



JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION, INC.

Tokyo, 31 May 2023

**JAMA response to the Australian Government's
"The Fuel Efficiency Standard—Cleaner, Cheaper to Run Cars for Australia"
Consultation paper**

The Japan Automobile Manufacturers Association, Inc. (JAMA) is a non-profit industry association which represents the interests of Japan's fourteen automobile manufacturers.* We appreciate the invitation to comment on the Australian Government's consultation paper referred to above.

*Daihatsu Motor / Hino Motors / Honda Motor / Isuzu Motors / Kawasaki Motors / Mazda Motor / Mitsubishi Motors / Mitsubishi Fuso Truck and Bus / Nissan Motor / Subaru / Suzuki Motor / Toyota Motor / UD Trucks / Yamaha Motor

Our planet is today experiencing the impacts of climate change and facing other pressing global environmental challenges. For automakers around the world, decarbonising road transport is a shared goal to which they are committed.

The International Organisation of Motor Vehicle Manufacturers, or OICA, of which JAMA is a member, has asserted the need for flexibility through multiple, technology-open approaches in order to provide practical and sustainable pathways to carbon neutrality by 2050 for all nations. In April this year, JAMA issued a statement, together with automobile manufacturers' associations in other countries, reaffirming this stance in regard to achieving carbon neutrality in road transport by the middle of this century.

For their part, JAMA member companies, in tandem with their global stakeholders, are and will be making maximum efforts to achieve carbon neutrality by 2050 by developing technologies to further reduce automotive CO₂ emissions and providing consumers worldwide with optimal choices towards that end. JAMA members are in fact making progress in decarbonising globally, and in Australia they are committed to addressing the challenges involved in order to contribute to the Australian Government's policy objective of achieving net zero emissions by 2050.

In promoting carbon neutrality in road transport, we adhere to the principle that measures should be implemented taking into account the energy situation as well as specific customer requirements in each country, which are factors that vary from country to country. Your government's proposal on fuel efficiency standards, we believe, has been carefully tailored to the situation in Australia.

In establishing fuel efficiency standards, JAMA requests that measures be taken to ensure that all

relevant factors can be reviewed as necessary and in a timely way. In particular, rapid growth in the use of battery electric vehicles depends on the reliable, large-scale development of the requisite charging infrastructure. Moreover, in view of the risk of investment/provisions for infrastructure development failing to keep pace with BEV demand, we would expect the government to have in place appropriate legislation that would enable expansion of the necessary infrastructure so that brakes would not have to be put on projected LZEV sales rates.

Based on the foregoing remarks, JAMA respectfully submits in the attachment herewith our specific comments in response to the questions posed in the Australian Government's Fuel Efficiency Standard consultation paper. We hope our comments will be taken into account in the process of legislative formulation by your government and thank you very much for the opportunity that has been extended to us to convey our views.

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Submission-related information

(per the request of the Australian Government's Department of Infrastructure, Transport, Regional Development, Communications and the Arts)

Contact: Japan Automobile Manufacturers Association, Inc.

[REDACTED]

Details: [REDACTED]

E-mail: [REDACTED]

Publish: YES / ~~NO~~

General questions

Re 4. Principles for Setting a Fuel Efficiency Standard: Guiding principles

Q. Are these the right guiding principles? Are there other principles that you think we should keep in mind?

A. JAMA agrees with the policy itself.

JAMA hopes the Australian Government will carefully consider the specific level and adoption schedule of an FES through discussions with the industry.

Re 4.1 Design assumptions

Q. Are there any design assumptions that you think will put at risk the implementation of a good FES for Australia?

A. If the regulation is made far stricter than the FCAI's current voluntary regulation, it is anticipated that costs would increase due to electrification and/or the implementation of technologies for improved performance, which would have an economic impact that would make it difficult for manufacturers to offer products to users at affordable prices and furthermore incur the risk that manufacturers may become unable to meet user needs because of the narrowing of product lineups. JAMA therefore considers that a careful discussion of the regulatory level is necessary.

Q. Are the exclusions for military, law enforcement, emergency services, agricultural equipment and motorcycles the right ones?

A. JAMA thinks those exclusions are correct.

Re 5. FES Design Features: FES design features

Q. Are there any particular FES features that you think we need to take particular care with?

A. In the process of formulating the FES, JAMA requests that close attention be paid to the following:

-Reference value

-Ensurance of flexibility to achieve goals

-Favorable treatment for small-sized manufacturers

-Starting (enforcement) year

-Items for and frequency of interim evaluation

Re 5.1 The average annual emissions ceiling: Starting emissions level limit and approach

Q. What principles should we consider when setting the targets?

A. When setting targets, JAMA requests that the following factors be taken into consideration:

-Reference value

-Appropriate lead time and starting (enforcement) year

-Treatment of fuel cell vehicles (FCEVs), vehicles with hydrogen internal combustion engines and CN fuel vehicles

Re Adjustments of limit level

Q. How many years ahead should the Government set emissions targets, and with what review mechanism to set limits for the following period?

A. JAMA hopes emissions targets will be set for at least five years ahead, taking into account appropriate lead time.

When establishing regulatory values for the subsequent period, we request that the following be taken into consideration:

-Reference value

-Compatibility with the emissions regulation's test cycle, starting (enforcement) year

-Items for and frequency of interim evaluation

Q. How should the Government address the risks of the standard being found to be too weak or too strong while it is operating?

A. JAMA endorses the conduct of appropriately timed interim evaluations for that purpose, to reconsider pertinent items as needed.

Technical questions

Re Starting emissions level limit and approach

Q. What should Australia's CO₂ FES targets be?

A. JAMA requests that an Australian FES not significantly divergent from the FCAI's voluntary regulation be introduced based on customer preferences and requests and market analysis results.

Q. How quickly should emissions reduce over what timeframe?

A. JAMA hopes the regulation will be formulated on the basis of a close monitoring of global trends in fuel efficiency improvement, the extent of the introduction of infrastructure, and the progress of market development.

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

A. If the FES is based on a "start strong" approach, automakers will not be able to comply with the regulation in time and consumer options may be limited. For this reason, a "slow start" approach is preferable.

Re Attribute-based emissions limit curve

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

A. A mass-based limit curve in response to the global standard is recommended.

Q. If Australia adopts a mass-based limit curve, should it be based on mass in running order, kerb mass, or another measure?

A. Test reference weights in accordance with the WLTP are recommended.

- Q. Should Australia consider a variant of the New Zealand approach to address incentives for very light and very heavy vehicles? If so, noting that new vehicles that weigh under 1,200 kg are rare, where should the weight thresholds be set?
- A. In view of regulatory levels and actual market data, we believe that an approach similar to that of New Zealand should be considered, if and as needed.**

Re Multiple targets

- Q. Should an Australian FES adopt two emissions targets for different classes of vehicles?
- A. JAMA favours separate regulatory values established in accordance with different classes as per the global standard and the FCAI's voluntary regulation.**
- Q. 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 vehicle sales to the higher emission LCV category?
- A. JAMA thinks there is no risk.**
- Q. Is there anything else we should bear in mind as we consider this design feature?
- A. No comment.**
- Q. Are there other policy interventions that might encourage more efficient vehicle choices?
- A. JAMA would like the Australian Government to consider introducing a continuous incentive program that would encourage the purchase of vehicles with high environmental performance.**

Re 5.2 Additional flexibility mechanisms to minimise impacts on consumers: Credit banking, transferring and pooling

- Q. To what extent should the Australian FES allow credit banking, transferring and/or pooling?
- A. JAMA requests that credit banking be adopted to facilitate companies' regulatory compliance and vehicle introduction plans. JAMA also requests the acceptance of credit transfers between categories.**
- Q. Should credits expire? In what timeframe?
- A. There should be no expiration of credits.**

Re 5.3 Bonus credits for new/innovative technologies: Multipliers for LZEVs

(Note: The following four questions appear on page 24 in the consultation paper text; they do not appear in Attachment A.)

- Q. Should an Australian FES include multiplier credits for LZEVs?
- A. JAMA believes that the inclusion of multiplier credits in the early stage of introducing the FES would be effective in increasing LZEV sales by manufacturers.**
- Q. If so, what level should the multipliers be, should they apply equally to both classes of vehicle (if adopted) and for how long should they apply?
- A. JAMA thinks multipliers of twice to four times are reasonable.**
- Q. Should the total benefit available from these credits be capped?
- A. There is no need to set upper limits.**

- Q. If not, should the Government consider another approach to incentivising the supply and uptake of LZEVs?
- A. **JAMA would like the Australian Government to consider introducing a continuous incentive program that would encourage the purchase of vehicles with high environmental performance.**

Re Off-cycle credits

- Q. Should an Australian FES include off-cycle credits for specified technologies?
- A. **JAMA requests that off-cycle credits also be included in the FES because the FCAI voluntary regulation permits them.**
- Q. If so, should the per-vehicle benefit be capped and how should an Australian FES ensure that off-cycle credits deliver real emissions reduction?
- A. **To encourage the advancement of off-cycle technologies, there is no need to set upper limits. Furthermore, the off-cycle credits under the FCAI voluntary regulation are determined by verifying the effectiveness of each off-cycle technology in reducing CO₂ emissions. Therefore, JAMA thinks there will be no problem if the framework is introduced as is.**
- Q. Should the Government consider any other form of off-cycle credits for an Australian FES?
- A. **No comment.**

