

AIDE MEMOIRE: CABINET PAPER

Title	Promoting the uptake of electric and other low emissions vehicles
Committee	Economic Growth and Infrastructure
Issues	EGI is expected to consider this Cabinet paper at its meeting of 13 April 2016. The paper seeks agreement to an electric vehicle contestable fund. It provides a report back agreed by the Committee on 16 March 2016 when it considered a package of measures to encourage the uptake of electric vehicles.
Ministerial Consultation	None

Talking points

- In March 2016 Cabinet invited me (as Minister of Transport and the Minister of Energy and Resources) to 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 an agreed demonstration of electric vehicles (EVs) across government fleets.
- Low emission vehicle (LEV) technologies, especially EVs, provide New Zealand with the opportunity to reduce transport greenhouse gas emissions, without compromising individual mobility or economic growth. However, there are some market failures that mean uptake may not happen as fast as it could.
- For this reason, I proposed a package of measures to Cabinet last month to encourage the uptake of EVs. Parts of that package were agreed, and I was asked to report back on the contestable fund that I had proposed and provide advice on the EVs demonstration.

Contestable fund

Rational for fund

- In addition to the information and coordination problems in the EV market, stakeholders have identified the following immediate barriers to greater uptake of EVs and other LEVs:
 1. lack of supply of suitable vehicles into the New Zealand market
 2. price differences with conventional vehicles
 3. concerns over residual values and maintenance.
- A contestable fund would help fund innovative projects to overcome these barriers.

Principles for fund

- The overarching principle of the contestable fund is that it should encourage innovation and investment to promote, enable and accelerate the uptake of electric and other LEVs into New Zealand, that might otherwise not occur.
- The fund will not be used to subsidise the purchase price of EVs, or to compete directly with the private sector.
- I propose the guiding principles of the contestable fund to promote the uptake of LEVs, including EVs, are to:
 1. support innovative activities to promote the supply of LEVs that would not otherwise occur
 2. implement measures that will enable rapid uptake of EVs, and other LEVs as they become available
 3. remove barriers to uptake, including the reduction of financial risk and provision of charging infrastructure
 4. provide value for money (within the context of the EV programme)
 5. be co-funded, by businesses, industry bodies, local communities, and government.

Types of initiatives that could be funded

- The March 2016 Cabinet paper proposed the following examples of initiatives that could be funded:
 1. the creation and promotion of branded tourism routes using EVs
 2. demonstrations of vehicle types currently not used in New Zealand, such as electric buses and electric vans in commercial fleets (e.g. Greater Wellington Regional Council is already investigating demonstrations of electric buses)
 3. EV car sharing schemes that promote EVs and new ways of addressing transport demand (e.g. both Auckland and Christchurch City councils are investigating EV car sharing).

Funding sources

- As proposed in the March 2016 Cabinet paper, the fund will initially be established through a mixture of reserves and reprioritised existing baseline funds from the Energy Efficiency and Conservation Authority. Funding of \$4.0 million is already available for this first year (2016/17), but not for out years.

- For initiatives (such as those outlined above) to have an impact, I propose a contestable fund of up to \$6 million per year will be required in out years.
- For out years (2017/18 onward), I am considering options to re purpose an existing energy or transport levy. Further work, including public consultation, is needed to determine the most appropriate existing levy for the contestable fund. I will soon be seeking Cabinet approval to release a consultation document with options for re-purposing an existing levy before reporting back by August 2016 with my preferred funding option.

Governance of the fund

- I propose that the contestable fund will be governed by a group of senior officials from the Ministry of Transport, the Energy Efficiency and Conservation Authority, and the Ministry of Business, Innovation and Employment. They will work with the leadership group established by the March 2016 Cabinet paper.
- I also propose that the Energy Efficiency and Conservation Authority administer the fund with oversight from the Ministry of Business, Innovation and Employment and Ministry of Transport.

EV demonstration

- The March 2016 Cabinet paper invited me, as the Minister of Transport and the Minister of Energy and Resources, to report back on the costs of the proposed EV demonstration across the government fleets, initially involving approximately 24 vehicles, with the potential for the demonstration to be expanded.
- Given the more significant procurement work proposed in my earlier Cabinet paper, I do not intend to progress the demonstration at this time.

Next steps

- Should the committee agree to establish the fund, a public announcement will be made about the EVs package, potentially at a launch event.
- I will also publicly consult on a range of options to expand an existing levy so that one may be used to fund transport energy initiatives such as the EV package. I will soon seek Cabinet approval to release a consultation document with options for re-purposing an existing levy before reporting back by August 2016 with my preferred funding option.