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ATTN: Director, Fuel Efficiency Standards
Surface Transport Emissions and Policy Division
Department of Infrastructure, Transport, Regional Development, Communications and the Arts
GPO Box 2154
CANBERRA ACT 2601

cleanercars@infrastructure.gov.au

To the Director, Fuel Efficiency Standards – Surface Transport Emissions and Policy Division

**Submission to the Fuel Efficiency Standard – Cleaner, Cheaper to Run Cars for Australia:
Consultation paper**

Please find attached a submission to the Fuel Efficiency Standard – Cleaner, Cheaper to Run Cars for Australia: Consultation paper.

As the largest mutual in Australia with more than 2.7 million Members, the NRMA works with government, industry and community to advocate for continued improvements to Australia's policy settings to ensure safety, efficiency and equitability.

Through collaboration, the NRMA prioritises ensuring that mobility networks and associated infrastructure and services are considered holistically to improve planning, utilisation and productivity.

Should further information on the NRMA's submission be required, please do not hesitate to contact me at [REDACTED]

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Submission to the Fuel Efficiency Standard – Cleaner, Cheaper to Run Cars for Australia: Consultation paper

National Electric Vehicle Strategy

EVs are in the final stages of transitioning to become more than a competitive rival to the mature and well-established internal combustion engine vehicle.

In the coming years, the cost and infrastructure obstacles which have kept EVs exclusive and beyond the reach of mainstream consumers are likely to disappear.

The moment has arrived for Australia to decide what role it wants to play as a manufacturer, researcher, supplier and consumer.

The NRMA has worked closely with government, industry and community over many years to improve policy settings and education pertaining to EVs. NRMA public policy documents can be found at www.mynrma.com.au/company/public-reports.

The NRMA submits that the economic and social opportunities associated with the transition to EVs extend far beyond light vehicles and the transport sector.

Benefits associated with transitioning to EVs include reducing CO₂ and noxious emissions, improving public health standards, lowering motoring costs, enhancing fuel and national security settings, and bolstering manufacturing and trade opportunities.

These opportunities will vary from jurisdiction to jurisdiction and are impacted by time and opportunity cost. The shift away from liquid fuel to electricity presents challenges, however it is critically important for Australia to prepare for these to minimise adverse impacts and maximise opportunity.

The rate of uptake of EVs is directly linked with many of the broad-based economic opportunities available.

In many ways, Australia is already at a disadvantage to jurisdictions that have a higher uptake of EVs and more supportive policies. Given the Australian market size for vehicles, the composition of the Australian fleet, and the fact Australia is a right-hand drive market, incentivising supply is currently the most pressing challenge to overcome in developing a self-sustaining EV market.

Health standards and fuel importation

A slower than optimal transition to EVs in Australia will delay realising improvements in Australian governments' health budgets and the opportunity to bolster liquid fuel security.

While subject to continuing research, epidemiological studies have presented increasing evidence over several decades of the negative health impacts air pollutants have on human beings, with motor vehicles being a significant contributor in urban environments.

The Electric Vehicle Council and Asthma Australia's Cleaner and Safer Roads for NSW report of 2019 found that emissions from internal combustion engine vehicles in Sydney/Newcastle/Wollongong creates \$3 billion in health costs every year, with more than 50 per cent of attributable pollutants coming from exhaust emissions. Similarly, past modelling by BITRE has presented the economic cost of internal combustion engine vehicles in the billions of dollars per annum.

In regard to liquid fuel, the vast majority of Australian vehicles consume petrol and diesel which are majority foreign sourced, making a key element of the economy vulnerable to price and supply shocks associated with the global oil market.

All forms of EVs reduce Australia's demand and reliance upon foreign oil as they replace the energy source with domestically produced alternatives, including renewables.

Australia currently imports more than 90 per cent of its liquid fuel need.

Mandated CO₂ standard

To support Australian governments meeting their Net Zero 2050 commitments and EV sales targets, the NRMA supports the introduction of a mandated CO₂ standard for new light vehicle sales.

A mandated CO₂ standard will incentivise EV supply to the Australian market to assist in realising state-based EV sales targets. The NSW Government aims to drive sales of EVs to more than 50 per cent of new car sales by 2030–31; the ACT Government aims to drive sales to 80–90 per cent by 2030.

Per vehicle kilometre travelled, the sales-weighted average emissions of new Australian light vehicles are among the highest in the world, given the composition of the new light vehicle fleet, current fuel quality standards and the lack of a mandated fuel efficiency standard.