Re Air conditioning refrigerant gas credits

- Q. 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?
- A. **JAMA requests that credits for such air conditioning refrigerants be included. With regard to the period of credit applicability and in view of Australia's being a party to the Montreal Protocol, JAMA considers that no credits will be required after the switchover of refrigerants is completed.**
- Q. Could the issue of high global warming potential refrigerants be better dealt with by another policy or legislative framework?
- A. **The issue of refrigerants with high global warming potential should be addressed within the frameworks of the Montreal Protocol and the Kigali Amendment; JAMA would like to see the results of the discussion reflected in the credits policy adopted by the FES.**
- Q. If such a credit is permitted, should the emissions target be lowered to ensure consumers realise the fuel cost savings and EV availability benefits of a FES?
- A. **Credits are for actual fuel efficiency improvements that cannot be identified in the test cycle; emissions targets should not be lowered on the assumption that a credit is acquired.**

Re 5.4 When should a FES start?: When should a FES start?

- Q. When do you think a FES should start?
- A. **At least five years after compatibility between the test cycle for emissions regulation and the FES is achieved.**
- Q. How should the start date interact with the average annual emissions ceiling?

A. If the regulatory level is very stringent compared to the FCAI's voluntary regulation, JAMA requests that a more appropriate lead time up to enforcement be secured.

At any rate, since test results for CO₂ emissions vary depending on the test cycle applied, JAMA requests that a specific enforcement date be established only after test cycle compatibility is achieved.

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

A. JAMA requests that ZLEV CO₂ emissions be treated as 0g and that multiplier credits be introduced as in other countries. With regard to the coefficients of multiplier credits, JAMA thinks coefficients roughly 10 times higher will be required at the start of FES enforcement in order to promote the diffusion of LZEVs on the assumption that the coefficients will be gradually lowered. JAMA believes that the more stringent the regulation, the more incentives are needed because the widespread use of LZEVs is the key to achieving goals.

Furthermore, in order to promote not only the wider diffusion of LZEVs but also improved fuel efficiency, JAMA would like the Australian Government to consider the application of CAFÉ calculation-related incentives for fuel-efficient vehicles that meet certain fuel efficiency criteria—which the FCAI's voluntary regulation includes—as well as incentives for the use of fuels such as CN fuel.

In addition to incentives, the expansion of charging infrastructure and financial support, such as purchasing subsidies, are considered indispensable for the widespread use of LZEVs.

Re 5.5 Penalties for non-compliance and enforcement mechanisms: Penalties for each gram per kilometre

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

A. No comment.

Re Small volume and niche manufacturers

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

A. In order to contribute to climate change mitigation without impeding choice diversity for Australian consumers, it is not appropriate to put small-sized manufacturers with insufficient resources in the same regulatory environment as large-sized manufacturers.

Small-sized manufacturers continue to meet user needs, and since small-sized manufacturers need time to develop products, JAMA considers it necessary that a certain grace period be extended to them while in the process of achieving their goals.

JAMA believes that small-sized manufacturers should be defined as such based on their annual sales volumes.

Re 5.6 Information disclosure: Information that suppliers will need to keep and supply

- Q. The Government is keen to ensure any regulatory administrative costs are kept to a minimum while ensuring that outcomes are robust. What should the department keep in mind in designing the system for suppliers to provide information and in relation to record keeping obligations?
- A. **Based on the VFACTS system currently used under the FCAI voluntary regulation, JAMA hopes the Australian Government will make the modifications necessary for the introduction of an FES and administer it after a sufficient trial period.**
- Q. What should the reporting obligations be? What information should be published and how regularly?
- A. **The entities subject to the regulation should publish about once a year the information needed to determine whether they comply with the FES.**
- Q. How long should suppliers keep required information?
- A. **JAMA thinks regulatory requirements in this regard should be in line with standard legal and regulatory practices in Australia.**
- Q. Is a penalty of 60 penalty units appropriate for this purpose?
- A. **No comment.**

Re 5.7 Governance arrangements and other matters: Other regulatory mechanisms

- Q. Should the regulator be the department? What other options are there?
- A. **No comment.**
- Q. How should the regulated entity be defined in an Australian FES?
- A. **Since the relationship between an OEM and its distributor/s (occasionally more than one) is complicated, the definition of entities subject to FES regulation should be carefully discussed and clearly established.**
- Q. What reasons are there to depart from the standard regulatory tool kit for an Australian FES?
- A. **No comment.**
- Q. Should an Australian FES use 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?
- A. **JAMA requests that an Australian FES be adopted after the switch to the WLTP emissions test method.**
By doing so, the conversion from NEDC will become unnecessary, and efficient certification acquisition can be expected.
