

# Market Update

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# The NZ Market Q2 2022

Quarterly new vehicle registrations have plummeted since the introduction of the Clean Car Scheme “feebate” program on 1 April 2022.

Ute registrations have dropped 76% quarter on quarter. Brands that are heavily weighted towards larger, utility type vehicles such as LDV, SsangYong, Jeep and Isuzu have seen significant drops in numbers of vehicles registered between Q1 and Q2.

Brands with a good offering of smaller vehicles are faring better with Kia, Mitsubishi, Toyota, and Suzuki having a better quarter than average. A large determinate factor is how many units the manufacturers are able to land in the country. Forward order planning, shipping delays and factory allocations have also had an impact on the numbers of vehicles registered during the quarter.

Used import registrations are down significantly with only 22,000 units registered in Q2 2022, compared to the average for 2021 of over 32,000 units. Once again the story behind the numbers is that registrations of

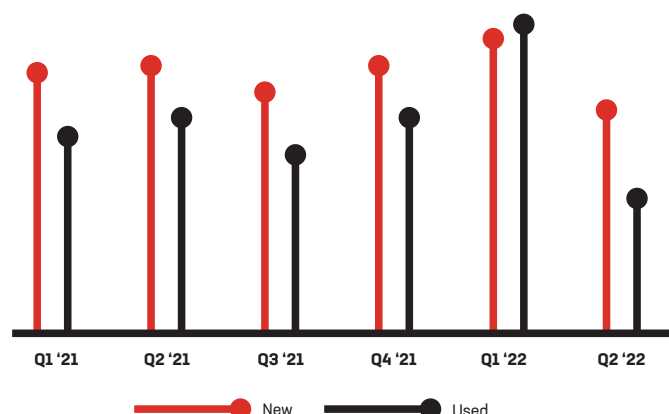
larger vehicles (Outlander, X-Trail, Vanguard, etc.) are down, whilst registrations of smaller vehicles (Aqua, Corolla, Note, Fit, Leaf and Prius) remain strong.

Truck registrations have remained relatively steady between 2021 and 2022 while Motorcycle registrations are down slightly, most likely due to interest rates and finance availability.

## Top Models:

- The Mitsubishi Outlander (2,560), Toyota Rav4 (1,987) and Toyota Hilux (1,987) make up the top selling vehicles of Q2 2022. Both the Outlander (547) and the Rav4 (486) are buoyed by rental registrations.
- Utes have slipped considerably after a record breaking Q1 of 14,398, to finish Q2 with only 3,446 registrations. The introduction of the fee element of the Clean Car Scheme on 1 April 22 being the key factor here, as both dealers and customers rushed to beat the pending fees.
- The utes in the top 10 registrations for the previous quarter have been replaced with SUV's, with the Eclipse Cross (4th), Sportage (5th) and the ASX (7th) coming into the top 10 best sellers.
- Smaller cars that use less fuel and attract some green car rebate, have also crept up the leaderboard in Q2, including the Honda Jazz, Suzuki Swift and Toyota Corolla.

## NZ Vehicle Registrations







## Registration Summary

- SUV registrations have maintained their dominance as the preferred segment.
- Utes have historically made up around 22% of passenger/LCV registrations. The year so far in 2022 has utes at a little over 20% of all passenger and LCV registrations, even with a record high Q1 and a record low Q2. The true impact of the feebate scheme on the numbers of utes we buy will become more evident as the year progresses.
- Used vehicle registrations have slumped in much the same way as utes have, and we suspect this is due to similar reasons where a lot of high emitting units were pre-registered in Q1, and then sold in Q2. YTD in 2022 the registrations of used passenger and LCV are 8% higher on the first half of 2021 and 23% higher than 2020 (although 2020 had the first big COVID lockdown).

The top 20 makes YTD are below:

MAKE	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22
Toyota	6,762	6,768	6,941	5,119	5,893	5,470
Mitsubishi	4,796	5,428	4,815	8,801	8,302	7,020
Ford	3,812	3,917	4,422	5,137	4,914	1,584
Kia	3,456	3,125	1,709	1,893	2,519	3,586
Mazda	3,041	2,562	2,083	1,579	2,163	1,401
Nissan	2,096	2,350	1,353	2,730	1,759	667
Suzuki	2,005	2,265	1,944	1,646	1,589	2,362
Hyundai	1,940	2,048	1,743	2,303	2,428	2,238
Volkswagen	1,519	1,750	1,204	967	938	900
Honda	1,192	959	806	1,035	1,206	1,023
Mercedes-Benz	760	825	737	560	871	647
Isuzu	979	1,204	857	898	1515	464
Subaru	862	836	542	598	689	592
MG	808	783	1,049	1,188	1,489	1,204
BMW	525	566	457	283	511	373
LDV	625	808	620	764	1,353	119
Audi	486	491	395	381	455	485
Ssangyong	455	312	318	292	496	120
Land Rover	430	437	186	139	465	465
Jeep	399	427	230	250	360	54
Others	4,863	4,893	4,5926	5,874	6,715	4,489
New	41,811	42,754	38,338	42,437	46,630	35,111
Used	31,087	34,404	29,111	48728	48,728	21,823

