MINISTERIAL BRIEFING NOTE

Subject	Clean Vehicle Standard Commencement
Date	2 September 2022
Briefing number	BRI-2585

Contact(s) for telephone discussion (if required)				
Name	**Position**	**Direct line**	**Cell phone**	**1st contact**
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Action taken by Office of the Minister

- ☐ **Noted**
- ☐ **Seen by Minister**
- ☐ **Agreed**
- ☐ **Feedback provided**
- ☐ **Forwarded to**
- ☐ **Needs change [please specify]**
- ☐ **Withdrawn**
- ☐ **Overtaken by events**

2 September 2022

Hon Michael Wood – Minister of Transport

CLEAN VEHICLE STANDARD COMMENCEMENT

Purpose

1. This briefing highlights risks associated with implementing the Clean Vehicle Standard (CVS) based on the current commencement dates. It also provides information about the CVS and motorcycles.

2. The CVS project will not be able to implement an online system for operating carbon dioxide accounts in time for current commencement dates. These dates are legislated for in Part 13 of the *Land Transport Act 1998* (LTA).

3. If these dates are not amended, a manual system will be required to attempt to comply with current commencement dates. Standing up a manual system creates high risk to the ongoing delivery and policy intent of the CVS and the ongoing functioning of the imported vehicle industry.

4. While it is theoretically possible to stand up a manual system that will allow the imported vehicle industry to continue to operate; the multiple associated risks mean this is not recommended as a feasible option to pursue.

5. This briefing is provided further to our discussion of this matter with you on Monday, 29 August 2022.

Background and context

6. Section 187 of the LTA provides that “On and after 1 December 2022, no light vehicle may be certified for entry unless (a) the carbon dioxide account number of the vehicle importer has been provided to the Director; and (b) the carbon dioxide emissions of the vehicle have been recorded in the vehicle importer’s carbon dioxide account.”

7. Without a carbon dioxide account, imported vehicles would be unable to be "certified for entry" and could not lawfully be used on New Zealand roads.

8. From 1 January 2023, applicable imported vehicles would be subject to targets, and accrue credits and charges under the CVS scheme.

9. The CVS scheme is intended to be operated through an online system with automated components. The system is being designed to:
   a. not delay the vehicle importation process
   b. maintain data integrity; and
   c. comply with relevant requirements, including Anti-Money Laundering legislation.

10. The online system cannot support the existing 1 December 2022/ 1 January 2023 dates in the legislation.

11. The development of the online system to meet the statutory requirements has proven incredibly difficult due to a variety of factors. These include:
    a. delayed timeframes for regulations (about two months) affecting certainty of system design
    b. the impacts of progressing system development concurrently with regulation development
    c. challenges in providing the importation/ distribution sector with certainty so they can organise their business structures/ processes to implement and comply with the regulations
    d. the operational complexity of establishing the system to support:
        i. a financial trading scheme
        ii. compliance with the Anti-Money Laundering and Counter Funding of Terrorism Act 2009, as well as other financial and legal requirements
        iii. integration with several other systems to facilitate the efficient importation of vehicles.
    e. the challenges of concurrent workstreams to implement early tranches of the clean car scheme, and the inability to resource projects sufficiently once the requirements were identified in an environment where business requirements had not been identified.
    f. impacts affecting project capacity.

Options

12. There are two options we have considered, which is to:
    a. defer the implementation of the CVS through a legislative change; or
    b. continue to manually implement the CVS as per the currently legislated implementation dates.

13. To de-risk the delivery implications, a deferral of the CVS is the recommended option

Risks of a manual system

14. The manual system has several significant risks. A workable solution will be reliant on industry goodwill and preparedness to work within an imperfect system. These risks include:
    a. Waka Kotahi may not be able to implement a manual system with current labour constraints.
    b. We expect that there would be significant delays with vehicles getting entry certification, reducing the supply of vehicles for sale.
    c. There is a high possibility that Waka Kotahi will be overwhelmed by applications for accounts. We can only start this process once we are confident on the final form of the regulations and can share this with the industry in general.
    d. The application process will need to include complying with “know your client” obligations requirements in Anti-Money Laundering legislation. Even commencing the application process before the regulations are live, there is very little time to process and grant account numbers to importers, likely resulting in delays. This will be exacerbated by inefficiencies in a manual process.
    e. The carbon dioxide accounts will have errors and will not be transparent. This could prevent Waka Kotahi from recovering charges and will prevent the industry from developing trading platforms for credits.

