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NZ Automobile Association submission on:  
**Clean Car Standards Review 2026**



**SUBMISSION TO:** Ministry of Transport  
**REGARDING:** Clean Car Standard Review 2026  
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**NOTE TO REQUESTOR:**

The AA requests an opportunity to present this submission orally.

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## Executive Summary

The New Zealand Automobile Association (NZAA or AA) welcomes the opportunity to provide comment on the Clean Car Standard. The AA believes that a mandatory fuel economy standard is an important policy with economic and climate change benefits. When introduced the initial standard set emission targets that were too severe to attain in the timeframes and came with penalties that were predicted to add hundreds of millions of dollars to the cost of imported vehicles. These additional costs had the potential to be a barrier to the uptake of newer, safer vehicles.

The AA supports the continuation of the Clean Car standard in its current recently amended form.

## Questions to inform 2026 review of the Clean Car Standard

### **Do you support New Zealand continuing to have a regulated fuel efficiency standard (i.e. the Clean Vehicle Standard)? What are the key reasons for this view?**

The AA strongly supports the continuance of the amended Clean Car Standard (CCS). Across the globe, vehicle fuel efficiency, and CO<sub>2</sub> emission standards have become the norm, covering about 80% of the world's light vehicle market. However, international experience has shown that fuel efficiency gains have been offset by takeback. This takeback has been in the form of larger versions of the same model and consumer preference for SUVs.

The focus of global vehicle fuel efficiency standards has moved from fuel efficiency, traveling further using less fuel, to reducing CO<sub>2</sub> emissions in response to climate change initiatives. This has led to stricter CO<sub>2</sub> emissions targets to incentivise the uptake of electric and electric hybrid vehicles.

However, consumer demand for new electric vehicles has declined, leading to overstocking for some types and difficulty meeting sales-based targets. There is also an ongoing global supply shortage of used low-emission and electric vehicles available for import. This makes it difficult for importers to source enough vehicles that meet increasingly strict targets.

Currently the legislated emission targets are strict, and due to consumer preferences, they are unattainable over the next few years. The targets are so strict that hybrid cars would have to pay a penalty when imported. The average emission for a Toyota Prius is 136 g. The 2026 emission target for type A vehicles (passenger cars) is 108g CO<sub>2</sub>. Therefore, even this popular choice of hybrid would be subject to a penalty.

Not meeting these emission targets means importers must pay penalties that are ultimately passed on to motorists. Under the current settings most vehicle importers in New Zealand are now unable to meet passenger vehicle targets, and 86% face financial charges rather than earning credits.

This increases the price of imported vehicles entering the fleet and may constrain uptake. The current emission targets in the standard could result in higher vehicle prices or limited availability of vehicles, pushing families to keep older, less efficient vehicles for longer.

The AA supports a regulated fuel economy standard with reduced penalties to better suit the emission profile of vehicles entering New Zealand light fleet.

## **Advantages of Maintaining a Regulated Fuel Efficiency Standard**

### Reduces Transport Emissions and Supports Climate Targets

Transport is New Zealand's *fastest-growing* source of greenhouse gas emissions and accounts for 20% of national emissions; nearly 70% of these are from light vehicles. A well-regulated standard helps reduce average CO<sub>2</sub> emissions by improving the efficiency of imported vehicles.

**Key reason:** Transport emission reduction is essential to meeting national climate goals, and a regulated standard is the most direct lever influencing CO<sub>2</sub> intensity of imports.

### Creates a Fair, Consistent Framework for Importers

Maintaining the amended CCS will provide a continued regulatory structure where importers must meet annual average CO<sub>2</sub> targets but can trade or bank credits, reducing compliance burdens while encouraging cleaner imports. Recent enhancements such as credit transferability, longer credit life, and flexibility across years make compliance more manageable while keeping downward pressure on emissions.

**Key reason:** A well-designed standard balances environmental ambition with commercial flexibility, making the market transition smoother.

### Ensures Supply of Low- and Zero-Emission Vehicles to New Zealand

The Clean Car Standard guarantees a strong supply of efficient, low-CO<sub>2</sub> vehicles with up-to-date technology for consumers. Without it, importers gravitate toward cheaper, higher-emission stock, especially from Japan's used-vehicle market.

**Key reason:** Vehicle import markets respond to incentives; standards shift supply toward cleaner models that otherwise may not enter NZ at scale.

### Reduces Fuel Costs for Households and Businesses

The standard encourages vehicles that are more fuel-efficient, lowering operating costs for New Zealanders. Government analysis shows improving fleet efficiency helps ensure cars are cheaper to run, with updated rules promoting access to "vehicles that are more fuel-efficient and cheaper for Kiwis to run." [\[beehive.govt.nz\]](https://www.beehive.govt.nz)

**Key reason:** The CCS reduces fuel consumption at a fleet level, delivering sustained cost savings over a vehicle's lifetime.

### Improves Air Quality and Public Health

Fuel economy standards reduce harmful pollutants and improve air quality, enhancing public health and reducing respiratory issues such as asthma, allergies, and cardiovascular disease.

**Key reason:** Lower-emission vehicles emit fewer pollutants, not just less CO<sub>2</sub>—yielding significant public-health benefits.

#### Drives Technological Innovation and Modernisation of the Vehicle Fleet

Fuel economy standards stimulate innovation, pushing manufacturers and importers to supply more efficient, advanced vehicles. They encourage adoption of modern technologies such as advanced hybrids and EVs, modernising New Zealand's fleet and reducing long-term running costs.

**Key reason:** Standards create predictable demand for modern, cleaner technologies, accelerating innovation in the market.

