



# Clean Car Standard Cost Recovery System Public Consultation

Options for a Clean Car Standard cost recovery system

19 November 2024

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## **More information**

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## Introduction

The Clean Car Standard (CCS) aims to encourage a greater supply of low and no emission vehicle imports to New Zealand by charging importers for vehicles with high carbon dioxide (CO<sub>2</sub>) emissions and giving credits for vehicles with low CO<sub>2</sub> emissions.

The CCS came into effect on 1 January 2023. Under the scheme, vehicle importers:

- are charged for vehicles they import with CO<sub>2</sub> emission to weight ratios above a set target; or
- receive credits for vehicles they import with CO<sub>2</sub> emissions to weight ratios below a set target.

Anyone importing a light vehicle must comply with the CCS. Importers can be any legal entity accepting a vehicle in their CCS CO<sub>2</sub> account. This is usually the party ordering the vehicle to be imported to New Zealand – for example, a dealer, distributor, a logistics company or a member of the public.

There are two types of importer accounts in the CCS – ‘Pay as you go’ and ‘Fleet Average’. Pay as you go accounts must pay CCS charges on a vehicle as it is processed through the CCS system.

Fleet average accounts receive an annual invoice for any CCS charges they owe. The CCS charge is based on the overall performance of the vehicles an importer brings into New Zealand against the target each year. The CCS charge can be reduced if importers choose to offset any CCS charges they receive from ‘above target’ or high-emissions vehicles with credits they have received from ‘below target’ (low emissions) vehicles they have also imported. Fleet average accounts are typically used by the largest importers.

The CCS applies to all light vehicles except motorcycles, trailers, mopeds, temporary vehicle imports and vehicles which do not require entry certification. There are other excluded vehicles such as disability vehicles, motorsport vehicles, scratch-built vehicles, special interest vehicles and vehicles more than 40 years old as exempted under the *Land Transport Act 1998* section 172, and section 5 of the *Land Transport (Clean Vehicle Standard) Regulations 2022*.

More information about the Clean Car Standard can be found on the NZTA website:

<https://www.nzta.govt.nz/vehicles/clean-car-programme/clean-car-standard/>

## Purpose of consultation

Administration of the CCS is currently government-funded. As signalled in Budget 2024 the Government is changing this. The NZ Transport Agency Waka Kotahi (NZTA) has previously estimated the cost to operate CCS is \$6.4M per annum but is implementing a restructure process which could reduce this cost to \$5.5M. NZTA has minimised costs where possible while still ensuring expected levels of service. NZTA is now proposing to establish a system to recover the costs of administering CCS in line with Government direction.

We are seeking feedback on the design of a potential CCS cost recovery system from importers, consumers, and other stakeholders in the transport system.

This feedback will inform the final decisions on how the CCS cost recovery system will be implemented and how it will operate.

# Summary of vehicle importation in New Zealand

The vehicle importation process, at a high-level, involves three key steps and two NZTA databases and verification processes. The key high-level steps are:

1. Border Inspection [used cars only] – this is carried out in Japan or New Zealand;
2. Entry Certification - conducted by an appointed certifier or inspecting organisation when a vehicle arrives in New Zealand; and
3. Vehicle Registration - typically conducted after a vehicle is sold and necessary before a vehicle can be driven on New Zealand roads.

As a vehicle is processed through each of these three steps, its importer is required to provide information or make an action in two different NZTA databases:

1. the Motor Vehicle Register (MVR) system to ensure the vehicle complies with New Zealand's vehicle standards.
2. the CCS system which records the vehicle's CO<sub>2</sub> emissions levels and whether the levels are above or below the legislated target for its vehicle class. As mentioned earlier, if the vehicle's emissions are above the target, a charge is incurred and if they are below, a credit is accrued.

## Key matters for consultation

The CCS system is currently expected to cost NZTA \$5.5M to \$6.4M to administer from the 2025/26 financial year. Assuming a flat fee per vehicle, we therefore expect the administration fee to be approximately \$18-23 per vehicle<sup>1</sup>.