Option 1 - Continuation as currently legislated

15. Recognising that deferring the legislated CVS commencement date is not a desirable outcome, we have investigated several alternatives that may be able to deliver a product that can operationalise (albeit at a minimum viable product) the CVS. All involve a high degree of delivery risk and cost. Of the options outlined below, the only theoretically possible alternative is the 'manual system' option. It should be noted that this option also comes with significant risk of on time delivery and will have significant negative impacts on the delivery of a completed CVS.

16. To assess the potential alternatives, we used the following criteria:
    a. Legislative alignment – to what extent does the alternative align with existing legislation governing the CVS scheme?
    b. Continued vehicle importation into New Zealand – to what extent does the alternative disrupt or delay the flow of vehicle imports?
    c. Maintenance of data integrity – would data be accurate and complete for each vehicle importer?
    d. Feasibility for Waka Kotahi – can the alternative be developed and administered in the time available?
    e. Support for emission reduction – would the alternative support the purpose of the CVS scheme in reducing the carbon dioxide emissions from light vehicles imported into New Zealand?
    f. Effect on industry – would the alternative be workable/acceptable for the vehicle importing industry?
    g. Delay to online system development – would the alternative delay development and implementation of the online system?
    h. Cost to the Crown – what costs would the alternative impose on the Crown?
    i. Impacts on other workstreams – would existing resources be diverted to support the alternative scenario?

17. The potential alternative scenarios we explored included:
    a. no alternative action taken
    b. all importers having "fleet average" status with Waka Kotahi undertaking deferred reconciliation of data when the system is live
    c. deferring the accrual of credits and charges on all accounts until the system is live
    d. have Waka Kotahi operate a singular carbon dioxide account on behalf of all vehicle importers
    e. operating a manual system until the online system is live.

18. The alternative scenarios are briefly analysed below. Further details on their analysis can be found in Appendix 1.

No alternative action taken

19. Under this scenario no carbon dioxide accounts would be associated with vehicles in December 2022 or until the online system was live. This would either result in:
    a. the unlawful certification of vehicles without accounts/ charges/ credits to allow importation; or
    b. prevention of entry certification/ importation until the system is live.

20. This scenario does not align with existing legislation, would cause significant disruption to vehicle importation, and would result in incomplete data for the first year of the CVS scheme. It is not considered feasible for Waka Kotahi or vehicle importers, may give rise to compensation claims for lost credits, and could result in the first year of charges being unenforceable.

Deferred "fleet average" reconciliation

21. This scenario relies on all importers being approved as Category 1 light vehicle importers (having "fleet average" status). This would mean credits/ charges would not legally accrue until the end of 2023. Vehicle importers would still need to be allocated carbon dioxide account numbers, but vehicle emissions data would be stored in the Motor Vehicle Register ("MVR") until the online system is live. Data would be reconciled between MVR and the online system during 2023 before credits/ charges arise at the end of 2023.

22. This scenario does not align with existing legislation, which contemplates vehicle importers having a default status of Category 2 ("pay-as-you-go") unless they apply and are approved for fleet average status. Fleet average status also does not extend to individuals or any person not in the business of importing vehicles.

23. Approving all importers for fleet average status would give rise to significant risks, including potential judicial review. There would also likely be unrecoverable debts at the end of the year.

24. Additionally, all vehicle importers would have to agree to have fleet average status, which also entails higher charges for failing to meet targets. Further, importers would not have visibility of their carbon dioxide accounts until the online system was live.

Deferral of all credits/ charges until the system is live

25. This scenario contemplates all vehicles being associated with a carbon dioxide account, but for regulations providing all credits/ charges accrue and are payable at a later date in 2023 for pay-as-you-go importers.

26. This scenario relies on all other systems and processes being in place for carbon dioxide accounts and calculation of credits/ charges would still occur at importation. There would be an expected loss of revenue to the Crown due to an inability to recover charges from pay-as-you-go importers at a later date (without the leverage of requiring payment at the point of entry certification). This may also result in a distortion in importer activity until the online system is live and charges are able to be recovered.

27. Even with deferred accrual of credits/ charges, the delivery of all other systems and processes for carbon dioxide accounts would pose difficulties for Waka Kotahi system development.

