

# Incentives for EV & HEV

There is a national initiative to diffuse clean energy vehicles. Various approaches have been adopted, including the establishment of a diffusion goal, subsidies for purchasers and R&D and demonstration programs, tax incentives, regulation and standardization, and public education. However, it is naturally not easy to change an already well established automobile society in spite of its problems. Electric vehicles are still having difficulty gaining wide acceptance and use. It will be necessary to persevere with efforts for the comprehensive introduction of different types of clean vehicles into targeted markets. It is also indispensable to provide wider publicity for clean and sustainable transportation, and to gain more general public support and acceptance.

## DIFFUSION TARGET

In 1997, the government set a target for the diffusion of clean energy vehicles in 2010, in light of the targeted reduction of carbon dioxide emissions based on the Kyoto protocol at the third Conference of the Parties (COP3) of the United Nations Framework Convention of Climate Change. The target for clean energy vehicles was 3.44 million units in operation by 2010 including 200,000 electric vehicles, 1.8 million hybrid vehicles, and 1 million CNG vehicles. This corresponds to a reduction of 0.6 million tons of carbon dioxide emissions. Further, the aim is for 210,000 units of advanced battery equipped vehicles, such as fuel cell vehicles, to be in operation by 2010, reducing 0.3 million tons of carbon dioxide emissions. The target was revised in July 2001 at the board of investigation of natural resources and energy, reducing the number of electric vehicles and increasing the number of hybrid and fuel cell vehicles. Of fuel cell vehicles, the METI also set targets of about 50,000 units for 2010 and about 5,000,000 units for 2020.

Clean Energy Vehicles	Target in 2010 (accumulated number)
Electric Vehicle	110000
Hybrid Electric Vehicle & Fuel Cell Vehicle	2110000
Natural Gas Vehicle	1000000
LPG vehicle to displace conventional diesel truck and bus	260000
Total	3480000

**"FOR THE NEXT GENERATION: EV, HEV & FCV" JARI, Oct. 2003**

In May 2001, directed by Prime Minister J. Koizumi, the government set the target of replacing the government fleet of about 7000 units with low-pollution vehicles by FY2004. Further, in July 2001, the Action Plan for the diffusion of low-pollution vehicles was drawn up jointly by the METI, the Ministry of Land, Infrastructure, and Transport, and the Ministry of Environment, aiming to integrate the promotional measures conducted by these ministries.

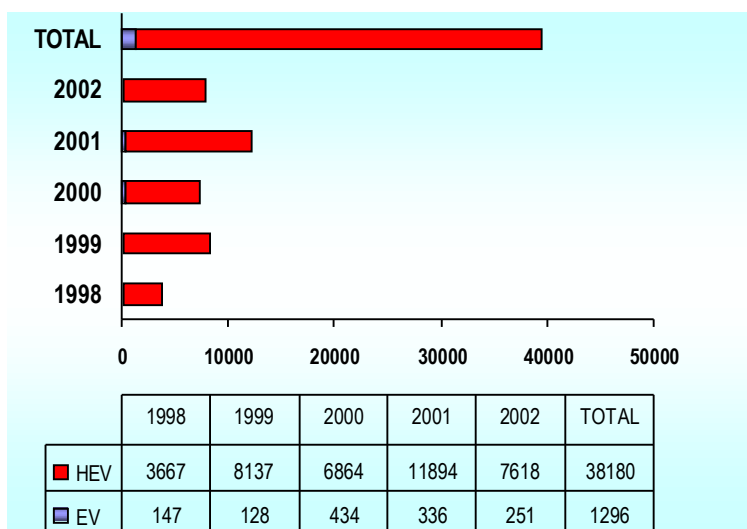
**INCENTIVES**

From 1978 through 1996, the MITI funded the electric vehicle lease program. The project introduced 655 electric vehicles, including 160 off-road vehicles, into local governments and private businesses throughout Japan, and contributed to initial promotion of electric vehicles. In 1996, an electric vehicle purchase incentive program was introduced, which was, from 1998, integrated into the Clean Energy Vehicles Introduction Project for the diffusion of electric, natural gas, methanol, and hybrid vehicles. This project has a greatly increased budget, and, for the first time, the hybrid vehicle was added on the list of clean energy vehicles to be subsidized. The project provides a purchase subsidy of up to 50% of the incremental cost of a vehicle, and incentives for the establishment of CEV refueling stations.

**Purchase Subsidy**

Electric and hybrid electric vehicles can receive a purchase subsidy of up to 50% of the incremental cost of a vehicle under the Clean Energy Vehicle Introduction Project funded by the Ministry of Economy, Trade and Industry. The cumulative total of electric and hybrid vehicles for which subsidy applications were accepted for fiscal years 1998-2002 reached approximately 40000, which consists of approximately 1300 EVs and 38200 HEVs. The applications by individuals remarkably increased in terms of the hybrid passenger car, and greatly contributed to the increase in the total number of subsidy applications. Applications for electric vehicles are increasing with the introduction of 1-seat neighborhood vehicles of relatively low price.

