

Thank you for the opportunity to provide the following brief submission on the New Vehicle Efficiency Standard (Exempt Vehicles) Determination 2024.

NVES exemptions

The AEVA is concerned that several popular makes and models of light commercial vehicles (those with a gross vehicle mass between 3.5 and 4.5 tonnes) are not being tested for CO₂ emissions, which exempts them from the NVES scheme. In order to ensure integrity in the scheme and set Australia on a pathway to zero emission transport, these anomalies must be addressed immediately. These vehicles are not being sold in small numbers. Thousands of these vehicles are being added to the fleet each year, and unless this anomaly is addressed our emissions reduction targets will be even further off course.

Experience with the US CAFE standard brings some important lessons for the NVES. The CAFE standard originally contained an exemption for vehicles over 6,000 pounds and was later revised to 8,500 pounds (3,850 kg). This provision, now widely known as the “SUV loophole”, created an incentive for manufacturers to increase the mass of vehicles that were close to this threshold. Using weight as a determinant for NVES exemption risks creating a similar incentive in Australia for manufacturers to increase vehicle mass to avoid their obligations under the NVES. It will also delay the introduction of electric variants in this key segment of the market.

When ADR 81/00 (fuel consumption labelling) was introduced in 2001, it required vehicles up to 2,700 kg to be tested for CO₂ emissions for the fuel efficiency label. ADR 81/01 increased this limit to 3,500 kg to include a greater range of vehicles in the scheme. In a climate emergency, there is no justification for excluding vehicles on the basis of vehicle mass. Such an exemption creates the same perverse incentive as the “SUV loophole” described above, particularly as importers are marketing these vehicles so aggressively. AEVA hopes that the Australian Government will not repeat this mistake. All vehicles using public roads should ideally be tested for CO₂ tailpipe emissions.

AEVA appreciates the legacy of previous policy decisions, but these exemptions must end. Large, heavily emitting vehicles should be included in the NVES. The number of models impacted may be small, but this exemption will motivate importers to market them heavily in the meantime. Importers already undertake CO₂ testing for the vast majority of their range, so adding a few more models is no imposition. We recommend a short but fair timeframe for the importers to undertake CO₂ tests on vehicles with no previous test result. We suggest that doing so by 1 March 2025 would be reasonable.

We note that the Government's Exemptions Principles paper of August 2024 states that exemptions should relate to vehicles for which there are no close substitutes in the current

market. We argue that these are poor grounds for exemption. Importers should simply compensate for these models by marketing their range of low emissions vehicles more heavily. Credits earned through sales of electric sedans and hatchbacks would easily offset the penalties incurred by these heavy and polluting light commercial vehicles.

Plug-in hybrid (PHEV) testing

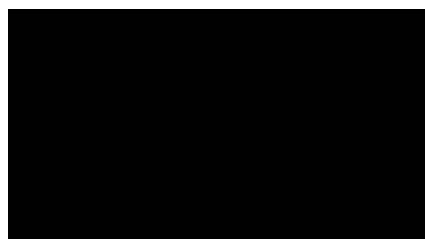
A loophole in the NVES which must be addressed urgently is the methodology for testing PHEV emissions. These are currently tested according to Australian Design Rule 81 and are based on the outdated New European Driving Cycle (NEDC) test.

The Government has indicated its intention to replace the NEDC test procedure with the Worldwide Harmonised Light Vehicles Testing Procedure (WLTP) by 2028. WLTP produces more realistic figures for consumers in general, but continues to dramatically underestimate the real-world emissions of PHEVs. The WLTP calculation uses a 'utility factor curve' which, for a given electric-only range, estimates the percentage of driving the vehicle will do in electric-only mode. Since 2021, all vehicles sold in the EU have been fitted with on-board fuel consumption monitoring equipment to report true fuel consumption. Numerous studies in Europe, including a [2024 report by the European Environment Agency](#), have found that the actual emissions from PHEVs can be, on average, 3.5 times higher than their type approval values. Fuel consumption data are being used to adjust the utility factors in Europe. In 2025, a new utility factor curve will be adopted followed by another revision in 2027. These improvements will bring type approval values for PHEVs closer to their disappointing on-road emissions, however deployment will be slow.

The discrepancy arises because drivers are not as motivated to charge PHEVs as often as compared to a battery electric vehicle. PHEVs used in fleet arrangements perform particularly poorly as they come with a company fuel card but drivers may not be compensated for home electricity used for charging. Other reasons include compliant vehicles sporting comically small traction batteries. One Mercedes-Benz model has a V8 engine paired with an electric-only range of just 13 km! Even when sufficiently charged, PHEVs can continue to emit CO₂ in some circumstances due to the combustion engine starting to support the electric drivetrain.

AEVA therefore recommends that plug-in hybrid vehicles be defined by having a) an electric-only range of at least 50 km, (b) DC charging of at least 50 kW, and (c) electric motor power greater than the power of the combustion engine. Otherwise, the vehicle should be tested as if it were a conventional hybrid vehicle.

Thank you for the opportunity to make a submission on this important matter.



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