We recognise operating costs and service delivery methods may change over time. To this end, the NZTA and the Ministry of Transport will undertake future reviews of CCS fee settings to ensure costs recovered remain in line with the actual cost of administering the CCS.

There are three key considerations about how we could integrate cost recovery for the CCS into New Zealand's vehicle importation system we are seeking feedback on:

1. **Basis of payment:** this refers to what we fix the fee to - either on a user basis or a vehicle basis.
2. **Point of payment:** this refers to the point in the import process where NZTA will collect the payment for CCS administration costs, and who pays.
3. **Variability of payment:** this considers whether and how we differentiate the fees we charge for different vehicle or account attributes.

There are currently preferred options for considerations 1 (basis of payment) and 3 (variability of payment) above, based on fairness and ease of implementation. The current preferred options are indicated in the relevant tables below, but **these preferences are not final decisions**.

## Key Consideration 1: Basis of payment

We need to decide how we assign a potential administration fee. There are two options we can use, either per vehicle (1a), or per importer (1b). In developing these options, we have

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<sup>1</sup> Based on a potential range of costs of between \$5.5m – 6.4m and average annual vehicle importations of between 270,000 to 300,000 per year.

considered what approach would be the fairest for importers of all sizes, as well as what approach ensures NZTA would be able to efficiently collect the payment.

The current preferred option is 1a (charging per vehicle). We currently view this as the most equitable solution, as it ensures small scale importers are not charged at the same rate as the largest importers importing thousands of vehicles per year.

Option	Advantages	Disadvantages
<b>1a – Structuring the administration fee on a per CCS eligible imported vehicle basis</b>  <b>preferred option</b>	<ul style="list-style-type: none"> <li>• Predictable – a reasonably consistent number of vehicles are imported into NZ each year.</li> <li>• Little change to the administration fee each year.</li> <li>• Importers can calculate costs to their business in advance.</li> <li>• Fair solution, as it scales to the size of an importer / volume of vehicles imported.</li> <li>• Enables multiple possible points of payment.</li> <li>• Consistent with other aspects of vehicle importing and tracking in New Zealand.</li> </ul>	No relevant disadvantages.
<b>1b – Structuring the administration fee on a per active importer account basis</b>	<ul style="list-style-type: none"> <li>• Importers only make one payment per year.</li> </ul>	<ul style="list-style-type: none"> <li>• The number of active importers changes every year, meaning it is very difficult to assign a consistent fee at the start of the financial year.</li> <li>• As the number of importers changes every year, importers will not have any certainty of the cost each year until they receive the invoice.</li> <li>• The cost will not be proportional to the size of the importer business. It will be unfairly borne by small or single vehicle importers and represent a higher proportion of their operating cost.</li> </ul>

## Key consideration 2: Point of payment

We need to decide at what point the CCS administration fee would be paid. The point of payment determines who would be responsible for paying the administration fee. Payment at registration means consumers would pay the fee as part of their on-road costs when registering their vehicle for the first time in New Zealand.

Payment could also be charged directly to the importer during the import process. This could be directly on the CCS system, or at another stage where another fee is already being paid, such as entry certification. In developing these options to date, we have considered what approach is the fairest to both importers and consumers. We also think it's important for the cost recovery system to be designed in a minimally disruptive way for importers and, where possible, uses existing processes.

Importer associations have so far indicated support for using the point of registration because it's the most transparent and efficient way of enacting cost recovery. Administration costs would likely be indirectly passed on to the end-consumer should another option be selected, and it is possible those costs would be higher given the lower efficiency of other collection methods.

	Option	Advantages	Disadvantages
<b>Paying per vehicle</b>	<b>2a – Pay the administration fee as part of vehicle</b>	<ul style="list-style-type: none"> <li>• Minimal impact on importer business processes, as cost is absorbed into on-road costs.</li> <li>• Impacts felt fairly by all importers.</li> </ul>	<ul style="list-style-type: none"> <li>• Administration cost will not be collected until a vehicle is sold or registered. It's very common for there to be a long delay between a vehicle entering the country and being sold.</li> </ul>

	Option	Advantages	Disadvantages
	<b>registration (Consumer pays directly)</b>	<ul style="list-style-type: none"> <li>• Less cost to NZTA to implement than option 2b.</li> <li>• Very low risk of non-payment – every vehicle must be registered to be driven on NZ roads.</li> <li>• A number of other transport levies are already charged at first registration.</li> <li>• Very transparent for the consumer how much the cost is and what it is for.</li> </ul>	
	<b>2b – Pay the administration fee on the CCS system when accepting the vehicle (Importer pays directly)</b>	<p><i>Pay as you go (PAYG) account</i></p> <ul style="list-style-type: none"> <li>• Low risk of non-payment for NZTA.</li> <li>• NZTA will receive the administration cost in the same financial year as the vehicle entered the country.</li> </ul>	<p><i>PAYG account</i></p> <ul style="list-style-type: none"> <li>• Will impact industry's experience of the system, as payment will be needed for each vehicle as they are accepted, rather than only on charge vehicles when a credit is not being used. This will impact PAYG users more than Fleet average.</li> <li>• Will remove the ability to auto-accept credit vehicles as the fee needs to be paid. This will likely slow industry's operating processes.</li> <li>• The CCS system allows only one "user" within the system – this may impact the importers' internal financial delegations.</li> <li>• Requires an information technology (IT) build in the CCS system to allow for this functionality and will increase costs of operating the system.</li> <li>• Not transparent for the public if the cost is passed on as part of the cost of the vehicle.</li> </ul>
		<p><i>Fleet average account</i></p> <ul style="list-style-type: none"> <li>• Fleet average accounts would be invoiced at the end of the calendar year.</li> <li>• Minimal impact on fleet average workflow other than invoices.</li> <li>• Fleet average accounts undergo several financial risk assessments, so non-payment is lower risk.</li> </ul>	<p><i>Fleet average account</i></p> <ul style="list-style-type: none"> <li>• Slowed industry processes may result in more accounts moving to fleet average, even if it's not advantageous for them in terms of credits / charges costs. This may result in a temporary increased cost to administration costs to set up fleet average accounts.</li> <li>• Non-payment risk is still present – if a company goes into receivership and the invoice does not get paid.</li> <li>• Not transparent for the public if the cost is passed on as part of the cost of the vehicle.</li> </ul>
<b>Paying Per importer</b>	<b>2c – Pay the administration fee on the CCS system</b>	No relevant advantages.	<ul style="list-style-type: none"> <li>• This option is not viable. Calculation would only be possible retrospectively due to the number of importers fluctuating by 10-20% every year. There will be a cap on industry contribution to administration fees.</li> </ul>
	<b>2d – Pay the administration fee via retroactive invoicing</b>	<ul style="list-style-type: none"> <li>• Importers only make one payment per year.</li> </ul>	<ul style="list-style-type: none"> <li>• NZTA does not have cost efficient enforcement tools to ensure payment from small scale, single year importers, which may result in a small number of importers creating new accounts every year to avoid payment.</li> <li>• As the number of importers changes every year, importers will not have any certainty of the cost each year until they receive the invoice.</li> </ul>

### Key Consideration 3: Variability of payment

We need to decide how we would calculate an administration fee, and if there should be any variability for different attributes of the vehicle or importer. In developing and assessing these options, we have considered what approach is the fairest to importers, including any variations in the cost of different importer pathways through the CCS system.

Option 3a (calculating the administration fee as a flat fee for all vehicles) is currently preferred. We view this as the most equitable and administratively efficient method for calculating the fee.

