

Table 2: Options to fund EV charging infrastructure from the NLTF

Option	Description	Issues
1	Amend the GPS to include a new activity class from which EV charging infrastructure can be funded. For example, establishing an “electric vehicles” or “transport technology” activity class.	<p>Under this option:</p> <ul style="list-style-type: none"> • EV infrastructure projects would not have to compete with a wide range of other land transport projects • the funding assistance rate could also be set at a higher rate, lowering the required contribution from local authorities • be assessed on the same basis as other land transport projects, meaning that they would need to achieve a cost-benefit ratio of at least 1 (which, given low uptake of EVs, is unlikely). <p>If this option is pursued we suggest it be considered within the development of GPS 2018. While GPS 2015 could be amended, GPS 2015 has only just come into force, and amending it and regional and national land transport plans would be a considerable undertaking.</p>
2	Amend the GPS to provide funding for EV charging infrastructure from an existing activity class. For example, this would involve amending the GPS to clarify that EV charging infrastructure falls within the scope of ‘local road improvements’.	<p>Under this option EV infrastructure projects would:</p> <ul style="list-style-type: none"> • have to compete for funding with other projects in that activity class, and therefore there is no guarantee that they will be funded • have to receive a local share of at least 51 percent of the funding • EVs charging infrastructure projects would still need to achieve a cost-benefit ratio of at least 1. <p>If this option is pursued we suggest it be considered within the development of GPS 2018 for the same reasons above.</p>
3	Funding EV charging infrastructure from the NLTF but outside of the GPS. A small number of activities are funded in this way, such as search and rescue.	<p>This option would require legislative change, as activities that are funded this way are specified in the Land Transport Management Act 2003. The currently specified activities have a strong user-pays link to the funds. For instance, boaties pay petrol excise duty and receive the benefit of search and rescue services.</p>

Risk of crowding out private sector investment

30. To prevent crowding out of private investment we recommend adopting a co-investment approach regardless of which funding option is chosen. This could involve mobilising funding from the NLTF, the Crown, and other parties, or funding from the NLTF/Crown with other parties providing land and/or other resources. We will be able to determine what each party can offer in this space once we engage with them.
31. It is also likely that as EV adoption becomes more widespread, more companies will want to begin charging a fee for the use of public charging infrastructure. We will need to consider how this transition will occur alongside local authorities and industry to ensure that investments we make in the short term do not create issues for the market later.

⁴ Though the funding comes from petrol excise duty, technically the money is taken prior to going into the NLTF.

Part 3: Confirming EV measures that you agreed to in April 2015

Progressing other measures agreed to

32. In addition to government support for public charging infrastructure, you also agreed that the EV package should include funding for an information campaign by EECA and a trial of EVs in government fleets (OC02885). We still recommend that the EV package include these measures.
33. In our March 2015 advice, we recommended an EV information campaign as a measure to help overcome information barriers. Research commissioned by the Ministry and EECA has confirmed that there are significant gaps in the knowledge of fleet managers and fleet vehicle drivers with regard to EVs. We have asked EECA to provide further details about the scope and cost of an EV information campaign for a Cabinet paper on the EV package. In particular, options for the sources of funding for a campaign will be explored.
34. Since the new All-of-Government vehicle procurement solution was announced in June 2015, we have been working with the MBIE and EECA to scope a trial, including discussing governance arrangements for a trial. This will allow us to provide further information about the design of the trial and costings as part of a Cabinet paper on the EV package. Crown funding for this will likely need to be sought and we expect it to be in the order of \$500,000.

Part 4: Other measures discussed – EV car sharing and tax certainty

EV car sharing in Auckland

35. On 27 July 2015, we discussed with you the potential to scale up the EV car sharing scheme currently being investigated by Auckland Transport. Auckland Transport will issue an open Request for Proposal document to companies interested in establishing the scheme. The proposed scheme would have an initial fleet of 200 – 300 vehicles supported by around 350 charging stations across the city.
36. Other car sharing schemes that use EVs, such as DriveNow which you recently visited in San Francisco, have been established without direct government support. For instance, DriveNow was established as a joint venture between BMW and a car rental company. However, government may need to address barriers to private sector investment in these types of businesses.
37. We had informal discussions with officials from Auckland Transport at the Smart Transport Forum on 6 August 2015. They were positive about the scope for central and local government to work together to progress EV initiatives and have expertise (including lessons learned) from the roll out of EV initiatives in the UK that they are eager to share. We have yet to formally engage with Auckland Transport on this work.

