

Response to the Discussion Paper

The Fuel Efficiency Standard – Cleaner, Cheaper to Run Cars for Australia

Thank you for releasing *The Fuel Efficiency Standard – Cleaner, Cheaper to Run Cars for Australia* Consultation Paper and the opportunity to comment on it. The views expressed below are those of a private citizen and motorist with an interest in a topic that should have been address long ago. Australia has been a real laggard as far as Fuel Efficiency Standards are concerned.

In many ways, I am surprised that government is releasing yet another paper on Fuel Efficiency Standards but, given the history, that seems to be par for the course. I really hope that this time we will progress beyond the 'Discussion Paper' stage and actually legislate for change. Emissions in the transport sector need to be rapidly reduced if the government's GHG emission reduction target is to be met.

History

The current Prime Minister, Anthony Albanese, has had an interest in vehicle fuel consumption and fuel efficiency since at least 2008 when labelling for fuel consumption was introduced. As Minister for Transport and Infrastructure, Mr Albanese released a discussion paper on Vehicle Fuel Efficiency Standards. This paper did not set targets but asked the industry and the community to help shape the new standards with the expectation that standards would be introduced from 2015.¹

In 2015 the Coalition Government established the Ministerial Forum on Vehicle Emissions and a Vehicle Emissions Discussion Paper was released on 11 February 2016. This paper suggested an initial fleet average fuel efficiency / CO₂ emission target of 105g/km for the light transport fleet and would have been a worthwhile initiative had it been introduced. However, that did not occur.

On 24 July 2020 the Federal Chamber of Automotive Industries introduced a voluntary CO₂ emissions standard which had a targeted average reduction of 4% per annum for Passenger Cars and Light SUVs between 2020 and 2030. The scheme also had a feature of forward credits and debits which are a feature of USA regulation. It appears the voluntary standard did not work and, as I understand it, the FCAI would have preferred the government to have introduced a mandated standard.

Labor again proposed fuel efficiency standards ahead of the 2019 election, but after a Coalition scare campaign had labelled the policy a 'war on the weekend', Anthony Albanese dumped the pledge late in 2021.

I am pleased that the current government is now taking a more serious look at this issue.

¹ <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22library/prspub/2553051%22>

General Comments

Various governments have kicked the Fuel Efficiency can down the road now for about 15 years. We cannot afford to do this any longer. Climate Change is a reality - this made clear with the recent announcement that average global temperatures are likely to exceed 1.5°C by 2027. Many people are concerned, as this is likely to result in more severe disruptive weather events as a minimum.

It is now time for the government to mandate a Fuel Efficiency Standard that will be effective in making a significant reduction in CO₂ emissions in the transport sector over a relatively short period of time.

The government needs to act by:

- Mandating tough Fuel Efficiency Standards as a matter of urgency. If emissions are to be significantly reduced in the transport sector, then the government can no longer afford to be led by the nose by the industry to suit their own agenda. The Australian industry needs to change in line with major overseas countries, including the UK, EU, USA, and New Zealand.
- Fuel Efficiency and Vehicle Emission Standards must be rigorous. The standard of fuel needs to be such that it can accommodate low emissions vehicles being manufactured overseas. No tricky accounting to allow debits, credits and offsets to suit the local automotive industry must be permitted. The primary concern must be to produce genuine emissions reductions in the transport sector.
- The sale of all new vehicles should be mandated to be zero-emissions, preferably by 2035, but certainly by 2040 (as is likely to be the case in New Zealand). This will create a second-hand market for low-emissions vehicles much sooner.
- Separately, the government should consider a net-zero transport target by 2050.² Countries including EU, UK, Canada, New Zealand and Fiji have already made this pledge.

² <https://www.iea.org/reports/global-ev-outlook-2021/policies-to-promote-electric-vehicle-deployment>

Response to Questions

GENERAL Starting emissions level limit and approach

- What principles should we consider when setting the targets?

Because Australia is so far behind the eight-ball on fuel efficiency standards, the government needs to apply a principle of adopting best practice as soon as practicable. We need to aim to catch-up to the standards adopted by major overseas countries by 2030 at latest. Climate change is up there in red lights and we can't afford to be pussy-footing around on this issue any longer. We will continue to be a dumping ground for high emitting vehicles if we do not get our act together and get cracking soon.

1. *After consultation set a mandatory target;*
2. *Industry needs to realise that change is inevitable. It then needs to prepare for and make the transition quickly. It has been done / is being implemented in New Zealand – it can be done in Australia;*
3. *Crack on at full speed. Given the accelerating pace of climate change there is no time to waste!*

TECHNICAL Starting emissions level limit and approach

- What should Australia's CO₂ FES target be?

I see no reason why Australia's CO₂ Fuel Efficiency Standard (FES) should not at least be similar to those mandated by the EU, USA and New Zealand. If New Zealand can set a standard of 63g/km by 2027 for passenger cars (85g/km for commercial vehicles), then Australia should be able to do so. After all, we are importing cars from overseas.