Single Waka Kotahi carbon dioxide account

28. This scenario relies on all importers agreeing to Waka Kotahi operating a carbon dioxide on their behalf until the full system is live. This does not align with the intent of the legislation and is unlikely to be accepted by all industry. In some cases, paying vehicle by vehicle would make commercial sense. We also expect some industry players to be uncooperative as they dislike the

scheme. Importing vehicles is not the role of and nor would Waka Kotahi qualify for fleet average status.

29. Importers would not have visibility of the single account nor the ability to use flexibility mechanisms such as credit transfers. Additionally, there are likely to be data errors in linking back information to the accounts of individual importers when the online system is live. There would also be administration costs and feasibility issues in setting up what would be a temporary parallel system.

Manual system

30. As noted earlier, while potentially possible, and more feasible than the alternatives above, deferring the commencement date is the recommended approach from a delivery perspective and would further reduce the risks from a delivery perspective.

31. This scenario contemplates complying with the full requirements of the legislation using manual processes (e.g., excel spreadsheets and extra staff) until the online system goes live. These processes could cause significant delays in the vehicle importation process and would likely give rise to data errors. Industry is unlikely to find this scenario acceptable and may choose to actively undermine its implementation.

32. The current constraints in the labour market mean that to stand up a separate project team we would divert resources from other critical Government initiatives. There will also be cost associated in standing up an interim team to support manual processing and this is not currently budgeted for.

33. In the absence of these additional resources, we would need to utilise the existing programme team, further delaying readiness of the full online system. Even with a separately resourced manual project team, the support required would further delay development of the online system.

34. Even with a team administering a manual system, delays to vehicles progressing through the border and entry certification process are likely.

35. A manual process could also create data integrity issues, with limited oversight and visibility of data for importers. Confirming relevant data for each vehicle progressing through entry certification would also require significant amounts of correspondence with importers and entry certifiers.

36. The regulations required for accounts to be operational comes into force on 1 December 2022, the same date importers are required to hold an account for vehicles to receive entry certification. Waka Kotahi will progress the application process as soon as the regulations are in their final form (and prior to them being in force) but there will be a very short time frame to process these applications. As stated above, compliance with AML requirements will be complex and further exacerbate inefficiencies related to a manual application process.

37. Delays in processes to open carbon dioxide accounts, in applications for fleet average status, and in vehicle entry certification, as well as the risk of inaccurate calculation of credits/ charges could give rise to claims for loss of income from importers and are likely to have significant reputational impacts.

38. Our operational finance team has identified an additional two areas of risk which would exist with a manual system:
    a. Payment card industry (PCI) compliance associated with taking credit card payments over the phone and using manual processes. While taking payments over the phone is something Waka Kotahi currently does, we use existing systems and process which have been assessed against the appropriate criteria. This would have to be factored into the design and build of any manual processing of CVS financial transactions.

    b. Internal financial controls – related to the above, financial transactions will need to be linked to our ledgers and it will be critical that we can maintain our financial practices and discipline. Standing up manual processes could see us having to operate outside of these, exposing us to additional risks.

39. This process runs a high risk of non-integrated payments and no central control to match payments to appropriate transactions. The only method of payment Waka Kotahi could accept would be via direct debit. We could not introduce credit card payment for a non-integrated system as this process could not comply with PCI requirements.

40. There would also be potential for the price of vehicles to increase due to constraints on supply following delays to vehicle entry processes.

41. Additional detail on the scenarios discussed above are contained in Appendix 1. Further detail specifically relating to the manual system scenario is included in Appendix 2.

Anti-Money Laundering

42. Waka Kotahi has recently received advice on the application of requirements under the *Anti-Money Laundering and Countering Finance of Terrorism Act 2009* (AML/ CFT). We are working to fully understand the implications of this from an implementation and operational perspective, if we cannot gain an exemption to these potential requirements – which include:
    a. having to prepare an AML/ CFT risk assessment and compliance programme
    b. conducting initial and ongoing customer due diligence
    c. account monitoring and record keeping
    d. reporting to Department of Internal Affairs (regulator)
    e. reporting suspicious activities to the Police
    f. three-yearly AML/CFT compliance audits.

43. In the context of a manual system, the challenges involved in meeting these requirements are likely to be significant and should not be underestimated, both from a resourcing and risk perspective (i.e., not complying with requirements).

Option 2 - Legislative change

44. A change to CVS commencement dates by amending the LTA would ensure the system we are providing is fit-for-purpose and properly communicated. It will also provide industry assurance:
    a. they can utilise the system without significant delay and additional bureaucracy
    b. of a lower risk of additional cost and work for them
    c. of a lower risk of lost income.

