

Land Transport (Clean Vehicle Standard) Amendment Bill (No 2)

Government Bill

As reported from the Transport and Infrastructure Committee

Commentary

Recommendation

The Transport and Infrastructure Committee has examined the Land Transport (Clean Vehicle Standard) Amendment Bill (No 2) and recommends by majority that it be passed. We recommend all amendments by majority.

Introduction

This bill would amend the Land Transport Act 1998 and the Land Transport (Clean Vehicle Standard) Regulations 2022. It aims to better support the achievement of the Clean Vehicle Standard's annual carbon dioxide targets, and reduce the costs that the Standard could impose on vehicle importers and consumers.

About the Clean Vehicle Standard

The Clean Vehicle Standard is a fuel efficiency and carbon dioxide standard. It aims to reduce fuel costs and carbon dioxide emissions by encouraging the supply of more fuel-efficient petrol and diesel vehicles, hybrids, and zero-emission vehicles. The Standard came into effect on 1 January 2023.

Under the Standard, vehicle importers are required to meet annual carbon dioxide targets, on average, across the vehicles they import. Vehicles with carbon dioxide emissions higher than the relevant target incur financial charges for vehicle importers. Vehicles with emissions lower than the target earn emission credits for vehicle importers. Importers can balance their charges with their credits to meet the overall annual target and avoid paying any charges.

Importers can also transfer credits to, or purchase credits from, other importers. Some importers can also borrow their own future credits through the process of “payment

obligation deferral”. This allows importers to offset charges in one year by overachieving their targets and earning credits the following year.

We note that the ministry intends to conduct a review of the Standard in 2026.

About the bill

The bill would achieve its aims by:

- extending the lifespan of carbon dioxide emission credits that are earned on low-emission vehicles from three years to four years
- removing the restriction on credit transfers between the new- and used-import sectors
- extending the borrowing of future credits (payment obligation deferral) beyond 2025
- enabling annual carbon dioxide targets to be set that are not adjusted by vehicle weight.

Legislative scrutiny

As part of our consideration of the bill, we have examined its consistency with principles of legislative quality. We have no issues regarding the legislation’s design to bring to the attention of the House.

Proposed amendments

This commentary covers the amendments we recommend to the bill as introduced.

Weight-adjusted targets

Section 167C of the Act sets out the purposes for which the Governor-General may, by Order in Council, make regulations relating to the Standard. Subsection (1)(j) allows the Governor-General to make regulations prescribing targets for the level of carbon dioxide emissions from light vehicles imported annually, and matters relating to those targets.

Clause 4 of the bill as introduced would remove section 167C(1)(j)(ii) of the Act. That section expressly allows the Governor-General to make regulations adjusting emissions targets according to vehicle weights. We understand that allowing for weight-adjusted targets was intended to be a temporary measure. It is less relevant as more electric vehicles and hybrids enter the market because weight has less of an effect on the amount of emissions produced by those vehicles.

We also recommend replacing subparagraph (iii). Subparagraph (iii) refers to formulas for calculating targets, including vehicle weight-adjusted targets. As weight-adjusted targets are intended to be removed eventually, we recommend that this subparagraph refer only to “formulas for calculating targets”.

Transfer of carbon dioxide credits

Clauses 8 and 9 of the bill would amend sections 180 and 184, respectively, to allow carbon dioxide credits to be transferred between the new- and used-import sectors. It proposes a two-for-one exchange rate between new and used vehicle imports, as new low-emission vehicles save more on fuel and emissions than used vehicle imports.

We recommend minor amendments to the proposed replacement sections 180(3) and 184(3) in clauses 8 and 9. These sections set out how the transfer of credits between carbon dioxide accounts for new vehicles and those for used vehicles would work. We recommend minor amendments to paragraph (b) in both sections to clarify that two credits earned on a used vehicle would be worth one credit earned on a new vehicle, and one credit earned on a new vehicle would be worth two credits earned on a used vehicle.

Other matters considered

We heard from the motor vehicle industry, particularly the new vehicle industry, that settings in the clean vehicle standards regime are fundamentally and structurally misaligned with the vehicle fleet that New Zealanders wish to purchase.

We heard that this means dealerships are ending up with significant overstocking of types of lower-emission vehicles that New Zealanders are not purchasing. Not only is this unsustainable, they also said they would incur large and unsustainable liabilities (i.e. the requirement to buy credits) that could even lead to some brands needing to leave the New Zealand market if the system is not fundamentally reset.

For the next few years at least, until new lower-emission vehicles are being produced, the industry will be simply unable to meet the targets, and unable to earn credits to offset deficits regardless of whether credits are allowed to last for 3 years or 4 or more.

A majority of us questioned what assumptions were made in setting the targets.

We heard from officials that the targets assumed a far higher level of electric vehicle (EV) sales than has occurred in reality.

A majority of us are aware that EVs currently cannot meet many of the performance needs Kiwi drivers need, for example off road vehicles, forestry, and work site vehicles.

Consequently, a majority of us recommend that the Government review the scheme, and work with the industry to reset the scheme such that it is based on more realistic assumptions.

A majority of us are also concerned that the clean vehicle standard scheme in effect represents double taxation on emissions as it is in addition to ETS levies paid on fuel.

A majority of us understand the industry would prefer to keep a standard but needs it to be both reliable and at a sustainable level.

New Zealand Labour Party differing view

The New Zealand Labour Party remains firmly committed to reducing transport emissions and achieving New Zealand's climate targets. While we support the intent behind the Clean Vehicle Standard, this amendment bill risks weakening the framework that was designed to accelerate the transition to low-emission vehicles. By extending credit lifespans and allowing greater flexibility in compliance, the bill prioritises short-term convenience for importers over the urgent need to take some meaningful action.

The proposal to extend the lifespan of credits from three to four years undermines the principle of annual accountability. Credits were originally time-bound to ensure ongoing progress toward emissions reduction. Extending their validity creates opportunities for importers to potentially delay compliance, effectively slowing the pace of decarbonisation.

Removing restrictions on carbon dioxide credit transfers between new- and used-import sectors does raise some concern. While the bill proposes a two-for-one exchange rate, this mechanism could incentivise the continued importation of used vehicles, which generally have higher emissions profiles. Labour's position is that policy should not provide loopholes that allow older, less efficient vehicles to remain dominant in the market.

Ultimately, Labour views this bill as a missed opportunity to strengthen the Clean Vehicle Standard and accelerate the transition to a low-emission transport system. We continue to oppose this bill which weakens the approach to reducing transport emissions.

Green Party of Aotearoa New Zealand differing view

The Green Party of Aotearoa New Zealand does not support this amendment bill.

Improving fuel efficiency of private vehicles imported into New Zealand has huge benefits; it saves households and businesses money through lower fuel bills, and it reduces harmful carbon emissions. New Zealand was one of the last countries in the OECD to bring in fuel economy standards, or any other incentives for fuel efficiency, and that means New Zealand has a more polluting and costly vehicle fleet.

We heard throughout the select committee from submitters and officials that this bill is needed because there is a lack of consumer demand for EVs. There is very good reason to conclude that the sudden drop in demand is at least in part due to the repeal of the Clean Car Discount, which was a policy brought in to increase demand for low- and zero-emissions vehicles, and which complemented the original Clean Car Standard.

The longer the country puts off taking effective action to improve the efficiency of our vehicle fleet, the more it will cost us in the longer term. The Green Party would prefer to see policies aimed at increasing demand for zero-emissions vehicles, including price incentives like the Clean Car Discount, limits on advertising high-emissions

vehicles, and other complementary policies that benefit our country, rather than making it easier to keep importing higher-emissions vehicles.

Appendix

Committee process

The Land Transport (Clean Vehicle Standard) Amendment Bill (No 2) was referred to this committee on 21 August 2025. The House instructed us to report the bill back no later than 22 December 2025.

We called for submissions on the bill with a closing date of 26 September 2025. We received and considered submissions from 25 interested groups and individuals. We heard oral evidence from 7 submitters.

Advice on the bill was provided by the Ministry of Transport and the New Zealand Transport Agency. The Office of the Clerk provided advice on the bill's legislative quality. The Parliamentary Counsel Office assisted with legal drafting.

