

AMERICAN AUTOMAKERS AAPC



March 1, 2024

Australian Proposed New Vehicle Efficiency Standard (NVES)

The American Automotive Policy Council (AAPC) Comments and Recommendations

Introduction

The American Automotive Policy Council (AAPC) represents the common public policy interests of its member companies – Ford Motor Company, General Motors Company and Stellantis. We sincerely appreciate the opportunity to provide our views, comments, and recommendations regarding Australia’s proposed [New Vehicle Efficiency Standard \(NVES\)](#) from the Australian government’s Department of Infrastructure, Transport, Regional Development, Communications and the Arts.¹

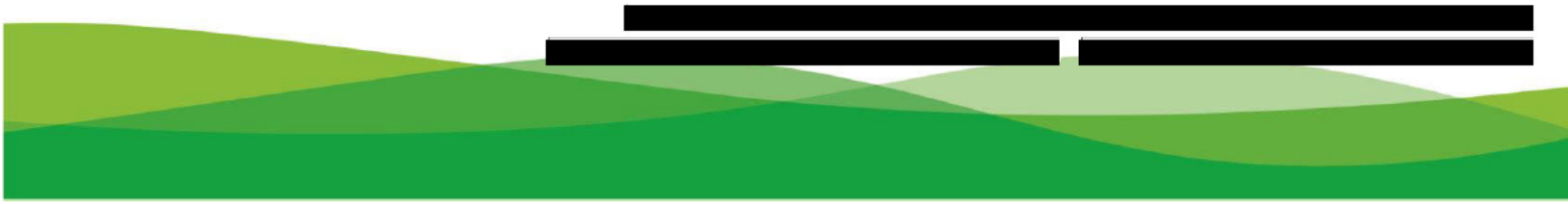
While we support the high-level objectives of the Australian government, AAPC and our member companies are deeply concerned that the current proposal, especially given the insufficient comment period and desire to begin the full scale program only months after a final rule is published, will lead to unintended consequences, such as lowering consumer choice by severely curtailing the types and numbers of vehicle models offered in the market, particularly the higher utility vehicles, the assessment of significant penalties and higher prices for consumers. Moreover, the Australian fuel efficiency proposal is based on a draft U.S. EPA rule, despite many recent indications that significant changes to the rule will be made² before being finalized later this year. Additionally, the proposal will require a substantial electrification of the Australian fleet by 2029 but it does not include supporting mechanisms to facilitate the uptake of electrified vehicles by consumers nor the incentives to buildout the charging infrastructure that is necessary.

Comment Period / Implementation Timeframe

Best practices and principles for rulemaking in the automotive sector include sufficient time for meaningful consultation with key stakeholders and sufficient lead times between the final rule and implementation of major changes to automotive regulations and requirements to allow for implementation.

¹ [Cleaner, Cheaper to run Cars: The Australian New Vehicle Efficiency Standard](#) – Consultation Impact Analysis (February 2024)

² [Biden Administration Is Said to Slow Early Stage of Shift to Electric Cars - The New York Times \(nytimes.com\)](#)
[US to soften tailpipe rules, slow EV transition through 2030 | Reuters](#)
[Biden's EV efforts collide with politics, industry pressure - E&E News by POLITICO \(eenews.net\)](#)



This is necessary given the capital-intensive nature of the motor vehicle manufacturing industry, long and complex supply chains, compliance planning, and all testing and certification activities needed to import compliant vehicle fleets into the destination market. A typical timeline would have 2-years between the publication date of the final rule and the initial implementation of the first compliance period.

The vehicles that will be imported in 2025 are already in the middle of testing and validation activities to allow them to be certified for importation. Moreover, given that globally only one-in-five vehicles ends up being sold in right hand drive markets, many of the vehicles destined for the Australian market must be converted from left-hand to right-hand drive – adding another challenge and the requisite time needed for that conversion.

For most automakers, the proposed timeline will provide very limited options for adding new vehicles in 2025, resulting in a high risk of restricting volumes or models all together to achieve fleet compliance.

The 29-day comment period for consultation regarding such a significant proposal is insufficient, especially for such an important regulation. Normally the automotive industry is provided, at a minimum, several months to respond to requests for comments for such important and consequential regulations and several years between the final rule and implementation.

