



# Submission on the Clean Vehicle Standard Review

27 February 2026

To the Ministry of Transport

## Submitter details

This submission is from the Parliamentary Commissioner for the Environment, Simon Upton.

My contact details are:

**Phone:** 04 495 8350

**Email:** [pce@pce.parliament.nz](mailto:pce@pce.parliament.nz)

## Parliamentary Commissioner for the Environment

The Parliamentary Commissioner for the Environment was established under the Environment Act 1986. As an independent Officer of Parliament, the Commissioner has broad powers to investigate environmental concerns and is wholly independent of the government of the day. The current Parliamentary Commissioner for the Environment is Simon Upton.

### Key points

- The Clean Vehicle Standard (CVS) was intended to work in concert with the Clean Car Discount (CCD). Given the repeal of the CCD, I am not surprised the CVS is operating as it is. I recommend revisiting the original intent of the CVS to accept that without the CCD influencing demand the CVS will need to alter prices to favour low-emissions vehicle purchases.
- If the Government is unhappy with the performance of the CVS, I recommend continuing to slow the reductions required.<sup>1</sup> It is too early to remove the CVS entirely given there are several forthcoming factors that will boost the demand for low emissions vehicles.

## Introduction

Thank you for the opportunity to comment on this review of the Clean Vehicle Standard (CVS). You provided three questions for discussion:

1. Do you support New Zealand continuing to have a regulated fuel efficiency standard/CO<sub>2</sub> standard (i.e. the CVS)? What are the key reasons for this view?

---

<sup>1</sup> Noting this would put New Zealand's scheme out of alignment with Australia.

2. Are there any alternatives to a regulated fuel efficiency standard (e.g. a voluntary industry standard) that you consider would work better for New Zealand? If so, what measure(s) would you recommend and why?
3. If the CVS were abolished, what would the key risks/impacts be?

I have deliberately chosen not to use these questions to frame this response. In my view, the original policy work for the CVS clearly states the rationale and that analysis is still relevant. I have reiterated the key points in the Appendix.

I am not clear on the problem this review is trying to resolve. The key issue to me is that the CVS was designed to work in tandem with the Clean Car Discount (CCD). Without the CCD, the way the CVS is currently working should not be surprising.

In my view, the Government should pause this review while other complementary policies are being implemented to support the efficient working of the CVS.

### The CVS was designed to work with the CCD

The original rationale for the CVS was predicated on it operating in tandem with the CCD.

The CVS was intended to ‘encourage vehicle importers to increase the **supply** and variety of zero and low emissions vehicles available for purchase in New Zealand’. It was originally intended to act neither as a cost nor a subsidy. Rather, it was designed to work in conjunction with the CCD, whose purpose was ‘to directly influence consumers’ vehicle **purchasing decisions**’.<sup>2</sup> Motor vehicle traders who imported vehicles that beat the standard earned credits, while importers whose overall fleet efficiency fell short of the standard either paid a charge or had to purchase credits from those who had earned them. In other words, the CCD addressed demand, whilst the CVS addressed supply.

Option analysis conducted at the time found that the CVS and CCD together had the greatest merit – and the coupled policies were a specific recommendation of the Productivity Commission, the Climate Change Commission and the Motor Industry Association.<sup>3</sup>

### Without the CCD, the CVS can still work, but not as originally envisaged

While both schemes were in place, they worked exactly as originally intended. Following the repeal of the CCD (and the introduction of RUCs for EVs in April 2024), annual EV registrations fell from 38,000 units in 2023 to approximately 12,000 units in 2024 – a reduction of more than 60%.<sup>4</sup> Without the CCD reducing prices and – subsequently – increasing demand for low-emissions vehicles, the supply of credits started to tighten. This meant that the CVS could not work as originally intended. A dwindling stockpile of credits means that importers are running short of credits to trade to offset charges from not meeting the standard.

The problem definition for this review seems to be that the CVS is now resulting in net charges for importers, which will eventually increase the overall cost of importing cars. While this wasn’t the original intent of the scheme, this outcome shouldn’t be surprising. Without the CCD, the only way the CVS can work effectively is by changing prices, which in turn shifts demand to incentivise EV uptake. Essentially, the CVS still achieves the original policy intent (to some degree), just in a different way than originally envisioned.

