

AMERICAN AUTOMAKERS AAPC



7 October 2024

Proposed Australian New Vehicle Efficiency Standard (Exempt Vehicles) Determination 2024

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) (Exempt Vehicles) Determination from the Australian government’s Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

Since our first public submission, the Australian Parliament passed new legislation to introduce the NVES, which became law on May 31, 2024, when Royal Assent was received to the New Vehicle Efficiency Standard Act 2024 (NVES Act). We appreciate the changes made by the Government since the first draft proposal, including the current proposed exemption instrument.

However, the AAPC and our member companies remain concerned that the NVES Act, with its aggressive implementation lead time and stringency, and lack of supporting mechanisms such as technology credits, will have a significant on the business and product mix from 2025 onwards, as well as 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. We believe that it would be in the best interest of Australia’s consumers, support important segments of the Australian economy, if the NVES continues to align with international standards and practices.

Amendments to ADR 81/02 Fuel Consumption Labelling for Light Vehicles

The development of new vehicles requires billions of dollars to be invested before a single unit is sold. Vehicle performance attributes are studied and selected many years before going to market, and even longer for new types of vehicles that aim to satisfy emerging market needs or use new technologies to operate more effectively in existing roles. For example, the established ADRs

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provide a clear roadmap for OEMs to allocate long lead-time funding with confidence when developing future innovative vehicles to ensure compliance throughout the product lifecycle.

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. Therefore, we strongly request that a transition provision of two years for New Types and four years for Existing Types is required to avoid the disruption of urgently retesting vehicle models already approved and sold in the market.

The current proposed exemption instrument has been put in place to address vehicles that have a Gross Vehicle Mass (GVM) of more than 3,500kg and up to 4,500kg that cannot practically comply with the Standard at the present time as there is currently no defined fuel consumption test procedure for these vehicles. These initially exempt vehicles are planned to be carved in by the Department over the next few years and we believe further changes are required to allow all of industry to be able to meet the high-level objectives of the Australian government.

Whereas the U.S. and the EU have nominated 3,856kg and 3,500kg¹ as the upper GVM limit for their light-duty fleet CO₂ scheme, with special allowances to include heavier electrified vehicles in their schemes, Australia has specified 4,500kg. This means that the Australian scheme captures a significantly larger proportion of larger ICE vehicles than the U.S. scheme. As noted in the Consultation Impact Analysis paper released by the Government in February 2024 “some consumers (such as small businesses and trades people) legitimately need a bigger car for their work”. Rather than raising the weight limit in the Australian scheme to capture heavier electrified vehicles, Australia should set a similar weight limit to the U.S. or EU and provide allowances to include heavier electric vehicles that still have light-duty characteristics in the Australian light-duty fleet.

The impact of including NB1 vehicles in the NVES is that it is very likely that less of these vehicles will be brought to Australia due to the penalties associated with selling them. As the volumes of these NB1 vehicles are very low, the penalties that will be associated with these vehicles will mean that manufacturers / importers may remove them from the market. This in turn will have significant flow on impact to the sections of the Australian economy that rely on them as workhorses.

The amendments to ADR 81/02 will define the emissions testing and reporting requirements for vehicles exceeding 3,500kg and up to 4,500kg GVM that can be tested to EU, ECE or U.S. light vehicle testing standards, with a conversion procedure for vehicles tested to the latest international standards. It is our understanding that the current and future coverage of the proposed ADR 81/02 amendments will be consistent with the UN ECE 101 Emissions of CO₂ and Fuel Consumption standard to ensure it applies to N1 category vehicles (equivalent to NA Light Goods Vehicle in Australia) with reference mass¹ limit up to 2,840kg. This means those vehicles with reference mass exceeding 2,610kg and up to 2,840kg and those tested to heavy duty emissions with reference mass exceeding 2,840kg and tested to heavy-duty emissions (based on ECE 49) will be exempted until the end of the scheme. We request that the above be

clearly specified when the instrument is made final to provide clarity and certainty to the industry and minimize confusion and incorrect interpretations during implementation phase.

This determination should also mirror the EU's CO₂ standard and exempt vehicles unless the extra weight of the Rechargeable Energy Storage System (RESS) of a Battery Electric Vehicle (BEV) vehicle was responsible for the vehicle being over the cut-off. In the case of an NB1 internal combustion engine (ICE) vehicle being replaced with a BEV equivalent, its GVM could weigh more than 4,500kgs, meaning these vehicles will perversely fall out of the scheme, resulting in technology capable of eliminating CO₂ from the economy being penalized, and offering no benefit to the OEM under the NVES.

In addition, we request that all Zero emissions vehicles (Battery Electric Vehicles (BEV) and Fuel Cell Electric Vehicles (FCEV)) with GVM of up to 4,500kg, unless the extra weight of the Rechargeable Energy Storage System (RESS) of a BEV or FCEV vehicle was responsible for the vehicle being over the cut-off, be included in the NVES scheme, irrespective of their Exempt Vehicle status based on their GVM. We believe this approach would be one of the fastest and easiest ways to achieve CO₂ emission reductions, incentivize and promote the introduction of zero emissions vehicles to the market, without significant public spending, especially in the absence of technology and off-cycle credits and flexibility in the Standard. It is important to note that this change would not increase the amount of CO₂ released under the scheme, but would enable OEMs to comply with the scheme, increase the choice of vehicles for the consumers in Australia and reduce carbon dioxide emissions in the transport sector.

Raising EVs demand/uptake

The NVES Standard will take Australia from having no legislated fuel efficiency standard to one which projects a national new vehicle fleet CO₂ emissions reduction of 54% over the period of 2025-2029, with penalties and credits to commence on July 1, 2025.

While we support the high-level objectives of the Australian government, the Standard 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. We understand the Australian Government made the decision to decline the use of technology and off-cycle credits and flexibilities in the NVES scheme. However, we urge the government, at the next earliest opportunity, no later than the 2026 review, to reconsider the inclusion of these flexibilities to promote the uptake of electric vehicles that we believe will support the objectives of the NVES Act.

We strongly believe our recommendations will in the short to medium term maintain supply while supporting industry, and specifically the U.S. automotive industry, to work and continue to support and partner the Government in the drive to reduce emissions in the years to come.

We also believe our recommendations would be in the interest of Australian consumers, would support vital Australian constituents such as small businesses, trades people and farmers, better

align with international practices, all while not interfering with achieving the fuel efficiency goals, nor disrupting the U.S.-Australia trade relationship.

We sincerely appreciate your consideration of the rationale for adopting the recommendations outlined above. If there are any questions or a request for additional information, do not hesitate to contact [REDACTED] and [REDACTED]
[REDACTED]

Footnotes:

¹ European CO2 standard applies to N1 category with reference mass limit up to 2840kg.

Definitions:

- N1 category is equivalent to NA Light Goods Vehicle with GVM not exceeding 3,500kg in Australia.
- Reference Mass means the mass of the vehicle in running order with a full fuel tank and including the set of tools and spare wheel, plus 100 kilograms but does not include the mass or weight of the passengers and driver.