Automakers require this additional time to build Information Technology (IT) systems and develop/employ a robust process to track and implement new regulations and requirements. The proposed rapid implementation period is insufficient. AAPC recommends commencing Australia’s fleet fuel efficiency scheme with a monitoring-only phase for at least 2-years to allow all parties to use and test tools and processes prior to penalties going into effect. Prioritising the development of tools (accurate sales tracking, CO2 accounting, and credit banking systems) is essential to launching a reliable and robust fleet fuel economy standard.

Also, since the Australian government proposal’s preferred Option (B) is based on a draft U.S. EPA rule, not a final U.S. EPA rule (significant changes are being reported in the U.S. press), at a minimum, we recommend that a supplemental comment period be reopened at the time the U.S. EPA final rule is published. [See below for further details (under “*Australian Government’s Preferred Option- Based on not-yet-final US EPA Rule*”).”]

Raising EVs demand/uptake

Historically, the rate of efficiency improvement with conventional internal combustion engine (ICE) vehicles is about 1.5% each year. Given that all three Australian Governments options presented – A, B, and C – exceed this rate, it will require more BEVs and PHEVs to be brought to the market and demanded by consumers for compliance purposes. Since the rate of consumer demand/uptake of EVs in the future is uncertain, to achieve the goals of the new fuel economy policy, proven incentives will need to be pursued.

Substantial increases in public spending on charging infrastructure, as well as financial incentives to buyers and/or manufactures/sellers have been proven in other markets to lead to

greater market acceptance and higher penetration rates of these advanced vehicles, and a lack of these market support measures will lead to lower customer acceptance rates. We recommend that the targets and flexibilities adopted in the final rule should be aligned with the levels of these market support measures where EV uptake levels have been steadily increasing.

As an example, it is estimated that by the end of 2022 – China, the largest and fastest growing BEV/PHEV market, has provided an estimated €29 Billion in consumer incentives, to drive the transition from ICE vehicles. Further, between €20.5-23.5 billion was provided for tax credits on vehicle purchases. In the EU it is estimated that by the end of 2022, approximately €30 billion was provided in consumer incentives and €2-3 billion in tax credits. The U.S. focused its incentives on tax credits totalling only €6.5 billion through 2021, which is significantly smaller in scale compared to China and the EU, and which is reflected in the much smaller EV share of the U.S. vehicle market compared to the EV share in the EU and China. However, in an effort to catch-up with China, in recent U.S. legislation, the U.S. has committed annually more than €15 billion in tax credits for EV consumers between 2022 and 2029, and €37.5 billion annually from 2030 onward.³

Beyond providing financial incentives to support the transition China the EU and the U.S. have spent or committed in the near-term to spend €3.5 billion, €3.4 billion and nearly €5 billion respectively on subsidies for public charging infrastructure. If Australia hopes to see a transition anywhere close to these markets, we recommend similar support be provided to attract and support future EV customers.⁴

Australia's NVES proposal mentions many times that it will help lower the cost of light duty vehicles. As proposed, this will not happen. Stellantis' CEO has often talked candidly about the cost issues that EVs face, being 40%⁵ more costly to produce than ICE vehicles. Creating a policy that forces more EVs into the market will cause vehicle prices to increase, not decrease. This is why other countries with aggressive EV policies have such large financial incentives tied to producing and purchasing these vehicles.

Proposed Rule Stringency

The Australian government preferred Option (B) proposal would take Australia from having no regulatory framework to being one of the most stringent in the world. For context, what the proposal aims to see happen in Australia by 2029 in only 5-years will have taken 21 years to accomplish in Europe, and in the U.S. 18 years and 52 years with the separate EPA GHG and NHTSA CAFE rules, respectively. The rate of change Australia is proposing would be globally unprecedented, unrealistic, and unachievable in such a time frame. To provide automakers with the necessary time needed to adjust, we recommend modifying the flightpath to achieve targets beyond 2030. This less aggressive CO2 flightpath would allow for technology to be developed to enable economical electrification at scale, especially for pick-ups and SUVs.