# Confidence Crisis

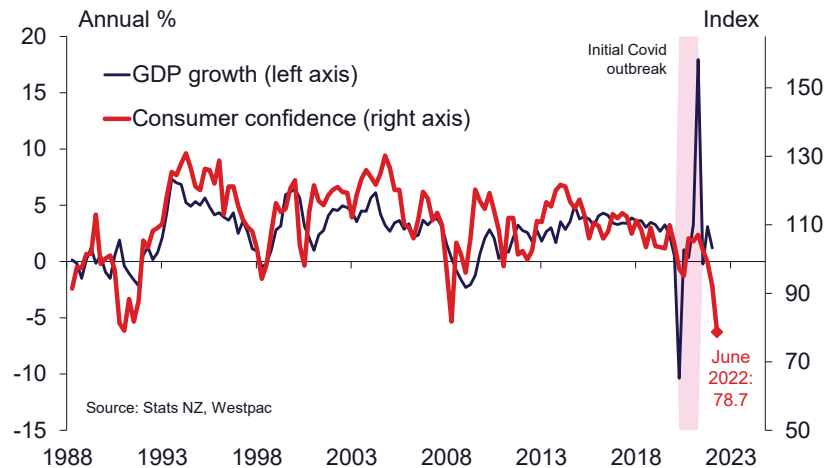
## 'The consumer confidence indicator in New Zealand is at its lowest ever level.'

At 78.7 the Consumer Confidence Index is the lowest reading ever recorded, reflecting growing doom and gloom. A score of above 100 generally indicates a positive outlook. The average for NZ is a more optimistic outlook of 110.2.

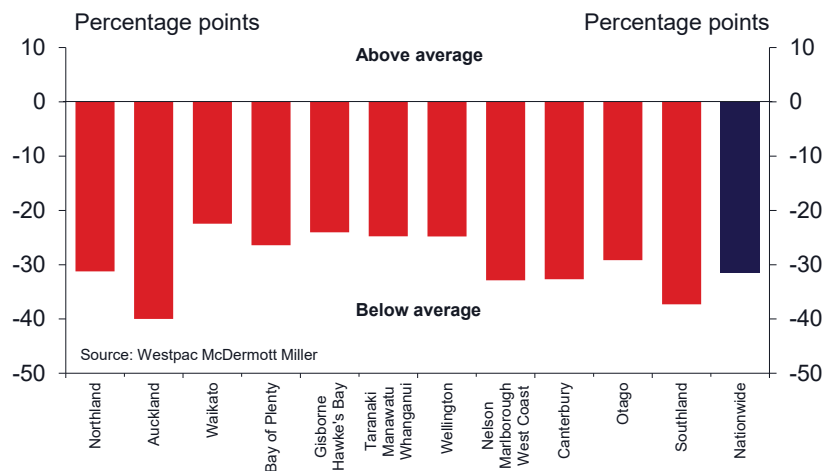
Households have become increasingly concerned about their financial positions amid rising consumer prices across all sectors, including essential food and fuel, as well as rising mortgage rates. Further Omicron and winter sickness disruptions, combined with staff shortages have further impacted confidence.

All new household lending was down 33% in May. The slight softening of the CCCFA regulations in July will not be enough to stimulate any real growth given the financial pressures on everybody's pocket.