Vehicle industry perspective

45. We are aware industry have expressed concerns with the existing CVS commencement dates and seek more time (particularly without knowing what will be required under the regulations that are being consulted on) so they can rearrange their business structures and processes to comply with the regulatory requirements.

Engagement with Te Manatū Waka Ministry of Transport

46. We worked closely with Te Manatū Waka in the development and evaluation of the potential alternative scenarios considered above.

Potential impact on inclusion of motorcycles in CVS

47. As discussed with you, the legislation requires motorcycle importers to have carbon dioxide accounts and for carbon dioxide emissions data to be recorded. This is despite motorcycles not being subject to CVS targets and not generating credits or charges. Motorcycles are also excluded from the very recent Land Transport Rule: Vehicle Efficiency & Emissions Data 2022 (VEED Rule) which replaced the Land Transport Rule: Fuel Consumption Information 2008 earlier this year.

48. This means we do not and cannot collect emissions data for motorcycles. To comply with current legislation, motorcycles will have ‘null’ entered beside them in their carbon dioxide accounts from the CVS commencement date.

49. Motorcycle importers have never been subject to requirements to provide carbon dioxide data. It is unclear what data might be available for motorcycles. We expect data availability to be low and quality to be poor. Motorcycles also do not have exhaust emissions requirements, further hindering the availability of emissions data for them. Industry is not prepared to provide carbon dioxide data and would strongly oppose any requirements to collect it without adequate time to prepare and change suppliers and orders.

50. For motorcycles to be included in the CVS scheme, we would need to make further system and legislative changes. These would be in addition to the current project scope, and in parallel to the urgent work required for whichever CVS option is chosen to resolve the broader issues outlined in this paper.

51. Additionally, the two sections of the LTA that give rise to the impact on motorcycle importers (s.185 and s.187) also specify the 1 December 2022 commencement date for carbon dioxide accounts.

52. A legislative change to these sections could address both the commencement date and remove motorcycles from the ambit of carbon dioxide account requirements.

Next steps

53. We are proceeding with the programme and working collaboratively with industry to deliver a functional solution to the existing legislated timeframe.

54. The next steps on how we resolve these issues will depend on your feedback at a meeting scheduled for Monday, 5 September 2022.

It is recommended that you:

1. **note** the analysis above and high risk associated with implementing the CVS ensuring the functioning of the imported vehicle industry if no change is made to the commencement dates.

2. **note** the advice of Waka Kotahi about the CVS and motorcycles

3. **recommend** that the CVS commencement dates are deferred. **Yes/No**

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Kane Patena
General Manager of Regulatory Services and Director of Land Transport

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Hon Michael Wood, Minister of Transport
Date: 2022