- How quickly should emissions reduce over what timeframe?

Looking at Chart 1 of the Consultation Paper, it should be possible to aim for Australia to set a standard in the range of 50-60 g/km for passenger vehicles by 2030. This would be in keeping with the proposed trajectory for cars in the EU and New Zealand. Australia should also aim for zero emissions for passenger vehicles by 2050.

- Should the Australian FES start slow with a strong finish, strong start, or be a straight line or take a different approach?

Because Australia's fuel emissions are so high, there is a need to start to with a strong start in order to catch up to international standards (USA, EU, NZ). Australia is not a 'special case' and the fact that we have been slow to implement Fuel Efficiency Standards is no excuse.

TECHNICAL Attribute -based emissions limit curve

- Should an Australian FES adopt a mass-based or footprint-based limit curve?

As I see it, Australia should adopt a footprint-based limit curve. I understand that in the ACT vehicle registration charges will be based on vehicle emissions footprint. Having said that, care needs to be taken to ensure that the supply of small efficient vehicles is not disadvantaged (as in the USA). Smaller cars are generally cheaper and it is fair that any cost advantage should go to smaller vehicles that people can afford.

TECHNICAL Multiple targets

- Should an Australian FES adopt two emissions targets for different classes of vehicles?

Given that international peers in US, EU, UK and New Zealand have opted for a dual target system, one wonders why Australia would not adopt a similar approach. Also, it is noted that the Australian Automotive Dealers Association (AADA) has said 'it is important that emissions intensity for passenger cars and light SUVs (MA category) and heavy SUVs and light commercial vehicles (MC +NA category) are assessed separately and collectively. One wonders if this might just be a self-serving statement from the AADA, in which case I'd be inclined to ignore it. I don't think we should be necessarily aiming to accelerating the sales of large 4-wheel drive vehicles and LCVs.

So, on balance, I suggest having a single emissions target for all classes of vehicles. Australia is so far behind the 8-ball that we cannot afford to risk eroding emission standards under the Fuel Efficiency Standard. While I am sure the AADA will disagree, the government has an obligation to reduce emissions as fast as is practicable in the transport sector.

- Is there a way to manage the risk that adopting two targets erodes the effectiveness of an Australian FES by creating an incentive to shift vehicles to the higher emissions LCV category.

Not that I can presently see, but if a cogent argument can be put forward to manage the risk, then the government should consider it. The priority must be to maximise overall emissions reductions as quickly as practicable.

- Are there any other policy interventions that might encourage more efficient vehicle choices?

Yes!!

The government could set the tone by ensuring that all federal government light-fleet vehicles are zero-emissions by 2030 at the latest. The Tasmanian government has set such a target. IF Tasmania can do it, I see no reason why the Federal Government could not do so, apart from lack of political will.

The government should set a target date for the uptake of low-emission vehicles.

The Northern Territory, South Australia and Victoria seem to have set targets of something like 50% reduction in emissions or 50% of ZEVs by 2030. It would make sense to have a similar harmonised target for all of Australia.

The government should set a target date for the phase out of fossil fuel vehicles. Many countries including Japan, USA, and EU are looking at phasing out fossil fuel cars by 2035. The Korean government has been advised to hike diesel taxes and ban fossil fuel cars by 2035. The New Zealand government appears poised to introduce a ban on the import and sale of internal combustion vehicles by 2040. I see no reason why Australia should not set a phase out date of 2040 at the latest (and sooner, if possible, at least in the light transport fleet) for fossil fuel vehicles.

TECHNICAL Credit banking, transferring and pooling

- To what extent should the Australian FES allow credit banking, transferring and/or pooling?

My personal view is that we are starting so far behind the pack that the government should not allow a credit banking, transferring and/or pooling arrangements. As mentioned in the Discussion Paper, "Cases of vehicle suppliers failing to comply with FESs are exceptionally rare". The government needs to place pressure on the Industry (the manufacturers / distributors) and not let Industry drive the agenda to suit their own interests, as appears to have largely been the cause thus far.

- Should credits expire? In what timeframe?

This will not be an issue if credits are not permitted.

TECHNICAL Multipliers for LZEVs

- Should an Australian FES include multiplier credits for LZEVs?

No! Multiplier credits for LZEVs should not be allowed! As mentioned in the Discussion Paper Multiplier credits "risks providing a vehicle which would have been provided without this incentive, i.e. providing a credit for business as usual." This is analogous to providing paying people to not cut down trees that they would not have cut down anyway. There is no need to toady to the motor vehicle industry. If they want to sell into the Australian market, they do so under terms set up by the government. In any case, most manufacturers will be supplying vehicles into the (smaller) New Zealand market.

- Should the Government consider any other approach to incentivising the supply and uptake of LZEVs.