Consumer Confidence and economic growth



Consumer confidence by region (compared to average)



Consumer confidence by region

	Jun-22	Mar-22	Change
Northland	75.6	93.4	-17.8
Auckland	73.6	99	-25.4
Waikato	85.2	97.4	-12.2
Bay of Plenty	82.2	83.3	-1.1
Gisborne/Hawke's Bay	83.5	74.7	8.8
Taranaki/Manawatu-Whanganui	82	86.4	-4.4
Wellington	88.1	85.6	2.5
Nelson/Marlborough/West Coast	73.6	77.3	-3.7
Canterbury	77.8	96.4	-18.6
Otago	78.3	82.2	-3.9
Southland	69.9	101.4	-31.5
Nationwide	78.7	92.1	-13.4

Consumer confidence indices

	Jun-22	Mar-22	Change	Average
Consumer Confidence Index	78.7	92.1	-13.4	110.2
Present Conditions Index	74.0	90.1	-16.1	107.6
Expected Conditions Index	81.8	93.5	-11.7	111.9
Current financial situation	-27.1	-12.9	-14.2	-8.7
Expected financial situation	-7.4	2.5	-9.9	11.2
1-year economic outlook	-38.5	-22.8	-15.7	-3.4
5-year economic outlook	-8.7	0.8	-9.5	27.9
'Good time to buy'	-24.8	-6.9	-17.9	23.8

Confidence among New Zealand households has plummeted, dropping to its lowest levels since we began surveying consumers back in 1988.

Source: Westpac McDermott Miller Consumer Confidence Index

# The Road To Electrification



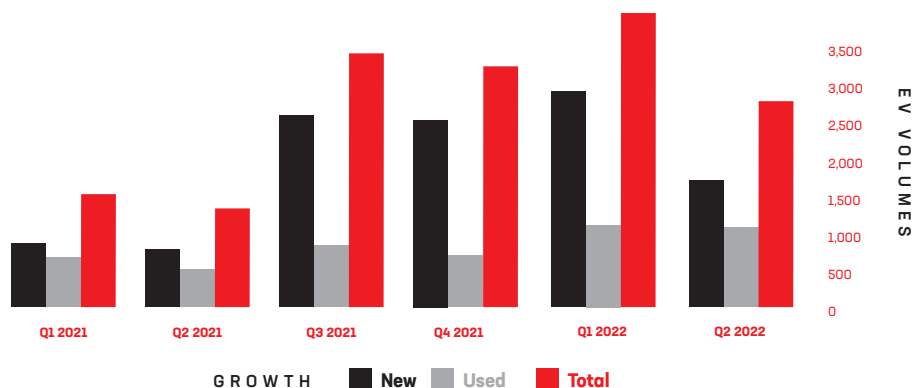
## After an energised start to the year EV registrations have dropped in Q2.

**New EV registrations have decreased by nearly 1,200 vehicles between Q1 and Q2 of 2022.**

A primary reason for the decrease is lack of availability of the Tesla Model 3. There were 1,298 Tesla Model 3 units registered in Q1 and then only 3 units registered in Q2. Registrations of the New Kia EV6 (213), Polestar2 (261), Hyundai Ioniq5 (180) and Hyundai Kona (287) have been deservedly strong in Q2. Plug-in electric vehicle registrations have improved in Q2 with 2,640 units registered versus 1,039 in Q1. The primary PHEV's we see contributing to the Top10 biggest sellers in Q2 are the Outlander (953 of 2,560) and the Eclipse Cross (1,005 of 1,243). We have also seen petrol hybrid registrations rise from 2,340 in Q1 to 4,963 in Q2, as consumers move away from higher consumption vehicles with rising petrol prices and Government incentives.

Tesla have been experiencing supply issues around the world and it seems this may be filtering through to NZ. There are still semi-conductor shortages, and the costs of manufacturing and shipping are all increasing. Unsurprisingly the manufacturers are increasing prices of new EV's with rises from Tesla, Kia and Hyundai recently. Long

lead times for the supply of new vehicles is becoming the norm and EV's probably have a longer wait time than most petrol cars. Despite this we are still seeing exciting new EV's coming to the market with the Mercedes AMG EQS53, the Tesla Model Y and the BYD Atto3 all added to the Redbook stable over the last month or so.





# Global EV News



## Europe

Brussels: The EU Council in its latest meeting in June adopted its 'Fit for 55' proposal - meaning that net greenhouse emissions targets across the EU will be reduced by 55% by 2030 (when compared with levels in 1990), and that net neutrality will be achieved by 2050. What is even more important about this commitment is that the transport sector has targets of a 90% reduction (the transport sector currently accounts for over 25% of European Union emissions).

New data analysis from the European Automobile Manufacturers' Association (ACEA) shows that half of all charging points for electric cars in the European Union are concentrated in only two countries - the Netherlands (90,000 chargers) and Germany (60,000).

A new Automotive Regions Alliance launched on 30th June under the flag of the European Committee of the Regions, putting important European legislative support behind the road to electrification for the entire region. This Alliance aims to bring together regions with stronger automotive and supply industries

that want to play an active and supportive role in the decarbonisation of the wider European transport sector. This will support the objectives of the European Green Deal, while strengthening regional cooperation on electric ecosystems.

