



Australian Government
**Australian Renewable
Energy Agency**

ARENA

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Department of Infrastructure, Transport, Regional
Development, Communications and the Arts
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Attention: Director, Fuel Efficiency Standards—Surface
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To whom it may concern,

ARENA Submission to the Fuel Efficiency Standard Consultation

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the department) has released a consultation paper to obtain comments and suggestions from the community, vehicle suppliers, environmental groups, other government agencies, and anyone else that has an interest on the design of the Fuel Efficiency Standard (FES).

About ARENA

ARENA was established to make renewable energy solutions more affordable and to increase the supply of renewable energy in Australia.

ARENA provides financial assistance to support innovation and the commercialisation of renewable energy and enabling technologies by helping to overcome technical, regulatory and commercial barriers. A key part of ARENA's role is to collect, store and disseminate knowledge gained from the projects and activities it supports for use by the wider industry and Australia's energy market institutions.

ARENA's interest in transport

Announced in 2022, the Government's Driving the Nation Fund provides \$500 million to invest in cheaper and cleaner transport. This funding builds on the former 'Future Fuels Fund' (established in 2020), targeting support for business fleets, new technologies for heavy and long-distance vehicles, public charging and hydrogen refuelling stations and smart charging. We provide funding under the Driving the Nation Program to initiatives aligned with these objectives.

ARENA supports the initiative

We support a FES as we agree that one of the key barriers to decarbonising transport is to secure supply of low and zero emission vehicles (ZEV). Recent surveys indicate that most car users in Australia would consider buying an electric vehicle as their next car. However, we have heard from vehicle original equipment manufacturers (OEMs) that, when compared to regions with a fuel efficiency standard, Australia is not a priority market under consideration when releasing their latest models. For example, none of the 212,000 ZEVs Volkswagen sold worldwide in 2020 were available for sale in Australia.



Given the potential global bottleneck in ZEV supply from 2025-2030, Australia will be in tight competition with other countries for the supply of electric vehicles, particularly those in the right-hand drive (RHD) market, currently dominated by players such as Audi, BMW, BYD, and Hyundai.

Since ZEVs will tend to be supplied to countries where there is higher levels of structural support and demand, Australia must adopt policies that make it competitive. A strong FES appears to be effective in encouraging car makers to increase the share of ZEVs in countries where they have been adopted. The standards themselves are being considered/monitored and introduced/adjusted in all vehicle markets and Australia needs to get in step (and remain in step) to remain competitive in the global supply of EVs and realise its targets for cheaper and cleaner transport and overall emissions reduction targets.

We have three suggestions on the design details of the FES. We think:

- other RHD markets are a relevant group when determining an appropriate emissions level limit
- beginning with a softer standard in the first year is preferable to delaying it
- V2X capability should be considered as a bonus credit for new/innovative technologies.

Other RHD markets a good grouping to consider when establishing emission limits

Charts 1 and 2 in the consultation paper (section 5.1) provide a guide for falling into line with the demand for ZEVs worldwide. We suggest creating two more charts using the same data for RHD markets only might be useful. Given the relatively small size of RHD markets (~13%), examining them alongside the super set might help when considering an appropriate emission limit trajectory for Australia.

Japan, India, Australia and New Zealand are included in the charts. If there are no other countries implementing or contemplating their own emission limits, a chart of just these four countries would show that India and Japan are setting the benchmark for the RHD markets.

A softer trajectory upfront is preferable to a longer delay

The question as to how swiftly the average annual emissions ceiling should fall is related to the question concerning when the FES should start, contained in section 5.4 of the consultation paper. Notwithstanding our first point, when thinking about when the FES should start, we have a few thoughts:

- Experience with the safeguard mechanism to date suggests nothing will change until regulations force a change to BAU
- Any delay in implementing the FES must be made up with a steeper trajectory to achieve the same outcome
- Making the trajectory easier at the beginning reduces the steepness that would otherwise be necessary from a delay
- Beginning softer but sooner provides more opportunity to amend the policy in response to lessons, adjustments we expect will be necessary for Australian conditions and changing market and policy conditions, worldwide.

Accordingly, we think a sooner but softer start is preferable to a delay.

V2X capability should be considered as worthy of bonus credit

We note section 5.3 raises the question of bonus credits for new/innovative technologies. We think that vehicle to everything (V2X) charging is an innovation that should be encouraged due to the potential for it to reduce emissions in a variety of non-vehicle-related ways. Accordingly, we think



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vehicles with V2X capability could be worthy of a bonus credit until such time as this capability becomes the norm.

Contact information

ARENA is happy to support the consultation by providing further information on relevant projects within our portfolio. Please contact [REDACTED] if we can be of any further assistance.

Yours sincerely,

Rachele Williams
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