³ https://portail.polytechnique.edu/i3_crg/en/publication-report-comparison-chinese-european-and-american-regulatory-frameworks-transition

⁴ https://portail.polytechnique.edu/i3_crg/en/publication-report-comparison-chinese-european-and-american-regulatory-frameworks-transition

⁵ [Stellantis CEO: STLA Large platform part of effort to avoid 'bloodbath' \(detroitnews.com\)](https://www.detroitnews.com/story/business/autos/2021/05/11/stellantis-ceo-stla-large-platform-part-of-effort-to-avoid-bloodbath/7244440002)

Australian Government's Preferred Option - Based on not-yet-final U.S. EPA Rule

In the Australian government's proposal, the preferred Option (B) is based on a draft U.S. EPA rule, not a final U.S. EPA rule. There were many compelling arguments made during the U.S. EPA's public comment process, and the final rule could be very different than what was proposed in the initial draft. As already noted previously, there have been many articles published in the press about the final rule being somewhat relaxed through 2032. The final U.S. EPA rule is likely to be published in April or May of this year, which is unfortunately after the comment period for this proposal closes (March 4). Because this rule is seeking to align with the U.S. EPA rule, we ask that a supplemental comment period be reopened at the time the U.S. EPA final rule is published.

Technology Credits and Flexibilities

The use of technology credits can be one of the fastest ways to achieve CO₂ emission reductions, and the only type of large-scale incentive that does not require significant public spending, such as large-scale public charging infrastructure construction or purchase incentives/tax rebates. Promoting the availability of Low and Zero emission technologies such as Plug-In Hybrid and Battery Electric powertrains via Super-Credits has been impactful in speeding the introduction of vehicles that emit less CO₂. Other technologies such as Stop/Start and Low Greenhouse Potential refrigerants also impact real-world carbon emissions and should be promoted. Experience in other markets has shown that incentivising and promoting the introduction of the lowest emitting technologies to the market as quickly as possible yields fast results. We recommend that Australia adopt a position of using Technology Credits to incentivise introduction of low CO₂ technologies.

It seems incongruous that the U.S. standard be the basis of the proposed Australian standard, including the targeted rate of reduction, but features such as technology credits which are included in the U.S. system are not included. In addition to Super-Credits, air conditioning refrigerant, and air conditioning system efficiency credits, and off-cycle technology credits are all key parts of the U.S. program on which the actual targets are dependent. This is because the targets are set with the assumption that all of these programs will be used to their greatest extent, and that the targets are set as the maximum achievable given the use of these programs. If any of these credit programs were to be discontinued, the targets would have to adjust upward by the same amount of lost credit potential to remain at the maximum feasible level and not be beyond the maximum achievable level. Therefore, if U.S. targets are being used to set the NVES targets, then either these additional credit programs also must be adopted as well, or the targets would need to be offset by the credit limits of these programs.

The 3-years carry forward, 2-years carry backwards included in the NVES proposal offers significantly less flexibility than the 5-years carry forward, 3-years carry backwards provisions in the U.S. regulations on which this proposal is based. Given the incredibly fast proposed implementation date, we recommend a carry backwards provision of at least 3-years. Given the very aggressive targets and a lack of prior years for automakers to accumulate credits, expanding the carry forward period to 5-years is less important than expanding the carry backwards provision for credit deficits.

Categorise Offroad SUVs in the LCV fleet instead of Passenger Cars

Due to their capacity to perform substantial Off-Road work these vehicles should be grouped with the LCV fleet along with Compact pick-up vehicles. Subjecting them to Passenger Fleet targets unfairly penalises their performance. In the U.S., the offroad SUVs are considered as Light Trucks for EPA CO₂ compliance due to their increased capability and utility compared to passenger cars. Other countries follow this same framework. Therefore, the vehicles categorized as MC should be aggregated with the vehicles categorized as NA in the light commercial vehicle category. Treating MC fleet vehicles as part of the MA passenger car fleet will result in far fewer of the popular MC vehicles being imported.

Scope and Break Points

There are very significant vehicle classification disconnects with this NVES proposal and worldwide norms- [See bullet points below]. Around the globe, light duty NVES programs include light-duty vehicles as defined by regulations, typically the 3,500 kg upper limit found in Europe and countries following UNECE based standards, or the 3,856 kg upper limit used in the U.S. and other countries that follow that classification. Vehicles above these limits are not included in any light-duty GHG or CAFE regulation and should not be included in Australia's NVES.