Appendix 1

Criteria	**No alternative action taken**	**Deferred "fleet average" reconciliation**	**Deferred charges/credits on all accounts**	**Waka Kotahi group account**	**Manual system**	**Legislative change**
Scenario Detail	No CO_2 accounts associated with vehicles in December 2022 or until the online system was live. This scenario would either result in certification of vehicles without accounts/charges/credits or prevent certification until the system is live.	Allocate account numbers from December 2022, use Motor Vehicle Register (MVR) data as a record of emissions data and undertake a reconciliation later. Assumes all importers could be treated as Category 1 importers.	Importers can be either Category 1 (Cat 1) or Category 2 (Cat 2), and vehicles are associated with an account from December 2022. Regulations provide for charges/credits to accrue and be payable at a later date (e.g., by mid-2023) for Cat 2 importers.	Waka Kotahi would be treated as the sole vehicle importer with one CO_2 account. This assumes all importers would agree to Waka Kotahi acting on their behalf.	Comply with legislation on a case-by-case basis using manual systems e.g., excel etc.	Commencement dates amended.
Legislative alignment	No - does not align, effectively suspending the operation of primary legislation by not having systems and processes in place. Vehicle importers cannot proceed through entry certification without CO_2 recorded in their CO_2 account - doesn't give effect to legislation.	No - not consistent with intent of primary legislation, which refers to Cat 1 and 2 importers. Will result in higher charges being applied to what would have been expected to be Cat 2 importers (e.g., smaller used vehicle importers). Doesn't facilitate the use of flexibility mechanisms such as transferring credits, which forms part of primary legislation. Approving all vehicle importers to be Cat 1 could be risky – risk of judicial review of Director's decision? A Cat 1 importer must be carrying on the business of importing light vehicles. This option won't extend to individuals or any person not in the business of importing vehicles.	Yes, if all other systems and processes are in place. The charges payable by a Cat 2 importer would still need to be calculated at the time of vehicle importation. Raises additional issues with debt recovery as the leverage of not being able to certify vehicle for entry no longer applies.	Doubtful – this is not giving effect to the intent of the primary legislation reflected throughout the development of the Bill and decision is likely to be challenged. Waka Kotahi could never be a Cat 1 importer as it is not in the business of importing light vehicles. This option would not be consistent with the functions or purpose of Waka Kotahi under the Land Transport Management Act.	Yes – provided that manual system allows for full functionality of the Clean Car Scheme.	Yes – provided that the amending Bill is passed before 1 December 2022.
Continued vehicle importation	No – Inspecting Organisations may not grant entry certification without an account being in place. A regulator cannot pick and choose which parts of legislation will be implemented. Exemption is not an option as the requirement is in the Act.	In part. Not for vehicle importers that don't qualify to be Cat 1.	Yes.	Yes.	Yes – but expect significant delays.	Yes.
Data integrity maintained	No - first year data is incomplete. Unlikely to be able to charge importers. Will have some liability to importers who lost tradable credits.	In part - but data will have accuracy issues. Accounts will need to be all Cat 1, but this is not an option for vehicle importers not carrying on the business of importing light vehicles.	Yes.	Yes. However, CO_2 accounts are not linked to genuine vehicle importers as anticipated by the legislation. Likely to be data errors.	Yes – although likely to be errors.	Yes.

Criteria	**No alternative action taken**	**Deferred "fleet average" reconciliation**	**Deferred charges/credits on all accounts**	**Waka Kotahi group account**	**Manual system**	**Legislative change**
Feasible for Waka Kotahi	No.	Depends. The regulations will need transitional provisions to implement this. If significant drafting changes are required to the regulations, there will be a high risk that they will not be in place by 1 December 2022 to facilitate this option or the wider Clean Car Scheme. There is little capacity to make significant changes at this point.	All systems and processes will need to be in place other than the ability to issue invoices/ collect charges/trade credits.	No. Essentially involves setting up a parallel system.	Yes – but with high-risk to delivery, reputation, and industry.	Yes.
Promotes reduced emissions	Vehicle orders will already be in place, so may only have a small impact. Importers are already largely meeting 2023 targets as of late 2022.	Yes.	Yes.	Yes.	Yes.	Yes – unlikely to impact on orders that are already underway. Climate advocates are likely to be critical.
Acceptability/Workable for industry	No – vehicle importers will not be able to have their vehicles entry certified. They won't have flexibility to transfer credits to offset charges.	Cat 1 is subject to higher charges than Cat 2 – resistance from Cat 2. It does not provide a solution for individuals and any persons not in the business of importing light vehicles. May increase confusion in the industry who are already not prepared for the change. Would not provide visibility for importers of their CO_2 accounts.	Likely to be less acceptable for smaller importers who would otherwise choose PAYG to manage cash flow in their business.	Industry would not benefit from visibility or the ability to utilise the flexibility mechanisms designed to assist importers to meet targets.	Workable, but unlikely to be acceptable as industry will see significant delays getting vehicles through border entry, due to the manual nature of the processes.	Yes – industry is likely to be highly supportive. This opens up the option for motorcycle importer requirements to be deferred or removed.
Delay to online system development	Will further delay full online system due to the increased work for the project team to create and operationalise this parallel system.	Will further delay full online system due to the increased work for the project team to create and operationalise this parallel system.	Will further delay full online system due to the increased work for the project team to create and operationalise this parallel system.	Will further delay full online system due to the increased work for the project team to create and operationalise this parallel system.	Likely to further delay the full online system, as this will generate significant and complex data migration to transition from manual to automated.	Focusses effort on enduring solution rather than a quick fix.
Costs to the Crown	Yes - importers may seek compensation for lost credits. Reputation cost to the Crown.	Likely to be unrecoverable debts at the end of the year. Cat 1 importers may apply to defer their obligation to meet an annual target – if more importers are approved to defer, then increases risk of non-payment to the Crown.	Loss of revenue for the Crown - will not be able to recover unpaid Cat 2 importer charges.	Yes – significant administration cost.	Yes – significant admin costs.	Yes - Costs in terms of resource required to develop urgent legislation and to prioritise the Bill in the House.
Impacts on other workstreams	Resourcing uplift required to support this option (both for project team and BAU operational teams). The likely increase in communication, queries, and complaints from all stakeholders will distract the focus of the CVS programme team from planned delivery to reactive support for BAU Operations. Impact is further delays to delivery timeline.	Resourcing uplift will be required to support this option (both for project team and BAU operational teams). The likely increase in communication, queries, and complaints from all stakeholders will distract the focus of the CVS programme team from planned delivery to reactive support for BAU Operations. Impact is further delays to delivery timeline.	Resourcing uplift will be required to support this option (both for project team and BAU operational teams). The likely increase in communication, queries, and complaints from all stakeholders will distract the focus of the CVS programme team from planned delivery to reactive support for BAU	Resourcing uplift will be required to support this option (both for project team and BAU operational teams). The likely increase in communication, queries, and complaints from all stakeholders will distract the focus of the CVS programme team from planned delivery to reactive support for BAU	Will require separate project team to be resourced and stood up – alternative would likely take resources away from current team and further delay full system readiness. Impact is further delays to delivery timeline.	Resource will need to be diverted to support Bill, but delivery timeline likely to be met.