Yes – by all means. The Australian government can follow the leads adopted by other countries. One prominent manufacturer of hybrid-electric cars has been a laggard in getting up the EV curve in Australia and is seemingly wanting 'cut-outs' for loopholes such as 'super credits' and 'off-cycle credits' that can obscure manufacturer's true emissions. This manufacturer produces plug-in electric vehicles which are available in overseas countries, but not in Australia. This manufacturer's encouragement should be that the government does not cave into their demands, just to preserve their market share of fossil-fuel vehicles, albeit mainly hybrid vehicles. This manufacturer could supply plug-in hybrids if they wish and this would assist in lowering the carbon footprint of its vehicles in Australia.

TECHNICAL Off-cycle credits

- Should an Australian FES include off-cycle credits for specified technologies?

No! Having read the Advantages and Disadvantages in the Discussion Paper and, as a consumer, the likely complexity and uncertainty for consumers about the specific performance of vehicles should not be entertained. Off-cycle credits are just a loophole to obscure true vehicle emissions.

- Should the Government consider any other form of off-cycle credits for an Australian FES?

No. It is noted that credits for off-cycle credits are considered separately in other markets (eg EU and USA). I see no reason why Australia should be different – it will just be ‘frigging around the edges compared to the main emissions reductions due to fuel efficiency standards. We are trying to adopt a Fuel Efficiency Standard, and that’s what we should concentrate on.

TECHNICAL Air conditioning refrigerant gas credits

- Should an Australian FES include credits for using low global warming potential air conditioning refrigerants, and if so, for how long should this credit be available.

No. It is noted that credits for low global warming air conditioning refrigerants are considered separately in other markets (eg EU and USA). I see no reason why Australia should be different – we are trying to introduce a Fuel Efficiency Standard. Issues related to refrigerants should be mandated separately as for all air conditioners. I do not see vehicles as being a special case. Any manufacturer that might want carve outs for air conditioning refrigerants, is only trying to ‘muddy the waters’.

- Could the issue of high global warming potential refrigerants be better dealt with by another policy or legislative framework?

Yes. Include vehicles air conditioning refrigerants along with general air conditioners.

- If such a credit is permitted, should the emissions target be lowered to ensure customers realise the fuel cost savings and LZEV availability benefits of a FED?

No. While low global warming potential refrigerants (such as CO₂) are efficient, I am not sure that the increased efficiency would result in significant fuel savings. In any case, how would this be assessed? Air conditioning use is variable depending on location / temperature. It is simpler and more straight forward not to allow bodgie credits. Any party trying to push this line is just trying to ‘muddy the waters’ and is not really serious about Fuel Efficiency Standards.

TECHNICAL When should a FES start?

- When should a FES start?

As soon as reasonably practicable (within 12 months of legislation, if at all possible). If there are issues in dealing with 'fuel' standards within a reasonable timeframe, then average fleet CO₂ emissions could be addressed by an accelerated uptake of low-emission vehicles onto the Australian market.

- How should the start date interact with the average annual emissions ceiling?

Unable to comment.

- Should the Government provide incentives for the supply of LZEVs ahead of a FES commencing? If so, how.

Yes. Follow the lead of other countries, including New Zealand. We need to get LZEVs up the curve as soon as practicable – even ahead of a fuel efficiency standard. Incentives, including cost penalties on new fossil-fuel vehicles and discounts on LZEVs could be considered to kick the industry along. New Zealand's Clean Car Discount Rebates and Fees for new vehicles is an example.³

TECHNICAL Penalties for each gram per kilometre

- What should the penalties per gram be? Would penalties of AUD\$100 per gram provide a good balance between objectives? What is the case for higher penalties?

This is a judgement call. No doubt the industry will want it as low as possible which would effectively be 'business as usual'. A price of ~\$A100-120 per excess gram per km sounds a reasonable compromise – the EU price of €95 g/km equates to \$A156.

TECHNICAL – Small Volume and niche manufacturer

- What, if any, concessional arrangements should be offered to low volume manufacturers and why? If so, how should a low volume manufacturer be defined.

I don't think any concessional arrangements should be offered to low volume manufacturers. This is probably just fiddling around the edges because of low volume. We need to concentrate on the main game – higher volume and higher emitting vehicles.

³ <https://www.transport.govt.nz/area-of-interest/environment-and-climate-change/clean-cars/>

TECHNICAL – Other

- Should an Australian FES WLTP test results in anticipation of the adoption of Euro 6 and if so, what conversion should be applied to existing NEDC test results, or how might such a factor be determined?

This is a technical question, and as a lay-person I am not well placed to answer it from a technical perspective. However, as a consumer I would be inclined to want data that more accurately reflects fuel consumption on the road. So WLTP results would appear to appropriate. However, if quasi-WLTP results are to be derived from NEDC results, then it would be fair to state that these are derived results and the NEDC result should be listed also.