

Cabinet Paper on Promoting the Uptake of Electric and Other Low Emission Vehicles

Reason for this briefing	In March 2016 Cabinet requested a report back on how a contestable fund could best be utilised to help promote the uptake of low emission technologies. Cabinet also asked for further advice on the costs of a proposed demonstration of electric vehicles (EVs) across government fleets [CAB-16-MIN-0108.01 refers]. This paper asks that you sign the attached draft Cabinet paper reporting back on these two matters.
Action required	Sign the attached draft Cabinet Paper
Deadline	Wednesday 6 April 2016
Reason for deadline	Deadline for submission to EGI by Thursday 8 April to enable consideration at EGI on Wednesday 13 April 2016.

Contact for telephone discussion (if required)

Name	Position	Telephone		First contact
		Direct line	After hours	
[REDACTED]	Principal Adviser	[REDACTED]	[REDACTED]	
Erin Wynne	Manager, Policy Programme	[REDACTED]	[REDACTED]	Y

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

Date:	05 April 2016	Briefing number:	OC04692
Attention:	Hon Simon Bridges (Minister of Transport)	Security level:	In-Confidence

Minister of Transport's office actions

- Noted*
 Seen
 Approved
- Needs change*
 Referred to

Withdrawn

Not seen by Minister

Overtaken by events

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Purpose of report

1. The purpose of this report is to provide you with a draft Cabinet paper, in response to Cabinet's request in March 2016 for a report back on how a contestable fund could best be utilised to help promote the uptake of low emission technologies. Cabinet also asked for further advice on the costs of a proposed demonstration of electric vehicles (EVs) across government fleets [CAB-16-MIN-0108.01 refers].
2. It also provides advice on the feedback from the Treasury on the draft Cabinet paper.

Comment

3. Officials at the Ministry of Transport, Ministry of Business, Innovation and Employment and Energy Efficiency and Conservation Authority have worked closely to produce this new draft Cabinet paper. We consider it addresses the key concerns raised by Treasury in their departmental comments on the March paper. However, Treasury officials do not accept this and will provide separate departmental comments and have asked for split recommendations, though they have not provided these at this time.

The paper proposes that dedicated fund is only established for one year, while separate work on re-purposing an existing levy is completed

4. Among the key issues identified by the Treasury is a concern that the March 2016 paper did not clearly demonstrate a need for the proposed fund, especially in the longer term. After consultation with the Treasury, the paper now proposes that the fund be established for one year using reserves already identified by Energy Efficiency and Conservation Authority.
5. The Treasury also raised concerns over the lack of clarity around the administrative and governance arrangements for the fund. They indicated they were especially concerned about how the Government could be sure that any spending was high quality, and did not displace other higher quality projects. The Treasury's preferred solution is to use the first year of operation of the dedicated fund as a way of resolving these practical issues. The information collected would be important to establish the fund for the long term.
6. Although we have sought to address Treasury's concerns in the paper, Treasury does not accept that sufficient work has been done to identify that the dedicated fund is required, or that it will deliver quality spending. They will be providing departmental comments to this effect on Friday for inclusion in the final paper.

The proposed paper on re-purposing an existing energy fund should accompany this paper

7. We are aware that the approach of creating the fund for only one year creates a risk, especially if the work on re-purposing an existing levy planned by Ministry of Business, Innovation and Employment, which depends on amendments to primary legislation, is delayed. To some extent these risks can be managed by investigating alternative funding options at the same time, which include the options of a new bid for funding through the Budget 2017/18 or a reprioritisation of Crown funding through the Energy Efficiency and Conservation Authority.
8. The paper notes that the ongoing funding was expected to come from a re-purposed levy in the energy sector. We consider it would assist Cabinet's ability to see how the two proposals are linked if the papers were considered at the same time. We understand from Ministry of Business, Innovation and Employment officials that the paper could be finalised

relatively quickly, though it is unlikely it could be ready for consideration by EGI on 13 April 2016, as is planned for this paper.

9. Again, although the paper has sought to address Treasury's concerns, they do not accept that it is appropriate to agree to the establishment of an ongoing fund after the first year, until the parallel process being undertaken by the Ministry of Business, Innovation and Employment on the re-purposing a levy, and determining the preferred funding option, has been completed.

The proposed 24 vehicle trial will be funded directly from Energy Efficiency and Conservation Authority's reserves

10. Cabinet also requested advice on the costs of the proposed trial of EVs in the government fleet. The paper sets out the detailed costs in Annex 2 and the body of the paper notes that it would be explicitly funded from the approximately \$4 million of reserves available. This will leave \$3.5 million for other activities.

The administration of the fund will be reported back to you

11. We are aware of your desire for the Ministry of Transport to have an active role in the oversight of the dedicated fund and other activities to promote the uptake of EVs. The Ministry fully expects to take a leadership role, along with the Ministry of Business, Innovation and Employment. However, we expect the actual deployment of the fund will be the role of the Energy Efficiency and Conservation Authority.
12. The attached Cabinet paper also notes that the role of the leadership group established by the March Cabinet paper in the operation of the dedicated fund has not been fully determined. The paper proposes that it would include membership from Ministry of Transport, Ministry of Business, Innovation and Employment and Energy Efficiency and Conservation Authority. This will be subject of a further report back to you, as agreed by Cabinet.

Recommendations

13. The recommendations are that you:
 - (a) **note** that the attached paper reports back to Cabinet on two matters on how related to how a contestable fund could best be utilised to help promote the uptake of low emission technologies that was requested in response to the March 2016 Cabinet paper on electric vehicles [CAB-16-MIN-0108.01 refers]
 - (b) **note** that the Treasury intend to make a Departmental comment and to insert split recommendations, to the effect that they do not support the fund being established at this time

(c) **sign** the attached paper and submit to EGI for consideration.

Yes/No


Principal Adviser

Erin Wynne
Manager, Policy Programme

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MINISTER'S SIGNATURE:

DATE:

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