**VEHICLES INTRODUCED WITH CEV SUBSIDY**



- \* Vehicles to be subsidized**
- EVs and HEVs newly purchased and registered by local governments, corporation, and the other users who use the vehicles for business including commute.
  - Excluding vehicles as follows: taxies, motor cycles, industrial vehicles, and vehicles acquired by their manufacturers or sales affiliate

**UPPER LIMITS OF SUBSIDY BY VEHICLE IN FY2003**

Vehicles	Price of vehicle	Price difference	Amount of subsidy
<b>ELECTRIC VEHICLES</b>			
Mitsuoka CONVOY88	888,000	452,000	210,000
Araco Everyday Coms	685,000	300,000	140,000
CQ QUNO	1,290,000	428,000	200,000
Zero Sports Elexceed RS	1,980,000	975,000	380,000
Nissan Hypermini	3,500,000	2,556,000	940,000
Daihatsu Hijet van EV	2,900,000	2,092,000	800,000
<b>HYBRID VEHICLES</b>			
Toyota Prius	2,150,000	444,000	210,000
Toyota Estima Hybrid	3,350,000	500,000	240,000
Honda Insight	2,180,000	487,400	230,000
Honda Civic Hybrid	2,090,000	482,000	230,000
Suzuki Twin Hybrid	1,290,000	545,000	240,000
Toyota Coaster Hybrid EV(EX)	14,550,000	9,360,000	4,510,000

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**MAJOR SUBSIDIZATION PROGRAMS FOR CLEAN ENERGY VEHICLES**

METI	<b>Clean Energy Vehicles Introduction Project</b>	<ul style="list-style-type: none"> <li>• Purchase subsidy: Up to 50% of the incremental cost of a clean energy vehicle (electric, CNG, Methanol, and hybrid vehicles)</li> <li>• Subsidy for the establishment of CEV refueling facilities FOR Purchasers of a CEV including individuals; Fuel suppliers</li> </ul>
	<b>Promotion of Local New Energy</b>	Subsidize 50 % of project costs for advanced efforts for the promotion of new energy such as mass introduction of CEVs FOR Local governments
ME	<b>Subsidization for Low-Pollution Vehicle Diffusion Programs</b>	<ul style="list-style-type: none"> <li>• Purchase subsidy: For introduction of more than 5 vehicles, up to 50% of the incremental cost of a CEV</li> <li>• 50% of establishment costs for CEV fueling facilities FOR Local governments covering a specific area controlled under the Automobile NO<sub>x</sub> Law or under the pollution control program.</li> </ul>
	<b>Environmental Improvement Projects</b>	Fixed amount of subsidy for purchase or lease of a CEV EV: ¥8.85 million/microbus, ¥3.4 million/compact car, ¥150,000/scooter HV: ¥8.46 million /refuse truck, ¥3.74 million /truck, ¥3.67 million /bus FOR Local governments
		Fixed amount of subsidy for purchase or lease of a CEV (Half of the amount of subsidy for the local governments.) FOR Private businesses
MLIT	<b>Subsidy for low-pollution vehicle promotional measures</b>	Purchase subsidy: Up to 50% of the incremental cost of a low-pollution buses and trucks For Bus and truck companies in areas controlled under the Automobile NO <sub>x</sub> Law or under the pollution control program.
	<b>Demonstration project for New Road Measures</b>	Funding demonstration projects for low-pollution vehicles including car-sharing and station car.

## TAX INCENTIVES

### DISCOUNT ON THE AUTOMOBILE TAX

#### Tax incentive for fuel efficient and low emission vehicles (Green taxation plan)

<b>DISCOUNT RATES</b>	<b>Electric, Fuel Cell, CNG and Methanol vehicles</b>	50 % discount
	☆☆☆ fuel efficient vehicles	(for 1 year)

Three stars vehicle: Emissions(NOx, HC) reduced from the standard by 75 %

### DISCOUNT ON THE AUTO ACQUISITION TAX

#### Purchase of clean energy vehicles (electric vehicle, CNG vehicle, methanol vehicle and hybrid vehicle)

<b>DISCOUNT RATES</b>	<b>Electric, Fuel Cell, CNG, and Methanol vehicles</b>	2.7 % discount
	Hybrid truck and bus	
	Hybrid passenger car	2.2% discount
	☆☆☆ fuel efficient vehicles	deduction of 300000 yen

[e.g.] EV for private use: 5%→2.3%  
Hybrid passenger car for business use: 3%→0.8%

### BUSINESS TAX CREDIT

#### (1) Purchase of clean energy vehicles for business use

#### (2) Establishment of fueling facilities for CNG and Methanol vehicles

<b>INCENTIVES</b>	Selection from A and B <b>A.</b> 30% special depreciation for the initial year <b>B.</b> 7% business tax credit (for corporations capitalized at less than 100 million yen.)
<b>TERM</b>	Until March 31, 2002

### EXEMPTION FROM THE PROPERTY TAX AND SPECIAL LAND POSSESSION TAX

#### Establishment of fueling facilities for electric, CNG and methanol vehicles

<b>INCENTIVES</b>	(1) Special standard of assessment for property tax Reduce the standard of assessment to two thirds for newly established refueling facilities (for a facility of 20 million yen or more) (2) Exemption from special land possession tax
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