Criteria	**No alternative action taken**	**Deferred "fleet average" reconciliation**	**Deferred charges/credits on all accounts**	**Waka Kotahi group account**	**Manual system**	**Legislative change**
			Operations. Impact is further delays to delivery timeline.	Operations. Impact is further delays to delivery timeline.		
Overall assessment	Do not recommend.	Do not recommend.	Do not recommend.	Do not recommend.	Do not recommend.	Recommend this option as the best way to preserve the integrity of the legislative regime.

Appendix 2

CVS Manual Process Assessment

Manual Process for Pay-As-You-Go (PAYG)

Waka Kotahi manually assigns a CO_2 number and creates a CO_2 account → Importer enters CO_2 account number into Fuel Consumption Statement (FCS) and imports a vehicle → Vehicle is registered in Motor Vehicle Register (MVR) → Vehicle lands in New Zealand → Vehicle inspected by Entry Certifier → Entry Certifier confirms vehicle compliance with Waka Kotahi (by phone or email) → Waka Kotahi contacts importer to manually process payment of a vehicle (by phone or email) → Waka Kotahi to manually record vehicle against CO_2 account → Importer and Entry Certifier advised of successful payment → Entry certification complete → Vehicle is approved for registration.

Manual Process for Fleet Average (FA)

Waka Kotahi manually assigns a CO_2 number and creates a CO_2 account → Importer applies for FA account (by phone and email) → Waka Kotahi assesses the FA application → Waka Kotahi confirms approval/ rejection of application or request further information → Importer enters CO_2 account number into FCS and imports vehicle → Vehicle is registered in MVR → Vehicle lands in New Zealand → Vehicle is inspected by Entry Certifier → Entry Certifier confirms vehicle compliance with Waka Kotahi (phone or email) → Waka Kotahi contacts importer for manual acceptance of vehicle into account → Waka Kotahi manually updates CO_2 account to include vehicle into account → Importer and Entry Certifier advised of successful acceptance of vehicle → Entry certification complete → Vehicles approved for registration → Vehicles will need to be manually updated into account by Waka Kotahi once CVS System is live.

Please note this process is for used vehicles only. The new vehicle process would be slightly different. A new vehicle would not be eligible for WoF/ CoF until it had been accepted into an account (FA) and the fees paid (PAYG), however there would be similar issues as noted in the following table.