EV Purchasing and/or ownership incentives are in place for 21 of the 27 EU member nations.

*Source: European Automobile Manufacturers' Association (ACEA)*

## USA

President Biden continues to support funding a domestic electric vehicle supply chain, aiming to reduce US reliability on China, and to lessen the impacts of the war in Ukraine. The Ukraine Aid Bill also approved another US \$500 million to expand funds available under the Defence Production Act to obtain critical battery minerals like nickel, cobalt, lithium and graphite. That adds to the US \$750 million targeting relevant mining that was passed in the Defence Production Act back in March.

As a result, according to studies by EY, EV adoption in the US is expected to pick up from 2023 but will most likely still only represent

approximately 15% of the global electric vehicle market in 2025. The EY study noted that consumers in the US (@ 29%) are the least committed to switching to EVs. Locally made US products targeting traditional US lifestyle vehicles will be key to speeding up US EV adoption.

## China

According to the China Automobile Dealers Association, Shanghai has quickly returned to pre- lockdown vehicle production volumes following its intense lockdown to control COVID-19. This is good news for the likes of Tesla and VW who produce there. China has also chosen to extend its support packages supporting taxation on EV purchases. In the first three months of this year, the retail sales and production of EVs in China amounted to approximately 1.26 million units and 1.29 million units respectively. 140% UP year on year.



# Charging Ahead



EV charging infrastructure is vital to adoption and efficiency.

A March 2022 Research Whitepaper on European Infrastructure for EVs in Europe highlighted some alarming stats:

- That up to 6.8m public charging points are required by 2030 in order to reach the proposed 55% CO2 reduction for passenger cars.
- Up to 14,000 public charging points need to be installed per week between 2021 and 2030 for cars - compared to just 2,000 per week currently.
- By 2030 a total amount of up to €280bn will need to be invested in installing public and private charging points, upgrading the power grid, and building capacity for renewable energy production. [source: The European Automobile Manufacturers' Association]

So, how do we 'charge ahead' with EV adoption in NZ? In the next two quarters we speak to leading influencers impacting our NZ EV adoption journey; Part one features Z Energy.

***EV Roaming or 'eRoaming' is key, what is your vision for delivering a true "charge anywhere" experience?***

At Z Energy (Z), our focus is delivering an awesome customer experience. We want to make it as easy as possible for people to charge when and where they need to across our EV charging network.

We see eRoaming playing an important role moving forward in helping to further simplify the user experience for EV drivers. We also see a case for credit card readers to be installed on chargers, as well as new standards like "plug to charge", that will make it easier for our customers to charge anywhere, anytime.

***What industry standards and protocols are in place to support the required network growth and speed?***

From Z's perspective, the largest barrier to the growth and speed of New Zealand's EV network is the need for greater coordination between regulators (at both a Central and Local Government level) and electricity distribution businesses (EDBs), including how best to support the pace of growth needed to meet customer demand and help meet wider emissions reduction goals.

We have found from experience that it can take more than 6 months to get a new charger in place, with most of that time waiting for responses from EDBs and local regulators. Likewise, the current distribution business investment model looks at assets with a 20 year plus lifespan. Based on our current market insights, we believe there will be a need to upgrade our EV charger capacity every 3-5 years to meet customer growth and technology changes.

The investment needed to future proof this growth is currently too high to do at the outset and gets quickly passed down to the customer in terms of fixed electricity charges. Z strongly believes that a more coordinated approach is needed across the whole sector to better support the growth of the national EV charging network. This includes areas where Government could assist commercial operators with planning and information, such as coordinating information availability on grid and network capacity availability.



## Charging Ahead continued...

### **What plans are there for upgrading the grid and building renewable energy sources to support the uptake of charging stations?**

In general, Z believes that total energy growth will keep pace with growing need. The challenge is getting that energy efficiently to where it is needed, when it is needed, in a cost-effective way. We are currently looking at how we can create a longer-term demand roadmap to help EDBs better manage this. In some cases, this may be best achieved via a battery storage solution at charging locations from either solar or wind to meet the peak needs of EV charging.

### **EV adoption offers fleets a rapid benefit at scale. How can we better support the adoption rates amongst our fleets in New Zealand?**

The total cost of ownership (TCO) gap has largely closed such that fleet owners can help stimulate the growth of EVs in New Zealand. The big issues we hear from our customers is the need for more public charging in the right places with good amenities, as well as assistance with home charging for staff members with company vehicles.