Once the stockpile of credits runs out, the CVS is likely to start generating revenue for the

---

<sup>2</sup> [https://www3.parliament.nz/resource/en-NZ/53SCTI\\_ADV\\_115766\\_T11983/c8e86a15f89363bc4671a0bb20c75609ab2b96c7](https://www3.parliament.nz/resource/en-NZ/53SCTI_ADV_115766_T11983/c8e86a15f89363bc4671a0bb20c75609ab2b96c7)

<sup>3</sup> *Ibid.* The other options assessed were relying on the ETS, a subsidy funded by general taxation, changes to business taxation and depreciation and whether relying on only the Standard would suffice.

<sup>4</sup> <https://www.transport.govt.nz/statistics-and-insights/fleet-statistics/quarterly-fleet-statistics/>; <https://public.tableau.com/app/profile/stuart8512/viz/Quarterlyfleetreport2/Storytables>

government through charges on importers that don't meet the standard. If the Government is concerned with the impact on consumers in the short-term, it can tune the settings of the scheme by reducing the improvements in fuel efficiency required under the standard. The straightforward way to communicate this would be to say that the Government has decided to give higher priority to car prices than climate action. Alternatively, the Government could use the revenue generated to finance some of the promises it has made that will increase the demand for low emissions vehicles (such as 10,000 new EV chargers).

### The Government should keep the scheme while factors play out, altering the demand for low emissions vehicles

It is worth noting that the scheme hasn't been in operation long and has been altered several times already in its short lifetime. It is simply too soon to review its effectiveness or otherwise. From what I can see, there should be no surprise about the turnaround that removal of the CCD has set in train.

In the medium term there are several factors – some of which are the result of Government policy changes – that should boost demand for low emissions vehicles. These should in turn push the CVS back towards a neutral credit balance over the coming years. I recommend keeping the scheme whilst allowing these factors to play out:

- The Government's planned rollout of 10,000 public EV charging points by 2030 – if successful – will reduce range anxiety for inter-regional travel and increase the confidence of potential EV buyers (including fleets). Income from CVS charges could defray these costs and accelerate deployment.
- The Government's planned review of RUCs in 2027. The 2024 decision to apply RUCs to battery EVs (but not other vehicles, such as petrol hybrids) disincentivised EV ownership. The RUC review should reintroduce a level playing field across vehicle types.
- China's mass production of EVs is lowering prices in the marketplace. This is the most significant trend and will (perhaps more swiftly than we imagine) render the case for policy instruments, like the CCD, redundant. EVs will simply get cheaper.
- The uptake of Vehicle to Grid (V2G) technologies will help maximise the co-benefits of EV ownership.

In the meantime, the CVS should remain in place. Otherwise, New Zealand will become an increasingly attractive dumping ground, for fuel inefficient used vehicles. Given New Zealand's relative poverty and the fact that we drive cars almost to the grave, there is a long emissions shadow that comes with such vehicles.

Kind regards



Rt Hon Simon Upton  
**Parliamentary Commissioner for the Environment**  
**Te Kaitiaki Taiao a Te Whare Pāremata**

