

31 May 2023

RESPONSE:

National Fuel Efficiency Standard

Nexa Advisory welcomes the opportunity to share our views and insights in support of the proposed goals, objectives and actions within the Fuel Efficiency Standard (FES) consultation paper.

We commend the Federal Government's leadership and specifically the Minister for Infrastructure, Transport, Regional Development and Local Government for their exemplary leadership in acknowledging the viewpoints expressed in response to the consultation paper for the National Electric Vehicle Strategy. This commendation particularly relates to acknowledging the importance of implementing a mandatory FES.

In this submission, we offer insights and recommendations on complementary policy measures that support the ideas outlined in the FES consultation paper. These include fleet policies, augmenting the second-hand electric vehicle (EV) market, supporting low-income households, access to charging infrastructure and monitoring global developments in EV policies. However, the Australian Government must go beyond the development of strategy papers and actively establish world competitive standards. Our proposed actions aim to ensure equitable access to EVs, extending beyond those who have the means to afford them.

By implementing the appropriate policy measures, the transport sector has the potential for rapid decarbonisation, playing a significant role in fulfilling Australia's Nationally Determined Contributions (NDC) under the Paris Agreement. The initial emission reductions achieved in the transport sector can alleviate the burden on other sectors that are more challenging to decarbonise. This, in turn, provides an opportunity for technology development and the establishment of robust supply chains necessary for effective decarbonisation efforts across various industries.

A FES in Australia

Ensuring smooth adaptability and flexibility is a crucial factor when considering the implementation of a prospective FES in Australia. Australia must be able to gradually increase standards over time to encourage improved fuel efficiency and respond to market dynamics in alignment with a target Internal Combustion Engine (ICE) vehicle sales phase-out date. In Europe, China and the US, their fuel efficiency standards increase over time¹, which places increasing pressure on EV manufacturers to send their vehicles to those countries.

To establish an effective FES in Australia, we recommend incorporating the following design features:

- Establish mandatory targets for average fuel efficiency or vehicle emissions of new cars sold within the country.
- Consider factors such as vehicle size, weight, and purpose.
- Implement a phased approach to gradually strengthen the requirements over time and encourage continuous improvement in fuel efficiency and emission reductions - ICCT studies have shown that consumer benefits increase with more stringent vehicle CO2 emission reduction targets².
- Give priority focus to phasing out ICE vehicles entirely through increasingly stringent CO2 emission reduction targets.
- Support and enact mechanisms that specifically encourage and enhance the availability of EVs in the Australian market.

In addition to the guiding principles outlined in the consultation paper, the principle of accessibility should be incorporated. The implementation of the FES in Australia should lead to a higher influx of EVs into the market without causing an increase in their prices. The primary emphasis of the FES should also be on enhancing the accessibility of EVs by prioritising financial incentives, grants and subsidies. These measures should extend beyond new EV purchases and encompass the secondhand EV market as well.

Complementary policy mechanisms

The success of the FES will be dependent on the deployment of complementary policy mechanisms which support the uptake of EVs in Australia, such as the National Electric Vehicle

¹ [Fuel Economy in Major Car Markets](#)

² [Explained: Why Fuel Efficiency Standards in Australia are Expected to Reduce Costs for Car Owners](#)

Strategy. While state and territory governments have introduced policies that support EVs, national support for EVs and emissions standards have been the missing link. The full benefits of all incentives and policies that Australia introduces will not be realised until a fuel efficiency standard is introduced that increases the supply of electric vehicles in Australia.

When implementing a FES, the Government should adopt a consumer-centric approach and introduce complementary policies that support the adoption of EVs. The FES should encompass the implementation of supporting policies, regulations and standards that actively promote the update of EVs.

Fleet policies

Implementing a FES would establish a standard requirement for the entire fleet sold by a supplier. To ensure a consistent influx of EVs in Australia, it is essential for the fleet average to be on par with or exceed leading overseas standards. Many countries are adopting policies that encourage the growth of the EV market through fleet purchases. A pivotal aspect of these initiatives is the establishment of fleet average CO₂ emission reduction targets. This will eventually contribute to an expanded selection of used EVs, making them more accessible to households with lower incomes.

Fleet policies that prioritise the adoption of new EVs will result in a larger supply of used EVs available for potential buyers as older fleet vehicles are replaced. It is crucial that the Australian Government establish fleet targets for EVs. This would have a dual effect of increasing the number of EVs in government fleets while simultaneously boosting the market share of used EVs.

Despite their significant contribution to transportation-related emissions, heavy-duty vehicle fleets have received insufficient attention in the ongoing consultation and broader discussions. It is crucial to address heavy-duty vehicles within the FES to effectively tackle emission reductions in the transportation sector. Unlike passenger and light commercial fleets, heavy-duty vehicles tend to have longer lifespans, resulting in older and less fuel-efficient vehicles remaining in operation for a longer period³. It is crucial to explore incentives that encourage upgrading or replacing older heavy-duty vehicles until zero-emission alternatives and the necessary infrastructure are widely accessible.

Support for the secondhand EV market

³ [A Comparison of the Life-Cycle Greenhouse Gas Emissions of European Heavy-Duty Vehicles and Fuels](#)

The implementation of an FES may initially lead to a short-term increase in the prices of new EVs. To address this, government support is crucial to kick-start the used EV market, as there is currently an imbalance in incentives provided by the government between new and used EVs.

The existing grants and subsidies for EVs predominantly focus on new vehicle purchases, highlighting the need to extend support to the used EV market. This support becomes even more essential as the number of used EVs entering the market is set to rise in the coming years. This presents a perfect opportunity to target low-income households and ensure equal access to EVs, regardless of financial status.

As Australia progresses towards the complete elimination of ICE vehicles, it must make used EVs more attractive to consumers than used diesel or petrol vehicles. Several countries like the Netherlands, France, and Germany have already implemented incentives such as interest-free loans, subsidies, and grants for used EV buyers⁴. Australia can implement similar schemes to facilitate the adoption of used EVs and create a sustainable and inclusive EV market for all.

Support for low-income households

The current adoption of EVs primarily involves affluent and well-educated consumers who have the convenience of home charging⁵. This statistic in EV ownership highlights the inequality between high and low-income households in the effort to decarbonise the transportation sector. Existing EV incentives exacerbate this disparity in financial barriers rather than making EVs more affordable for the general public. However, this situation presents an opportunity for the government to address these inequalities by offering tax rebates specifically tailored for low-income households. This is beyond income tax rebates, registration transfer stamp duty, road user tax reductions for low income earners, rebates on registration fees for government benefits receivers. and This rebate must also apply to used vehicles, considering low-income households are more likely to purchase used vehicles.

Access to charging infrastructure

Additionally, access to charging infrastructure poses a significant disincentive to EV adoption, particularly for renters and apartment dwellers who often lack access⁶. To overcome this barrier, the government should also explore the implementation of a rebate program that

⁴ [The Role of the Used Car Market in Accelerating Equal Access to Electric Vehicles](#)

⁵ [EV Readiness, Part 1: Customers Who Are Ready To Buy](#)

⁶ [As electric vehicles become more popular, home renters face a charging dilemma](#)

incentivises the installation of EV charging infrastructure in multi-unit housing. It is crucial for the government to ensure that no one is left behind in the transition to zero-emission vehicles and that the introduction of a FES does not exacerbate existing disparities. By addressing these issues, the government can work towards creating a more equitable and inclusive transition to a zero-emission transportation sector.

To facilitate the installation of EV charging infrastructure in apartment buildings with limited power supply, it is recommended that governments mandate Distribution Network Service Providers (DNSPs) allow for dedicated EV charging power supplies to be added to existing buildings. This approach offers several advantages, including reduced costs and time associated with upgrading existing power supplies, as well as improved visibility of EV charging demands.

Additionally, the government should focus on developing a policy solution to enhance the accessibility of public charging infrastructure, particularly by strategically planning and incentivising installations in suitable locations. To achieve this, it is important to prioritise collaboration with local government and DNSPs. The Federal Government can play a pivotal role in driving these initiatives forward.

Following FESs overseas

As fuel efficiency standards and regulations evolve over time, it is important to continuously follow best practices in other countries for benchmarking, policy learning and international commitments. The following are noteworthy examples of fuel efficiency standards implemented abroad:

- Japan: Japan is known for its strict fuel efficiency standards and advanced automotive technologies and the country has implemented a fuel economy regulation called the "JC08" test cycle, which measures vehicle fuel efficiency and sets targets for automakers to achieve⁷.
- European Union (EU): The EU has implemented stringent fuel efficiency standards through regulations such as Regulation (EU) 2019/631 which sets CO₂ emission performance standards for new passenger cars and vans⁸.
- China: China has a dual-credit system that sets targets for both corporate average fuel consumption (CAFC) and new energy vehicle (NEV) sales⁹.

⁷ [Global Overview on Fuel Efficiency and Motor Vehicle Emission Standards: Policy Options and Perspectives for International Cooperation](#)

⁸ [CO₂ emission performance standards for cars and vans](#)

⁹ [How Will the Dual-Credit Policy Help China Boost New Energy Vehicle Growth?](#)

- United States: The National Highway Traffic Safety Administration (NHTSA) sets fuel efficiency standards for passenger cars and light-duty trucks under the Corporate Average Fuel Economy (CAFE) program. These standards require automakers to achieve specific fuel economy targets for their fleet averages. The Environmental Protection Agency (EPA) collaborates with the NHTSA to establish greenhouse gas emissions standards for vehicles, which work in conjunction to reduce fuel consumption and emissions¹⁰.

In conclusion

With this submission to the National Fuel Efficiency Standard, Nexa Advisory expresses our support for the implementation of a FES in Australia. It is imperative that the Australian Government maximises the FES's impact by embracing complementary policy measures such as adopting fleet policies, bolstering the secondhand EV market, extending support to low-income and rental and apartment-dwelling households as well as increasing access to charging infrastructure.

Additionally, it is crucial to follow the strategies employed by countries with successful EV adoption, particularly regarding their FES implementation, and consider their applicability within the Australian context. Overall, any FES should adopt a consumer-centric approach and prioritise the accessibility of low-emissions vehicles for all Australians.

If you wish to discuss our submission in more detail, please contact me on

[REDACTED]

Yours Sincerely,

Stephanie Bashir
CEO and Principal
Nexa Advisory

¹⁰ [Corporate Average Fuel Economy \(CAFE\) Standards](#)