

Western Sydney University's Urban Transformations Research Centre is committed to enabling our communities and infrastructure to be sustainable, equitable and resilient.

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Our vehicles and the emissions they emit are an important determinant of the emissions intensity of transport and travel in our cities. The vehicles we drive also impact air pollution and our health. Encouraging manufacturers to supply a better range of vehicles should be a key motivator of Australia's Fuel Efficiency Standard (FES).

A well-designed FES that motivates change will foster better consumer decisions, via a wide range of vehicles on sale. This FES needs to be an effective mechanism and help us achieve emissions reductions in a sector that has been a cause for concern, as reflected with [increased emissions](#) in every year since 1990 (except for 2020). This is an alarming trend and means that the introduction of a FES needs to happen as soon as possible. We are falling behind our peer nations, where manufacturers offer many more vehicles and consumers have better choices.

Below we have responded to a few of the questions that we believed are pivotal for the design of an effective FES.

When do you think a FES should start?

As noted in charts 1 and 2, Australia is so far behind our peer nations that the FES should start as soon as possible (hopefully, the start of 2024). This is especially the case when credits and penalties are in place to help the transition. The discussion on page 17 implies that a FES can start immediately, but it is how the emissions ceiling is set that will determine how many credits are traded and penalties are paid. Delaying a FES is unnecessary (as all of our peers are ahead of us) and it is up to the manufacturers to adjust the vehicles they sell in Australia or plan to adjust to the mechanism with the purchase of credits.

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

This depends on the start date and the approach taken with respect to credit trading, plus assessments of whether manufacturers will choose to pay the penalty (many may do so, as they have vehicles that they do not want to sell elsewhere, or have strategically picked Australia as a market for larger vehicles).

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

No. This goes against the spirit of an emission intensity-based fuel efficiency standard. Emissions reductions should occur based on the least cost across all feasible options.

If manufacturers or businesses or consumers want to remain higher emission (based on larger classes of vehicles) then they need to pay to do so. These payments, via credits or penalties, can be used to incentivise more decarbonisation by other means.

Monitoring the cost of these credits and penalties (in comparison to the abatement cost) will be important. To incentivise changes in vehicles offered and bought, the cost of the credits or penalties need to be higher than the abatement cost. Hence, there could be different weighting for credits and penalties by classes/size of vehicles.

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

This should be a separate question unrelated to the FES and the start time. We are so far behind our peers that a FES is needed to catch up with these countries. The same manufacturers are operating in these markets and have adjusted to a FES in these countries. We have very different vehicle offerings compared to the UK, one reason for this, is our lack of a FES. It's time to change this - <https://www.theguardian.com/australia-news/2021/mar/06/australia-lags-the-world-on-electric-vehicle-choice-and-its-hurting-take-up-industry-says>

Should an Australian FES include multiplier credits for LZEVs?

No. As mentioned above, this goes against the spirit of an emission intensity-based fuel efficiency standard. Emissions reductions should occur based on the least cost across all feasible options.

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

Yes, this is one way to allow manufacturers or businesses or consumers choice on what they do. If these actors want to remain higher emission (based on larger classes of vehicles) then they need to pay to do so. These payments, via credits or penalties, can be used to incentivise more decarbonisation by other means. The cost of the credits or penalties need to be higher than the abatement cost to incentivise changes in vehicles offered and bought.

Should credits expire? In what timeframe?

This depends on the trajectory of emissions reductions and the phase-in of new vehicle models. Credits should expire but could last longer in the first few years to help manufacturers manage the change (say 2024-2027). A cap on credits could also be implemented to make sure we see emissions reductions increase in the years up to 2030 (i.e. 2028-2030).