Table 1 - Potential CVS Manual Processes – Assessment Of Viability

Possible Process	Possible Benefits	Possible Risks	Possible Impacts
Waka Kotahi manually issue CO_2 numbers and create Pay-As-You-Go - PAYG (Cat. 2) account.	Importers could assign vehicles to their CO_2 number when submitting the Fuel Consumption Statement (FCS).	The staff numbers required would be significantly higher than planned to facilitate the running of the full CVS System. The current resource shortage across the market means resourcing would be problematic. High numbers of applications would cause delays to set up accounts and create risks of human error. Accounts would still need to be opened manually. Work would not just be issuing CO_2 numbers as Importers cannot import a vehicle from 1 December 2022 without it being assigned to a CO_2 account. Importers are entitled to Cat. 1 accounts under the legislation. Data integrity risks from inaccurate manual data capture and matching (CO_2 account and MVR transaction) and CO_2 account holder acceptance of vehicle data. The automated CVS system requires CO_2 account holder/admin to “accept” vehicle transactions into the CO_2 account (at entry certification). This will not be possible with a manual system and may result in disputed transactions/liability post reconciliation.	Industry and public criticism as allocation of CO_2 accounts is delayed, holding up vehicle importation. Further criticism likely to relate to: - lack of clarity/transparency of transaction data. - lack of ability to understand and forecast financial impact of these transactions and importer ability to meet their CO_2 targets. - the calculations (debit/credit value) differ for Cat1 and Cat2 accounts and for each vehicle. The specific calculation is in the regulations and not all industries have had chance to understand (calculate) what it means for their businesses and forward ordering/forecasting target achievement. Increased project costs to support a manual team. Not within current budget. Importers demand to open FA accounts as per their legislative entitlement. The lack of transparency around credits will prevent the establishment of efficient trading of credits and future market.

Possible Process	Possible Benefits	Possible Risks	Possible Impacts
Waka Kotahi manually process Fleet Average - FA (Cat. 1) applications.	Importers could apply for FA status. FA application assessment was always planned to be a manual process.	Assessment of FA applications would be delayed due to requirement to manually issue PAYG accounts, AML requirements coupled with resource constraints. Risk also from manual processing of all transactions once the accounts are open. This would cause delays throughout Cat1 and Cat2 account creation and timeliness of processing account transactions in accounts (in addition to and after the entry certification likely delays). Transactional errors/queries/disputes would be problematic for PAYG accounts as they would likely hold up industry ability to register (and sell) vehicles due to the need to pay CVS fee before registration. While CVS credits are unlikely to hold up registration and vehicle sale, dealers are likely to be unhappy due to lack of certainty in credit value and corresponding COGS/ margin in sale (financial impact to the business).	Industry/public criticism due to delays in Importers being able to open FA (Cat. 1) accounts. Further criticism likely to relate to lack of clarity/ transparency of transaction data. Further criticism likely to relate to: - lack of clarity/transparency of transaction data. - lack of ability to understand and forecast financial impact of these transactions and importer ability to meet their CO2 targets. - the calculations (debit/credit value) differ for Cat1 and Cat2 accounts and for each vehicle. The specific calculation is in the regulations and not all industries have had the chance to understand (calculate) what it means for their businesses and forward ordering/forecasting target achievement. Increased project costs to support a manual team. Not within current budget. Delays will reduce vehicle supply which may result in increased price of vehicles which do receive entry certification. Potential legal action for commercial losses as the importers are unable to use Cat1 accounts.

Possible Process	Possible Benefits	Possible Risks	Possible Impacts
Entry-certification process.	Manual system allowing vehicles to be tracked through entry-certification. Vehicles would need to be manually tracked and retrospectively added to CVS system once live.	Entry-certification/ registration process would slow down considerably with a manual process. Importers would have to wait weeks for vehicles to be released. This will compound as the backlog of vehicles increased. Importers would have no visibility of what vehicles are being included in their account. For example, if an incorrect CO_2 account number was entered in the Fuel Consumption Statement, it would almost be impossible to trace that vehicle with a manual system. A manual approval and payment process would further delay entry-certification/ registration and increase risk of human error, especially around the vehicle approval into CO_2 accounts process. There is considerable risk to CO_2 emissions data integrity. Importers would have limited ability to contest data and would only become aware of any data issues later in the process. This would cause further delays caused by likely high data issue resolution requests. Importers would have limited ability to forecast and plan due to limited data access and poor data integrity.	Industry/public criticism due to significant delays in entry-certification/registration. This will directly impact the turnover of vehicle importers. Further criticism likely to relate to: - lack of clarity/transparency of transaction data. - lack of ability to understand and forecast financial impact of these transactions and importer ability to meet their CO_2 targets. - the calculations (debit/credit value) differ for Cat 1 and Cat 2 accounts and for each vehicle. The specific calculation is in the regulations and not all industries have had chance to understand (calculate) what it means for their businesses and forward ordering/forecasting target achievement. Increased project costs to support a manual team. Not within current budget. Industry criticism from industry due to increased risk to accurate planning and forecasting. Delays will reduce vehicle supply which may result in increased price of vehicles which do receive entry certification.