#### **Summary: Why New Zealand Should Maintain the Clean Car Standard**

In essence, a regulated fuel-efficiency standard delivers:

**Lower emissions** and alignment with climate targets

**Predictability and fairness** for vehicle importers

**Better access** to modern, efficient, low-emission vehicles

**Lower fuel and operating costs** for households and businesses

**Improved public health** via cleaner air

**Market innovation and fleet modernisation**

Together, these advantages form a strong rationale for continuing the Clean Car Standard as a core tool in New Zealand's transport and climate strategy.

#### **If the Clean Vehicle Standard were abolished, what do you consider the key risks/impacts of this decision would be?**

##### Protects Members Interests Over the Long Term

Without the standard, importers may default to cheaper, higher emitting vehicles, leading to higher lifetime costs for consumers due to increased fuel use.

The CCS helps keep NZ's fleet from becoming a dumping ground for high-emission models avoided in countries with stricter standards.

**Key reason:** Standards prevent negative externalities (higher running costs, poorer quality imports) from falling disproportionately on consumers.

**Are there any alternatives to a regulated fuel efficiency standard (e.g. a voluntary standard) that you consider would work better for New Zealand? If so, what measure(s) would you recommend and why?**

Voluntary Standards are ineffective and run the risk of being seen as greenwash. It is important that we keep a well-regulated and effective fuel efficiency standard suitable for New Zealand's light fleet. The issue is not that the CCS is regulated, it's the aggressive emission targets that are unobtainable in the timeframe and will result in penalties without reducing emissions.

The current standard attempts to implement a policy that if strict emission targets are set then importers will be able to change the models of vehicles, they import to meet the regulations, and consumer will buy those models. This ignores the fact that we are technology takers and a small market. The New Zealand consumer preference is for SUV and Utes. This was evident when the Clean Car Discount was in force and the highest penalties were placed on the Ford Ranger Ute. Even with the penalty the Ford Ranger was still New Zealand biggest selling model. The penalty did not change consumers preference; it only added to the cost of the vehicle.

The current CCS assumes rapid and sustained growth in EV uptake, but infrastructure, electricity grid readiness, and consumer demand are not at the pace necessary to meet the standards targets. Industry groups argue the pace of electrification required to meet targets is misaligned with market realities, especially outside large urban centres.

The CCS needs to either keep the targets that are aligned with Australia, as the new car market is Australasian and maintain the recently reduced penalties or reduce the emission targets over a longer timeframe. The AA's preferred option is to maintain the current targets and penalties. This will allow New Zealand to compare the fleet average fuel efficiency of new entrants to the fleet with Australia. It will ensure that large penalties are not passed on as price increases and ensure that increased prices due to high CCS penalties do not function as a barrier to the uptake of newer, safer, and more efficient vehicles.

## **Conclusions**

New Zealand should keep the current Clean Car Standard following the recent amendments to it. The Standard supports the Government's climate change endeavours although it will not be the panacea for transport emission many hope for. The targets are strict resulting in most importers having to pay penalties. The recent reduction to the penalties alleviates the impact on vehicle price but is needed to incentive compliance with the Standard. The amended penalties are inevitable as consumers are not purchasing enough low emitting vehicles for importers to meet the fleet averages. The lower level of penalties, longer trading period and removal of the weight adjustment help mitigate the costs to industry and ultimately motorists.

## About the New Zealand Automobile Association

The NZAA is an incorporated society with over 1.1 million Personal Members who belong to the Association, as well as over 1 million business vehicle relationships, representing a large proportion of New Zealand’s road users.

The AA was founded in 1903 as an automobile users’ advocacy group, but today our work reflects the wide range of interests of our large membership, many of whom are cyclists and public transport users as well as private motorists.

Across New Zealand, drivers regularly come into contact with the AA through our breakdown officers, 38 AA Centres and other AA businesses. Meanwhile, 18 volunteer AA District Councils around New Zealand meet each month to discuss local transport issues. Based in Wellington and Auckland, our professional policy and research team regularly surveys our Members on transport issues, and Members frequently contact us unsolicited to share their views. Via the AA Research Foundation, we commission original research into current issues in transport and mobility. Collectively, these networks, combined with our professional resource, help to guide our advocacy work, and enable the NZAA to develop a comprehensive view on mobility issues.

Motorists contribute over \$5 billion in taxes each year through fuel excise, road user charges, registration fees, ACC levies, and GST. This money is reinvested by the Government in our transport system, funding road building and maintenance, public transport services, road safety work including advertising, and Police enforcement activity. On behalf of AA Members, we advocate for sound and transparent use of this money in ways that improve transport networks, enhance safety, and keep costs fair and reasonable.

Our advocacy takes the form of meetings with local and central government politicians and officials, publication of research and policy papers, contributing to media on topical issues, and submissions to select committees and local government hearings.

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### Total Membership

Over 1.1 million are Personal Members

Over 1 million are Business Vehicle relationships

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### % of licenced drivers

At least 29% of licensed drivers are Personal AA Members  
(based on Class 1 licences for cars and light vehicles)

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### Gender split

54% Female

45% Male

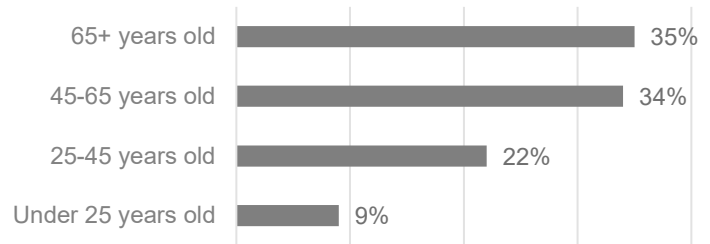
1% Unknown

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## Age range & Membership retention

### Age of AA Members



53% of AA Members have been with us for over 10 years.

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