Committee membership

Andy Foster (Chairperson)

Dan Bidois

Dr Carlos Cheung

Hon Julie Anne Genter

Mariameno Kapa-Kingi

Cameron Luxton

Dr Tracey McLellan

Tangi Utikere

Related resources

The documents we received as advice and evidence are available on the Parliament website.

**Land Transport (Clean Vehicle Standard) Amendment
Bill (No 2)**

Key to symbols used in reprinted bill

As reported from a select committee

text inserted by a majority

~~text deleted by a majority~~

Hon Chris Bishop

Land Transport (Clean Vehicle Standard) Amendment Bill (No 2)

Government Bill

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Land Transport (Clean Vehicle Standard) Amendment Act **(No 2) 2025.**
- 2 Commencement** 5
This Act comes into force on **1 January 2026.**
- 3 Principal Act**
This Act amends the Land Transport Act 1998.
- Part 1**
- Amendments to principal Act** 10
- 4 Section 167C amended (Regulations for purposes of Part 13 (clean vehicle standard))**
- (1) Repeal section 167C(1)(j)(ii).
- (2) Replace section 167C(1)(j)(iii) with:
- (iii) formulas for calculating targets; and 15
- 5 Section 175 repealed (Targets for reducing carbon dioxide emissions)**
Repeal section 175.
- 6 Section 178 amended (Category 1 light vehicle importer may bank overachievement of carbon dioxide emissions target)** 20
In section 178(3), replace “3 years” with “4 years”.
- 7 Section 179 amended (Category 1 light vehicle importer may defer obligation)**
Repeal section 179(1).
- 8 Section 180 amended (Category 1 light vehicle importer may transfer carbon dioxide credits)** 25
- (1) In section 180(1), replace “another light vehicle importer who imports new vehicles” with “a light vehicle importer who imports new vehicles or a light vehicle importer who imports used vehicles”.
- (2) In section 180(2), replace “another light vehicle importer who imports” with “a light vehicle importer who imports new vehicles or a light vehicle importer who imports” 30
- (3) Replace section 180(3) with:

- (3) If a transfer under subsection (1) or (2) involves a transfer between a carbon dioxide account relating to new vehicles and a carbon dioxide account relating to used vehicles, the transfer must be calculated as follows:
- (a) each credit transferred from a carbon dioxide account relating to new vehicles is receipted into a carbon dioxide account relating to used vehicles as 2 credits: 5
 - (b) each set of 2 credits transferred from a carbon dioxide account relating to ~~new~~ used vehicles is receipted into a carbon dioxide account relating to ~~used~~ new vehicles as 1 credit.
- 9 Section 184 amended (Category 2 light vehicle importer may transfer carbon dioxide credits)** 10
- (1) In section 184(1), replace “another light vehicle importer who imports new vehicles” with “a light vehicle importer who imports new vehicles or a light vehicle importer who imports used vehicles”.
- (2) In section 184(2), replace “another light vehicle importer who imports” with “a light vehicle importer who imports new vehicles or a light vehicle importer who imports”. 15
- (3) Replace section 184(3) with:
- (3) If a transfer under subsection (1) or (2) involves a transfer between a carbon dioxide account relating to new vehicles and a carbon dioxide account relating to used vehicles, the transfer must be calculated as follows: 20
- (a) each credit transferred from a carbon dioxide account relating to new vehicles is receipted into a carbon dioxide account relating to used vehicles as 2 credits:
 - (b) each set of 2 credits transferred from a carbon dioxide account relating to ~~new~~ used vehicles is receipted into a carbon dioxide account relating to ~~used~~ new vehicles as 1 credit. 25

Part 2

Consequential amendments to Land Transport (Clean Vehicle Standard) Regulations 2022 30

10 Principal regulations

Sections 11 and 12 amend the Land Transport (Clean Vehicle Standard) Regulations 2022.

11 Regulation 3 amended (Interpretation)

In regulation 3, definition of **expiry date**, replace “3 years” with “4 years”. 35

12 Regulation 17 amended (Procedure and requirements for transferring carbon dioxide credits between accounts)

In regulation 17(3)(b), replace “3 years” with “4 years”.

Legislative history

18 August 2025
21 August 2025

Introduction (Bill 196–1)
First reading and referral to Transport and Infrastructure
Committee