As outlined in the Fuel Efficiency Standard – Cleaner, Cheaper to Run Cars for Australia: Consultation paper, on average, passenger cars in Australia emit 20 per cent more CO₂ than those in the USA.

A mandated CO₂ standard is one of only few available options in the transport sector that will ensure abatement across the whole Australian light vehicle fleet to support the broader economy in achieving Net Zero 2050.

Reducing emissions in the transport sector is vitally important and will play a significant role supporting legislated emissions reductions targets across the Australian economy and international commitments.

Standards for CO₂ emissions are an effective and responsible market-based mechanism to improve the environmental performance of the Australian light vehicle fleet.

In 2019, the Senate Select Committee on Electric Vehicles recommended the establishment of a new CO₂ standard, informed by those implemented in other developed countries and the findings of the Ministerial Forum on Vehicle Emissions (supported by analysis by BITRE).

The Australian Government's recent investment in the AAA's 'real-world' testing program will complement standards associated with emissions reduction.

In addition to reducing passenger and light commercial fleet emissions, measures to improve the fuel efficiency of vehicles will save consumers money on fuel and reduce Australia's reliance on importation.

Following the Australian Government's actions in 2022 to put downward pressure on the purchase price of EVs through the removal of FBT and the five per cent import tariff for eligible EVs, a mandated CO₂ standard is the obvious missing link that can help supply moving forward and further strengthen market signals.

The lack of a fuel efficiency standard in Australia has been highlighted by manufacturers of EVs as one of the key barriers to importation.

New vehicle models with improved fuel consumption, lower tailpipe emissions, and those utilising alternative energy sources are not currently being prioritised for the Australian market.

A CO₂ standard designed for the Australian market, along with improved fuel quality standards to facilitate the introduction of the international noxious emission regulation (Euro 6), would provide an incentive for vehicle manufacturers to offer models with the latest engine technologies that are more fuel efficient.

Aside from light vehicles, the NRMA commends the Australian Government's phased introduction of Euro VI standards for trucks and buses from 1 November 2024.

The NRMA supports government, industry and community working together to further explore opportunities to incentivise the early adoption of zero emissions heavy vehicles.

Designing a CO₂ standard – new light vehicle sales

The design of a fuel efficiency standard should acknowledge CO₂ levels of the current Australian light vehicle fleet while ensuring consistency with major international standards in a reasonable timeframe.

To support Australian governments meeting their Net Zero 2050 commitments, the NRMA supports the introduction of a mandated CO₂ standard for new light vehicle sales with the following initial attributes:

- Phased targets designed for the Australian market, progressively reducing to ensure consistency with major international fuel efficiency standards.
- Separate phased targets for Cars/SUVs (e.g. passenger and on-road SUVs) and Light commercials/4WDs (e.g. utilities and off-road 4WDs).
- Commencement of phased targets on 1 January 2025 (following the *Fuel Quality Standards (Petrol) Amendment Determination 2022*, limiting sulphur content in all unleaded fuels to 10ppm in 2024).
- Phased targets for >95 per cent of Cars/SUVs and >95 per cent of Light commercials/4WDs reducing to 0g/km by 2035.
- Overwhelming majority of manufacturer sales of new, carbon-emitting Cars/SUVs and Light commercials/4WDs in the Australian market from 1 January 2036 automatically subject to financial penalty.
- Flexibility for manufacturers to achieve mandated targets through several mechanisms between 2025 and 2035, including manufacturer- and group-wide targets.

Critically, phased targets must be ambitious to support a significant reduction in light vehicle emissions, but periodically reviewed (e.g. every three years) to ensure they remain appropriate, fit-for-purpose, and supportive of maximising vehicle choice for the consumer. Embedding a periodic review into a mandated CO₂ standard will ensure that EV supply is constantly incentivised while protecting consumers from potentially higher costs due to manufacturer non-compliance.

Phased targets aiming to reduce to 0g/km by 2035 (for >95 per cent of new light vehicle sales) support the submission by numerous policymakers and organisations, including the International Energy Agency, that by 2035, carbon-emitting light vehicle sales are effectively required to cease to support the broader economy in meeting Net Zero 2050.

This 15-year time period is designed to support the retiring of the overwhelming majority of carbon-emitting light vehicles sold up until 2035.

Recently, the European Union announced a commitment on a law to effectively ban the sale of new petrol and diesel light vehicles from 2035 (internal combustion engines running on e-fuels not included). The commitment also includes a 55 per cent cut in CO₂ for new light vehicles sold from 2030 compared to 2021 levels.

In Australia, the ACT Government has announced an effective ban on the registration of new petrol and diesel vehicles by 2035; the Independent Expert Panel for the Victorian 2035 Emissions Reduction Target has recommended the same.

CO₂ targets and credits

In regard to the development and setting of CO₂ targets to meet the ambition of >95 per cent of new light vehicles sales achieving 0g/km by 2035, the NRMA supports targets designed for the Australian market (i.e. targets that consider the current CO₂ output of the Australian light vehicle fleet).

However, to send a strong market signal and incentivise the supply of EVs and cleaner vehicles, phased targets for Cars/SUVs and Light commercials/4WDs must progressively reduce to ensure consistency with major international fuel efficiency standards in a reasonable timeframe; CO₂ targets that remain less stringent than those in major international markets will simply ensure that vehicle supply remains prioritised elsewhere.

The NRMA supports phased targets that:

- Through a mass-based limit curve, equally prioritises the supply of EVs and cleaner vehicles across all vehicle segments.
- Maximise vehicle choice for the consumer.
- Assist Australian governments to meet their Net Zero 2050 commitments and EV sales targets (approximately 50 per cent of new light vehicle sales by 2030).

In regard to manufacturer compliance with CO₂ targets, the NRMA supports flexibility for manufacturers to achieve mandated targets, including through manufacturer- and group-wide targets. The NRMA is not opposed to program credits, super credits or multipliers, provided they are used strategically and implemented in line with supporting the core purpose of an Australian fuel efficiency standard.

Importantly, credits, super credits or multipliers may be highly beneficial for manufacturers pursuing investment in Battery EVs across the Light commercials/4WDs segment. This segment is of critical importance to Australia given that utilities represent approximately 25 per cent of new vehicle sales.

The NRMA supports CO₂ targets applying to new light vehicle registrations, including law enforcement and emergency services vehicles; agricultural or specialist industrial equipment should be excluded.

Policy Impact Analysis, program review and reporting

In regard to the economic impacts of implementing a fuel efficiency standard in Australia, the Australian Government would likely benefit from ensuring that any associated Policy Impact Analysis is highly rigorous in nature, encompassing of likely effects across the economy; the Policy Impact Analysis should also consider impacts to existing government plans and commitments, including EV sales targets and legislated emissions reduction targets.

The NRMA is committed to thoroughly reviewing the Policy Impact Analysis.

Critically, the NRMA supports a legislated, periodic review of any fuel efficiency standard in Australia to ensure it remains fit-for-purpose and supportive of meeting community, industry and government objectives; periodic reviews should include broad community, industry and government engagement.

To support ongoing review, the Australian Government would likely benefit by continually monitoring the following and reporting net CO₂ emissions:

- New EV sales and percentage of sales.
- EV registration information (urban vs regional).
- EV model availability.
- Public charging sites and plugs.

Fleets

Fleet purchases account for approximately 50 per cent of new vehicle sales and can act as a gateway to the establishment of a second-hand EV market. In the case of government fleets, vehicles are refreshed every three to four years, with used vehicles then made available to consumers for purchase.

The NRMA supports all Australian governments establishing EV procurement policies, including fleet targets. In addition, incentivising fleet purchases in the private sector through the provision of subsidies for bulk domestic orders is a powerful tool to drive increased supply and promote the transition to EVs.

The NRMA submits that increasing the supply of EVs through businesses, leases, government and private fleets are important measures to encourage early adoption and put downward pressure on purchase prices by stimulating new and used EV sales.

A mandated CO₂ standard designed to support an increased supply of EVs and cleaner vehicles to the Australian market will provide greater opportunities for fleet purchasers, and ensure that vehicle purchases can play a role in contributing to emissions reduction targets of businesses.

Heavy vehicles

Policy and regulatory measures available often vary between vehicle categories, reflecting different use cases, regulation and demand. While reducing CO₂ and noxious emissions across the light vehicle fleet will have a significant impact, addressing the transport sector more broadly will play a major role supporting Australian governments meeting their Net Zero 2050 commitments.

The NRMA commends the Australian Government's phased introduction of Euro VI standards for trucks and buses from 1 November 2024.

The NRMA also supports the NSW Government's Zero Emission Bus Transition Strategy and the ACT Government's Zero-emission Transition Plan for Transport Canberra.

Likely changes to Australian Design Rules to support the provision and importation of a greater number of heavy vehicles are also acknowledged. While safety should always be the number one priority, ensuring that regulations don't hinder the adoption of new and beneficial technologies is critically important for domestic manufacturing, investment, exportation and importation.

To further support emissions reduction for heavy vehicles, the Australian Government may benefit by exploring opportunities to provide low interest loans for the purchase of zero emissions heavy vehicles, potentially through existing resources such as CEFC or ARENA funding, to assist in reducing upfront cost pressures.

The identification and planning for infrastructure investment to facilitate charging/refuelling of heavy vehicles is also required, including at depots, hubs and rest stops.

The NRMA supports government, industry and community working together to further explore opportunities to incentivise the early adoption of zero emissions heavy vehicles.

Role of the NRMA

As the largest mutual in Australia with more than 2.7 million Members, the NRMA has played a leadership role across policy and education to support the transition to cleaner transport in Australia.

The NRMA worked closely with the NSW Government on developing its Electric Vehicle Strategy, and subsequently endorsed and welcomed its associated investment, programs and initiatives.

To support the Strategy, the NSW Office of Energy and Climate Change entered into a partnership with the NRMA to improve consumer awareness and education pertaining to EVs. The partnership includes developing programs, disseminating information and engaging directly on matters relating to EVs.

In addition, the NSW Government entered into a partnership with the NRMA to run 20 'EV Drive Days' throughout 2022 and 2023 to give members of the public the opportunity to test drive a range of EVs. Further Information on this initiative can be found at www.mynrma.com.au/drive-days.

The NRMA is also working closely with the ACT Government on opportunities to enhance public education on EVs.

In 2022, the NRMA launched an online 'EV Community Forum' to give Australians a unique and interactive platform to provide information, talk about EVs, share experiences and ask questions. The Forum can be accessed at <https://community.mynrma.com.au>.

Through survey responses and less formal feedback channels, NRMA Members have highlighted the positive attributes associated with these initiatives, including improved education and increased propensity to purchase an EV.

The NRMA is committed to continuing its leadership role across policy and education.

Complementing a CO₂ standard

In addition to implementing a fuel efficiency standard in Australia, there are further opportunities to incentivise supply, demand and industry investment.

As highlighted by the NRMA in previous government submissions and forums, government support for energy- and charging-related infrastructure in rural, regional and urban environments is critical; broad energy sector reform will be required to ensure that moving to electric-based transport can be achieved in a reasonable timeframe.

The NRMA supports the Australian Government:

- Further reviewing taxation arrangements for EVs, including exempting EVs from LCT.
- Establishing EV procurement policies, including fleet targets, and equipping government car parks and buildings with EV charging infrastructure to facilitate the management of fleets.
- Providing subsidies to the private sector to incentivise bulk domestic EV fleet orders.
- Working with states and territories to streamline building approvals for EV charging infrastructure to ensure easy installation of home charging in apartments and in rental homes, as well as charging infrastructure in car parks and other public locations.
- Establishing an inter-governmental working group to develop a national plan for the rollout of charging infrastructure, and to work with energy suppliers to manage network capacity, support a co-ordinated rollout, and minimise network constraints.
- Providing low interest loans for EV home chargers, potentially through existing resources such as CEFC or ARENA funding, to assist in reducing upfront cost pressures.
- Supporting enabling works and/or provision of low interest loans for installation of highway and destination EV charging infrastructure, potentially through existing resources such as CEFC or ARENA funding to support private investment in charging sites.
- Developing education campaigns about ultra-low fuel consumption vehicles and information about EV charging infrastructure availability, as consumers informed about EVs are more likely to purchase.
- Providing modernisation grants and employee retraining assistance grants to assist internal combustion engine part manufacturers and workers transition to new roles.
- Supporting the development of STEM programs in collaboration with TAFE and universities.
- Expanding support for EV research and developing a wide-ranging research capability and innovation prize program, including for battery-related research.
- Undertaking a 'fit-for-purpose' review of EV battery regulations that impact resale, recycling, home conversion and disposal.
- Considering recommendations made through the Industry 4.0 Advanced Manufacturing Forum, particularly recommendations pertaining to EV component and peripherals manufacturing (including advanced and precision manufacturing), parts assembly, retrofitting, value adding, storage technologies, and battery reuse and recycling.
- Facilitating critical energy sector reforms across all levels of government, including planning, upgrades, network connections, infrastructure installation, tariffs, and community- and home-based infrastructure, through the Infrastructure and Transport Ministers' Meetings.
- Working with industry to ensure that any planned, wide-scale architecture is appropriately cybersecure to mitigate the risk associated with malicious actors.

Current policies and past reports by the NRMA on EVs, transport and related topics can be found at www.mynrma.com.au/company/public-reports.