Possible Process	Possible Benefits	Possible Risks	Possible Impacts
Manual payment process (PAYG).	Waka Kotahi would have the ability to process fee transactions.	A manual payment process would further delay entry-certification/registration, require more resource and increase risk of human error. Payment would have to be over the phone. Importers would first have to accept vehicles into their account via email to confirm all details were correct, and then be contacted for payment via phone. Importers would not be able to entry certify vehicles until payment is made (PAYG). There is considerable risk to CO_2 emissions data integrity. Importers would have limited ability to contest data and would only become aware of any data issues later in the process. This would cause further delays caused by likely high data issue resolution requests. Fees would be manually calculated, adding further risk of human error. Combined with data integrity risks, this could cause serious issues with the correct fee calculation and invoicing in the likely event of incorrect charging. If incorrect calculations are invoiced and paid (possibly to an agent at registration), they will be difficult to be refunded and corrected. By contrast, errors associated with CVD rebates are corrected by notifying applicants and processing refunds to bank accounts from previous transactions. This is because CVD is online, a manual system like this will not enable us to do so.	Delays to entry-certification/registration and risk of miscalculated fees causing industry and public criticism. Further criticism likely to relate to: - lack of clarity/transparency of transaction data. - lack of ability to understand and forecast financial impact of these transactions and importer ability to meet their CO_2 targets. - the calculations (debit/credit value) differ for Cat 1 and Cat 2 accounts and for each vehicle. The specific calculation is in the regulations and not all industries have had the chance to understand (calculate) what it means for their businesses and forward ordering/forecasting target achievement. Increased project costs to support a manual team. Not within current budget. Significant data integrity issues may prevent Waka Kotahi from collecting charges.

Possible Process	Possible Benefits	Possible Risks	Possible Impacts
Waka Kotahi writes off all fees until CVS System live. Credits retrospectively issued.	Importers could import vehicles without a manual payment process delaying entry-certification	This would cover most vehicles imported until the CVS System is live e.g., all PAYG vehicles and any vehicles imported while a FA application is being processed would be written-off. Credits would still be issued, and used to offset future debits, resulting in further loss of revenue. Accounts would still need to be reconciled at go-live. Risk of error would be in manually updating accounts and correcting issuance of credits. Manual accounting entries would be required, another risk would be around the manual excel spreadsheets for Cat 1 & Cat 2 account management, provision for doubtful debts and write-offs would need to be actioned. This would add to resourcing requirements. Importers like Tesla would expect to be able to transfer credits as soon as they were earned and may claim this as a loss of revenue for them.	Loss of revenue and risk of criticism if human error results in incorrect allocation of credits. Reconciliation of this nature would have considerable resourcing, timing, traceability/auditability impacts, and other legal requirements to complete.
Waka Kotahi retrospectively invoices for outstanding fees (PAYG).	WK would recoup any fees not invoiced during the manual phase of CVS.	Considerable industry and public backlash as the PAYG regime is based around importer cashflow and ability to pay as they go. Due to a drafting error in the legislation, recovering unpaid debt from PAYG (Cat. 2) accounts is likely to be cost prohibitive. A larger number of internal staff would be required to reconcile all accounts from the manual process to the	Industry and public criticism due to human error in manual processing and data integrity. Further criticisms are likely to relate to: - lack of clarity/transparency of transaction data. ii. - lack of ability to understand and forecast financial impact of these transactions and importer ability to meet their CO_2 targets.

Possible Process	Possible Benefits	Possible Risks	Possible Impacts
		automated one, and issue invoices. This would increase the risk of human error and therefore increase risk of importers contesting debts. Without the acceptance of vehicles by Importers into their account, the risk of vehicles being allocated to the wrong accounts increases exponentially if the settlement of debts is delayed. This option creates additional AML/CFT/CCCFA responsibilities to Waka Kotahi as Waka Kotahi would essentially become a credit lender.	- the calculations (debit/credit value) differ for Cat1 and Cat2 accounts and for each vehicle. The specific calculation is in the regulations and not all industries have had chance to understand (calculate) what it means for their businesses and forward ordering/forecasting target achievement. Increased project costs to support a manual team. Not within current budget. Inability for some importers to pay outstanding fees due to cashflow constraints as PAYG account is not invoiced on a PAYG basis. Loss of revenue from unpaid PAYG (Cat. 2) debts. Increased project costs to support a manual team. Not within current budget.