As we announced earlier this year, Z has begun to scale up its EV charging network as a key step in our low-carbon future strategy as we transition out of fossil fuels and support our customers wherever they are in their sustainability journey. Solving our customers concerns around home charging is more challenging.

As part of our work to help our commercial customers with a holistic charging offer for their EV fleet, we've recently completed an in-home EV charging trial with 20 Z staff which has provided invaluable insights into the challenges that exist in the average home. For example, a lot of homes don't have modern wiring set up ready for charging at the right locations, making installing at-home charging a reasonably expensive exercise.

Z sees that in-home charging may be an area for potential government support, similar to the Warmer Kiwi Homes Programme, to help ready New Zealand for the energy transition and address other issues like ensuring we have enough smart charging capacity to manage peak demand.

### **What safety risks are involved with EV charging alongside highly flammable traditional fuels?**

At Z, the health and safety of our customers and staff is our highest priority. We operate a 'management of change' process which seeks to identify new risks and hazards posed by any changes to plant, equipment, or process within Z and how these need to be controlled.

EV chargers have been on Z sites for over 6 years, and we recognise that the charging of batteries in extremely rare circumstances could lead to an emergency event such as a battery fire. Our emergency response guidance for our staff reflects this risk and outlines the appropriate actions to take if an

emergency event was to occur.

Every retail service station in New Zealand has a hazardous zone drawing that identifies where flammable vapor is likely to be present (and under what concentration) which includes the areas around the bowzers, drainage, tanker fill points, vent pipes, and interceptors. Any equipment installed in that area needs to meet specific criteria to ensure it does not pose an ignition risk to any vapor present.

Additionally, Z requires that any EV charger installed on site is professionally procured and installed so that it can be electrically isolated (in the event of an emergency) from the emergency stop system in the retail sites or through a local emergency stop on the unit.

### **What safety risks are involved with home charging?**

We see the biggest safety risk to home charging being the improper installation of an EV charger not designed for at home use. In the instance that a charger had not been installed correctly, there are risks around burning out fuses and melting cables that come with using a 3-pin plug and cable.

A dedicated home charger that has been properly installed ensures that the electrical load across the house can be controlled.





## Charging Ahead continued...



### ***Current charging stations need 'entertainment', is that the more immediate future for our fuel stations?***

Z are constantly looking at the changing needs of our customers across our sites while being mindful that most EVs are packed with entertainment too. A core focus of our Z charging locations is to be safe, easy to find, provide amenities and refreshments for people on the go. We also know that charging times will decrease over time and are focused on providing a rapid 20-minute charging experience that helps people keep moving while having a short break.

### ***How do you plan to replicate the 'petrol pump experience' whereby EV charging matches traditional petrol and diesel speeds?***

In the rollout of our national EV charging network, we will focus on putting in higher speed chargers to maximise the current vehicle technology available. Given that charging speed relates to the vehicle battery and its ability to charge at high speeds, this aspect is much more in the hands of vehicle manufacturers.

### ***Where do you see the most relevant technological advances in reducing charge time and enhancing EV range capabilities coming from?***

Battery technology is the biggest area driving this change. We've already seen substantial changes in battery size and charging rates. Only a couple of years ago 50kW chargers were sufficient for almost all types of EVs but this is no longer the case.

### ***As EV driving ranges head over 500Kms, and charging stations evolve, how do you see the split of home charging versus network charging evolving?***

Home charging will always make up the biggest share of total EV charging. However, not everyone will easily be able to access home charging to the same level for some time, so there will be a need for good quality local charging solutions as well as for longer journeys.

Within the public charging space there will be a need for ultra-fast charging on longer journey corridors and good quality fast charging at different urban destinations to support those customers who cannot easily charge at home.

### ***Global governments (including NZ) have mandated changes to ensure EV adoption. The world still faces long term supply issues and a fuel crisis. Where are we on our EV adoption journey, do you think today, versus where we will be in 2025 and 2030?***

New Zealand is still in the early adopter's

stage, with only 1 per cent of light vehicles being an EV. Z expects that this will rise strongly over the next ten years as the costs of purchasing an EV continue to decrease and the ease with which you can charge continues to improve.

Looking at our national charging infrastructure, we are currently behind many countries when it comes to the number of public charging points per EV available. We are already starting to see wait times at public charging stations, alongside the ability to find a charger, becoming a growing concern for drivers.

Investment in this area will need to accelerate if we want to close this gap and avoid peak congestion on popular routes at busy times of the year.