## Appendix: Why have transport decarbonisation policy?

- **Saving households money:** EVs are already cost-competitive on a total cost of ownership basis, but upfront costs present barriers to ownership. The price signal sent by the Emissions Trading Scheme (ETS) comes through ongoing fuel costs rather than upfront. Behavioural economics shows that people overestimate upfront costs and underestimate fuel costs when thinking about the total cost of ownership. Many households also lack the capital necessary to afford higher upfront EV costs, locking them into Internal Combustion Engine (ICE) vehicles for 10–20 years. A delay in adoption risks households being stranded with defunct assets in coming years.
- **Resilience:** Faster fleet electrification reduces reliance on imported fossil fuels and lowers exposure to oil price volatility, strengthening economic resilience.
- **Pollution:** ICE vehicles emit nitrous oxide, particulate matter and other harmful pollutants. Slower EV uptake prolongs avoidable health costs, particularly in urban areas.
- **New Zealand as a dumping ground:** Relative policy settings matter for global vehicle allocation decisions. In 2025, Australia legislated a New Vehicle Efficiency Standard,<sup>5</sup> maintained Fringe Benefits Tax exemptions for EVs, and provided clear forward signals regarding fleet decarbonisation.<sup>6</sup> In contrast, New Zealand repealed the CCD, introduced Road User Charges (RUCs) for EVs, and decreased charges for the CVS. Manufacturers allocate vehicles across markets based on regulatory certainty, compliance risk and expected demand. If New Zealand is perceived as weakening its emissions targets, it risks becoming a lower-priority destination for new EV models. Over time, this could increase the likelihood that emissions-intensive ICE vehicles are redirected here.
- **Meeting our emissions budgets:** The ETS has little impact on transport decisions because of the behavioural economics issues discussed above. Without the CVS the Government will be left with no complementary policy to help achieve emissions budgets.

This last point is particularly pertinent with the risks facing the achievement of Emissions Budget 3.

Failure to accelerate uptake of EVs now locks in future emissions and increases the cost of meeting long-term climate targets. The Government's second emissions reduction plan falls short of meeting the third emissions budget by 8.7Mt CO<sub>2</sub>-e.<sup>7</sup>

This figure almost precisely aligns with the reductions in emissions from the transport sector policies over the EB3 period detailed in the first emissions reduction plan (8.3–10.6 Mt CO<sub>2</sub>-e).<sup>8</sup>

---

<sup>5</sup> The CVS in New Zealand was intended to align with the efficiency standards in Australia. See <https://autofile.co.nz/ccs-to-align-with-australia->. The recent reduction in charges means the standards are no longer aligned. If repealed, New Zealand will be one of the only developed countries without a CVS.

<sup>6</sup> <https://www.infrastructure.gov.au/sites/default/files/documents/transport-and-infrastructure-net-zero-roadmap-and-action-plan.pdf>

<sup>7</sup> WAM central estimate. See <https://environment.govt.nz/assets/publications/climate-change/ERP2/New-Zealands-second-emissions-reduction-plan-January-2026-amendment-addendum.pdf>

<sup>8</sup> <https://environment.govt.nz/assets/publications/Files/Aotearoa-New-Zealands-first-emissions-reduction-plan-Technical-information-annex.pdf>

Emissions abatement from policies and measures (ARS Mt CO <sub>2</sub> -e)		1st Budget 2022–25	2nd Budget 2026–30	3rd Budget 2031–35
<b>Transport</b>				
1.	Low impact estimate	-1.7	-5.9	-8.3
2.	High impact estimate	-1.9	-6.8	-10.6

The repeal of ERP1 transport policies, including the CCD,<sup>9</sup> means the reduction in emissions over this period from transport is now expected to be just 0.2 Mt CO<sub>2</sub>-e.

**Table 2.2: Expected abatement from ERP2 policies for EB2 and EB3 (Mt CO<sub>2</sub>-e)**

ERP2 policy	Projected impact	
	EB2 (2026–30)	EB3 (2031–35)
Electrify NZ	-0.1	-1.6
Enable carbon capture, utilisation and storage	-1.0	-0.9
Target 10,000 public electric vehicle charging points by 2030	-0.01	-0.2
<Superseded by January 2026 amendment> Implement an agricultural emissions pricing system and mitigation technologies	-0.2	-10.6
Invest in resource recovery through the Waste Minimisation Fund	-1.0	-1.0
Improve organic waste management and landfill gas capture	-0.8	-1.1
Introduce a regulated product stewardship scheme for refrigerants	-0.4	-0.7
Afforestation on Crown-owned land	0.4***	-1.8
Impacts of updated NZ ETS settings not captured elsewhere*	-0.2	-1.0
Total – summed above	-3.3	-18.9
Total – integrated analysis**	-3.2	-17.1

This suggests that if effective demand and supply-side transport decarbonisation policies were reinstated, the Government could be on track to achieve EB3.

<sup>9</sup> <https://environment.govt.nz/assets/publications/climate-change/NZs-first-emissions-reduction-plan-amendment-2024.pdf>