on the Crown and government departments.</p> <p>The paper does not provide sufficient justification as to why to subsidise only electric vehicles (EVs), which is not technology neutral.</p>	<p>The paper now says that there will be a report back in May 2015 on levy options for funding the contestable fund, and other options. This report back will also provide advice on the impacts of all direct and indirect subsidies in the EVs package, including the split between capital and operating expenditure where appropriate.</p> <p>The paper now explicitly indicates that the contestable fund could be used to support other low emissions vehicle technologies in future.</p> <p>Separate Treasury comment and recommendations are also included.</p>
Energy Efficiency and Conservation Authority	<p>In the absence of the exemption, EVs paying road user charges (RUC) would always be taxed more than efficient petrol vehicles, discouraging their uptake after the exemption is removed.</p>	<p>A new section (see paragraph 79 of Cabinet paper) has been inserted to highlight this issue.</p>
Ministry of Business, Innovation and Employment (Procurement)	<p>It is still consulting internally on how the proposed option for the demonstration of EVs in government fleets could be implemented.</p>	<p>The Cabinet paper states that the Ministry of Business, Innovation and Employment will consider the appropriate level of involvement for New Zealand Government Procurement. Advice on this matter may be included in the report back to the Ministers of Transport and Economic Development by 30 June 2016.</p>
NZ Transport Agency	<p>The NZ Transport Agency has raised a number of issues including that its role does not currently extend to the promotion of EVs, as well as risks around the potential foregone RUC revenue arising from the package.</p>	<p>The May 2016 report back on funding issues will address the impact of direct and indirect subsidies for EVs, including the RUC exemption.</p>
Ministry for the Environment	<p>It would like the carbon emissions reductions associated with the targets included in the paper.</p>	<p>We have included more information about emissions from transport in the paper, and paragraph 17 of the Cabinet paper describes the expected emission reduction from EVs in qualitative terms.</p>

Appendix 2: Announcement options

Post-Cabinet announcement

1. You or the Prime Minister may wish to announce decisions immediately following Cabinet. We would support an announcement with a press release and questions and answers.
2. A pre-announcement heads up to some stakeholders would be required so that they can arrange parallel announcements about business' and local government's contribution to the package. A post-announcement follow up communication to all stakeholders involved in the development of the package would also be appropriate.

Energy Leaders Summit on 15-16 March

3. The Prime Minister is invited to speak on day one of the summit and you are speaking on day two. This could be an opportunity to announce Cabinet decisions to a relevant audience.
4. We would support an announcement at the summit with a speech, press release, and questions and answers. As above, a pre-announcement heads up to some stakeholders would be required.
5. If the package was announced at this summit, a photo opportunity could be organised with several electric vehicles outside the summit speech venue (Hotel Intercontinental) pending hotel management approval.
6. **Note:** This would require working to organise access to electric vehicles and discussions with summit organisers and hotel management before the package goes to Cabinet to allow adequate time to make these arrangements.

Late-March opportunities

7. If, following Cabinet decisions, a standalone event to announce the electric vehicles package is preferred, options include:
 - 7.1. a Parliamentary event
 - 7.1.1. West Foyer or similar sized area
 - 7.1.2. Prime Minister and Minister Bridges host
 - 7.1.3. Stakeholders involved in the development of the package and media invited
 - 7.1.4. Offer a photo opportunity with several electric vehicles on the Parliament forecourt
 - 7.1.5. Morning tea offered to attendees
 - 7.1.6. This format would allow for a larger number of stakeholders to be invited
 - 7.1.7. **Note:** This would require two weeks to organise in order to send invitations.
 - 7.2. a Media event

- 7.2.1. A more media focussed event could be created with electric vehicles and a charging station
- 7.2.2. A variation could be to offer a photo opportunity with several electric vehicles on the Parliament forecourt
- 7.2.3. Prime Minister and Minister Bridges host
- 7.2.4. Smaller group of stakeholders closely involved in the development of the package invited to attend
- 7.2.5. This format allows key stakeholders an opportunity to speak alongside the Government
- 7.2.6. A pre-event heads up to some stakeholders would required. A post-announcement follow up communication to all stakeholders involved in the development of the package would also be appropriate
- 7.2.7. **Note:** This would require two weeks to organise.

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