Option	Advantages	Disadvantages
<p><b>3a – Calculate the administration fee as a flat fee for all vehicles, or all accounts (there is no variability)</b></p> <p><b>preferred option</b></p>	<ul style="list-style-type: none"> <li>• Administratively it is more efficient and less costly for NZTA to calculate yearly costs.</li> <li>• Administration fee settings can be reviewed irregularly, or when the number of vehicles being imported changes significantly.</li> <li>• Importers or consumers can easily calculate fee.</li> <li>• Highly equitable way to assign the fee as administration cost does not vary significantly across vehicle or account types.</li> <li>• More straightforward to implement and calculate than 3b, as it is one cost for all CCS vehicles.</li> </ul>	<ul style="list-style-type: none"> <li>• No disadvantages identified.</li> </ul>
<p><b>3b – Calculate the administration fee as a variable cost for new and used vehicles, or accounts.</b></p>	<ul style="list-style-type: none"> <li>• This differentiation between vehicles is already a feature of the CCS system.</li> </ul>	<ul style="list-style-type: none"> <li>• Equity - new and used vehicles cost a similar amount to administer.</li> <li>• Harder to calculate costs effectively, as the ratio of new and used vehicles may change.</li> <li>• The total amount of administration fees paid by new and used industries will be different despite little difference in the costs to administer.</li> <li>• Less straightforward to implement and calculate than 3a as there is an additional factor to consider in calculating the cost.</li> </ul>
<p><b>3c – Calculate the administration fee as a variable cost for Pay as you go and Fleet average accounts</b></p>	<p>No advantages identified.</p>	<ul style="list-style-type: none"> <li>• Not recommended for Pay at registration (option 2a). This option is related to the importer account type rather than a vehicle attribute. The end consumer does not have any oversight of the importers account types.</li> <li>• PAYG and Fleet average cost a similar amount to administer.</li> <li>• If companies shift from PAYG to Fleet average accounts, or vice versa, invoicing and charging will become complicated.</li> <li>• Fleet average accounts are already charged a higher rate per vehicle to be invoiced only once a year.</li> </ul>



## Feedback sought

We're seeking feedback on the proposed options and the questions set out below:

1. For each Key Consideration, (basis of payment, point of payment and variability of payment) what is your/your organisation's preferred option/s?
2. Are there any other options we should consider for structuring the cost recovery system not included in this document?
  - a. Why are you recommending this/these option/s?
  - b. What are the advantages and disadvantages of your option/s?
3. Are there additional advantages or disadvantages for any of the options we have outlined but not identified in this document?
4. Are there other considerations that we need to take into account when designing the cost recovery system?

## Consultation timeline

Timeline	
Consultation opens	19 November 2024
Consultation closes	10 December 2024
<b>Submissions analysed and considered</b>	11 December - January 2025
<b>Final cost recovery system decision and release</b>	Early 2025

## How to provide feedback

Please review this document and the questions within it. You can provide feedback between 19 November and 10 December 2024 by visiting our consultation page and completing the online survey.

[Consultation page](#)

## Our next steps

1. Once consultation closes, we'll review your feedback and consider the changes we need to make.
2. We'll publish a summary of submissions document to show the feedback we received, our responses to it, and the rationale for the decision we make.
3. Our review team will complete the design process (informed by your feedback) and finalise the CCS cost recovery system.
4. The CCS cost recovery system will come into effect at the beginning of the 2025/26 financial year.

We thank you in advance for your feedback on the design of the CCS cost recovery system.

## For more information

If you have questions, or require further information please contact us at [CCSconsultation@nzta.govt.nz](mailto:CCSconsultation@nzta.govt.nz)

## Your response and privacy

The information you send us in a written submission will be used by NZTA to help inform our consultation for the Clean Car Standard Cost Recovery System. NZTA may publish in part or in full the information you submit, for example in a consultation report, but we will not include any information that could be used to identify an individual person. If you have indicated you are an authorised representative of an organisation, we may publish your organisation's name. Please clearly indicate if your comments contain commercially sensitive information or, if for some other reason, they should not be disclosed.

If you would like to request official information from us, please don't include this in your submission. Instead, please direct it to the project team so we can respond to it in a timely manner.

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