City Hop's concern about access to charging infrastructure

38. At your meeting with officials on 10 August 2015, you raised City Hop's concerns regarding Auckland Transport Request for Proposal and access to EV charging infrastructure. In particular, it considers that Auckland Transport could achieve a better outcome by collaborating with existing market players. We will investigate this issue and report back to you.

Providing greater certainty to companies regarding the tax position of EVs

39. In our March advice, we suggested that you consider the following measures:
- 39.1. reviewing the method for calculating fringe benefit tax for EVs
 - 39.2. inviting stakeholders to discuss with tax policy officials the case for having higher depreciation rates for EVs.
40. Since the March 2015 paper, we have found further evidence that EVs are depreciating more quickly than petrol/diesel vehicles. In Japan for instance, it appears that EVs are losing between a third and half of their value in the first year. It is unclear exactly why this is, but uncertainty about battery performance and the superior performance of newer EV models may play a role.
41. Given the continued uncertainty about the depreciation rate and resale value of EVs, there is a question as to whether the tax system should favour the Crown or favour the taxpayer. For example, if the tax depreciation rate for an EV is 20 percent in year 1, but actual depreciation is 30 percent, businesses are unable to recognise that loss as it occurs.
42. We consider that a review of the tax treatment of EVs would help identify whether the amending the tax treatment of EVs is appropriate. Tax officials would have to lead this review. Based on our earlier engagement with tax officials on the issues of fringe benefit tax and depreciation rates for EVs, we understand that they are open to such a review but would need a clear mandate from Ministers to undertake this work. The Cabinet paper on an EV package could seek such a mandate.
43. We will also explore the option of establishing a grant for EV purchases. While you have stated that an EV package is unlikely to include direct subsidies, a grant may be justified on the basis that it offsets any potential tax disadvantage or risk faced by businesses or individuals that wish to purchase an EV.

Recommendations

44. The recommendations are that you:
- (a) **note** that in April 2015 you directed officials to prepare a Cabinet paper on the following measures:
 1. an information and promotion campaign by EECA
 2. government branding, promotion and information support for public charging infrastructure
 3. a trial of electric vehicles in government fleets
 - (b) **note** that these additional measures were discussed at your meeting with officials on 27 July 2015:
 1. government funding for an EV car sharing scheme
 2. options to provide greater certainty to businesses regarding the tax position of EVs, including the possibility of a grant
 - (c) **note** that we will convene the chief executives of key stakeholders with an interest in EV within the next fortnight to initiate engagement on an EV

package

- (d) **note** that we will discuss the measures in (a) and (b) with stakeholders as part of our work to develop an EV package
- (e) **confirm** that we prepare a Cabinet paper seeking agreement to:
1. an EV information campaign by EECA Yes/No
 2. government support for public charging infrastructure Yes/No
 3. a trial of EVs in government fleets Yes/No
 4. any other measures that you agree to following stakeholder engagement Yes/No
- (f) **agree** that we provide further advice on the following option(s) for funding EV charging infrastructure from the NLTF:
1. amend the GPS to create a new activity class from which EV charging infrastructure can be funded Yes/No
 2. amend the GPS to allow for the funding of EV charging infrastructure from an existing activity class Yes/No
 3. funding EV charging infrastructure from the NLTF but outside of the GPS Yes/No
- (g) **agree** that we provide you with a draft Cabinet paper on an EV package in October, with a view to taking a final paper to Cabinet in November. Yes/No


Adviser

Withheld under section 9(2)(a) of the
Official Information Act 1982

Erin Wynne
Manager, People and Environment

MINISTER'S SIGNATURE:

DATE: