Tax Working Group
Te Awheawhe Tāke

Tax Working Group Public Submissions Information Release

Release Document

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Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From:	Cliff Turner [1]
Sent:	Thursday, 15 March 2018 9:11 PM
To:	TWG Submissions
Subject:	FW: Emission Taxes and EV Promotion
Attachments:	RUC and EV Strategy CRT 15.0318.docx; RUC & EV Model CRT 15.03.18.xlsx

From: Cliff Turner [1]
Sent: Thursday, 15 March 2018 9:10 PM
To: 'submissions@taxworkinggroup.govt.nz.' <submissions@taxworkinggroup.govt.nz.>
Subject: Emission Taxes and EV Promotion

Submission To: The Tax Working Group (TWG)

The Submissions Background Paper points out that NZ already has examples of taxes that are designed to change peoples behaviour. Possibly the largest behavioural issue that we all face in the future is the issue of greenhouse gases and this is an areas of very great opportunity that we must not shy away from. As your paper points out, there is already the precedent of the Synthetic Greenhouse Gas levy but we are not doing enough. NZ must play its part along with all other nations if we are to avoid massive future disruption in our lives.

NZ is somewhat unique in that our electricity sector does not offer much further opportunity for CO2 reduction and agriculture, while a significant emitter, is difficult to tackle. The one big opportunity we have is transport where the promotion of electric vehicles and development of bio-fuels could make a large contribution toward NZ's emission targets. It is frustrating that NZ governments have not exploited the opportunity in encouraging faster take up of electric vehicles (EVs) along the lines that some other countries have. EVs will eventually take over but there is much that could be done to accelerate the take up in the next few years, thus exploiting our low carbon electricity.

I suggest that the TWG seriously consider, at an early stage, putting a carbon tax on fossil fuels used for transport and that a large part of such tax be used to encourage uptake of EVs and production of bio-fuels. At the same time the of Road User Charge (RUC) system could be redesigned to take into account all future types of vehicle including EVs and autonomous vehicles. Such a redesign could integrate the annual registration and RUC regime into a vehicle focussed account that applies charges reflecting road usage. Such charges might have a fixed element reflecting the right to use any road and a variable amount depending on the distance travelled, weight and emissions. The variable charge could also automatically take into the use of any toll roads or a rate depending on the actual road.

Regarding a carbon tax transfer for the purposes of promoting EV take up in the near term, I have attached a short paper and the associate financial calculations focussed on petrol vehicles. The calculations should include diesel vehicles but that would require separating out that part of the diesel market that could be substituted by an EV. This is intended as a hypothetical example but it serves to illustrate the possibility that a modest carbon tax on fossil fuels could be used to achieve a strong acceleration in take up of EVs in a similar market. The model that I have attached starts with a modest 5c/litre carbon tax but the ratio of petrol vehicles to EVs in the early years gives lots of scope for large promotional subsidies, even if they are not applied in the way I have modelled it. My example provides a RUC credit for each EV depending on distance travelled that would taper out to zero around 2025 but the actual date and structure of such a transfer payment is not the issue. It is the concept of using such a mechanism to accelerate EV take up that is the opportunity.

For your consideration. Thank you for the opportunity to contribute.

Cliff Turner
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15 March 2018