

Minister of Transport

Speaking notes for the Cabinet EGI Committee 27 May 2009

Amendments to the Road User Charges Act: exempting electric vehicles

Electric vehicles

1. **In principle all road users should pay their share of road use because:**
 - funding of the roading network is critical to ensure the continued maintenance and development of the infrastructure
 - road user charging is efficient as a means to charge for the roading network.

2. **The exemption should not set a precedent for RUC exemptions. However:**
 - people perceive costs to be a barrier to buying electric vehicles
 - a promise was made by the National party in the lead up to the 2008 election that electric vehicles would be exempt from road user charges
 - the exemption would act as a kick start for the uptake of the technology
 - the proposed incentive for light electric vehicles is transitional and limited in scope
 - it is envisaged that the longer term incentive to move to new fuel technologies will be in the emissions trading scheme

NB: The Treasury has recommended to the Minister of Finance that exemptions from RUC be avoided because electric vehicles should remain accountable for their road use and remain within the RUC regime. The Minister of Finance agrees with the Treasury's advice.

3. **Benefits of electric vehicles include:**
 - emissions reductions (toxic and greenhouse gas emissions)
 - money saved on imported fuel
 - increased use of renewable energy
 - increased the security of the electricity network in the long term
 - reductions of vehicle noise pollution.

4. **Limited electricity supply (in dry year conditions) is a minor issue because:**

- electric vehicles are more efficient than traditional petrol or diesel vehicles, meaning that they will draw less energy from the electricity network compared to the energy that traditional vehicles use as fuel
- by the time we have enough electric vehicles in our fleet to make this an issue, our grid is likely to be managed with more correspondingly sophisticated technology. For example, smart meters will play an important role in reducing the amount of recharging done at peak times.

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