- Addition of medium duty NB1 ($\leq 4,500$ kg) to the commercial fleet. U.S. scheme equivalent is for Light Truck $\leq 3,856$ kg GVM).
- Aggressive upper limit Break Point proposed at 2200 kg, less than half of the weight limit for vehicle applicability.

These two differences significantly increase the stringency and penalise the high work capability vehicles. (e.g., Payload Carrying, Towing Capacity, and Off-Roading). By applying the scheme to Medium-Duty vehicles up to 4,500kg GVM, the scheme could force these vehicles out of the market as the CO₂ targets for light duty vehicles are not appropriate. The U.S. EPA light duty CO₂ standards regulates vehicles up to 3,856kg GVM, while the EU, New Zealand, and other schemes regulate only up to 3,500kg GVM.

Break Points are not necessary with weight-based targets. They are used with the footprint-based targets in the U.S. to avoid unintended consequences, in particular on the upper end to avoid incentivizing the size of vehicles to grow beyond what is natural for any particular vehicle segment. However, this issue does not exist with weight-based targets as there are no break points in European standards. We recommend following global norms and removing break points from the proposed weight-based targets.

Starting with NEDC, then switching to WLTP

The Australian government proposal that the program will start with NEDC and then switch to WLTP only a few years later will cause lots of confusion, erode public trust, and lead to unintended consequences. Markets that are behind emissions levels of the U.S., Europe, and Japan often continue to receive older designed vehicles and/or engines that are not able to meet the new, more strict emissions regulations in their home markets. These also tend to be some of

the lowest cost vehicles because the tooling and production equipment is long since paid for. When emissions regulations change to the next level as will happen with the transition to Euro 6, these vehicles (e.g., Euro 5) get dropped from the market and are replaced with newer, cleaner vehicles. This is normal. But having this transition align with a change in the test cycle, and drastically higher CO2 values for the same vehicles, over a one or two-year period following the launch of the NVES program – could cause many of Australia’s consumers to blame the NVES program for causing the disappearance of many of the lower cost vehicles currently in the Australian market.

To avoid this, and for this proposal to succeed we would like to guide it away from unintended pitfalls like this. By delaying the program until after the switch to WLTP testing for emissions would completely mitigate this issue. But if that cannot be accomplished, finding a way to transition from NEDC to WLTP without undermining the public’s trust in the program would be the preferred path.

Vehicles come to Australia from many different markets. Many of the newer BEV and PHEV vehicles are not even certified on the NEDC cycle as they are going to countries with WLTP requirements. Many of the larger vehicles in the U.S. market also go to Australia, but do not go to other markets that use the NEDC or WLTP test cycles. We, therefore, strongly encourage Australia to adopt a system like New Zealand’s, which allows vehicles to be certified on the NEDC, WLTP, or U.S. EPA test cycles.

The New Zealand approach of converting everything back to a base cycle for regulation purposes would also fix the issue with starting the initial years with NEDC testing, and then having to switch to WLTP testing for fleet CO2 calculations. It is highly recommended to use WLTP testing as the base test cycle because eventually NEDC will be obsolete. The CO2 targets should be adjusted based on the higher vehicle energy demand needed to drive the WLTP cycle compared to the NEDC cycle, and the WLTP results should be used for vehicle labelling and NVES reporting. This will best set up the program for future success, while still allowing vehicles with only NEDC or U.S. EPA to more easily be homologated for the Australian market, increasing customer choice.

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Organisation questionnaire response

Privacy Setting: I agree for my response to be published with my name and position.

What organisation do you represent? (required)	American Automotive Policy Council (AAPC)
What is your name? (required)	Charles Uthus
What is your position at the organisation? (required)	Vice President International Policy
Please rank the proposed options in order of preference. (optional)	Option A - 0th, Option B - 0th, Option C - 0th
Briefly, what are your reasons for your choice? (optional, 3000 character limit)	NULL
Do you support the Government's preferred option (Option B)? (optional)	NULL
Do you have any feedback on the analysis approach and key assumptions used? (optional, 3000 character limit)	NULL
Briefly, describe how the NVES might impact your organisation (optional, 3000 character limit)	NULL
Who should the regulated entity be? (optional, 3000 character limit)	NULL