

ESCA reply to public consultation on Proposed New Vehicle Efficiency Standard (Exempt Vehicles) Determination 2024

October 2024

About ESCA

The European Small Volume Car Alliance (ESCA) represents the interests of independent European manufacturers who produce advanced and high-performance cars, with yearly registrations in the EU lower than 10,000 passenger (M1) units and less than 22,000 commercial (N1) vehicles, recognized by EU legislation as small volume manufacturers (SVMs).

ESCA has 19 members across Europe: Alpina, Aston Martin-Lagonda, Bertone, Brabus, Bugatti, Bugatti Rimac, Donkervoort, Gordon Murray, Goupil, Hispano Suiza, Ineos Automotive, Koenigsegg, KTM, Lotus, McLaren, Pagani, Praga Cars, RUF, Wiesmann.

We believe in the diversity of the automotive industry and in maintaining consumer choice. As small volume manufacturers we are committed to continuously improving the performance of our vehicles and to create new innovations in order to remain competitive within the marketplace.

We are committed to the EU's carbon reduction measures and playing our part in the development of connected automotive technology as well as ensuring regulatory equivalence with our export markets.

Background

The Australian Government has introduced a New Vehicle Efficiency Standard (NVES) to help deliver its ambitions on carbon emission reduction. This legislation has been introduced relatively rapidly and with limited automotive industry consultation. As drafted, the NVES will impact Small Volume Manufacturers' (SVMs) ability to sell cars into Australia.

ESCA would like to urgently highlight the need for a volume-based derogation, in line with similar provisions found in other leading markets which have all taken into account the additional challenges faced by SVMs in their journey to decarbonisation.

ESCA Position on exemptions

While the NVES proposes recognising specific vehicle types, it assumes that all manufacturers can decarbonise at the same pace. However, as governments in leading markets already recognise, SVMs do not have access to the same level of resource or funding as the larger volume manufacturers. Therefore, product development and life cycles are much longer. This in turn impacts the speed and frequency within which SVMs can make large CO₂ reductions, with limited products and engine families.

In contrast, large vehicle manufacturers can progressively electrify parts of their portfolio, still allowing provision of a full product offering to all consumers during this transition period.

The decarbonisation challenges faced by SVMs are recognised through different global regulatory frameworks for CO₂ compliance as well as other vehicle technical requirements. We see other

leading markets providing a more holistic and sophisticated approach to decarbonisation by providing modest and reasonable flexibilities, such as derogations for Small Volume Manufacturers (SVMs) or full exemptions for Ultra Small Volume Manufactures (USVMs), recognising that there are additional challenges for smaller size companies. Allowing for flexibilities within the regulations via exemptions and derogations is critical for the part of the sector within which we operate. This is further evidenced through exemptions or additional lead time for compliance with different vehicle technologies.

It is also important to note that the volumes of car sales have an almost completely negligible impact on nation states CO₂ reduction ambitions. ESCA members sold 1144 cars in Australia in 2023, which represents 0.09% of the total domestic market. As SVMs contribute an extremely small fraction of CO₂ emissions, the Australian Government could offer a temporary but necessary flexibility.

Considering all of the above and by taking examples from other markets, ESCA would propose a derogation for SVMs, who are either not part of a connected group of entities or who are part of a group but operate their own production facilities and design centres, with registrations in Australia of less than 1000 vehicles per annum. The derogation should specify a pre-agreed CO₂ reduction between the authorities and the individual SVM for a 5-year period to be reviewed in 2030. The derogation would ensure that decarbonisation continues for SVMs but at a more realistic pace, following the approach taken in leading countries and reducing the compliance cost compared to the main scheme which would become prohibitive for these small companies.

This proposal falls within the parameters Specific Exemption Policy for the following reasons:

1. By limiting any derogation to SVMs who are not part of a larger group with a limit of 1000 units, the number of vehicles affected by the derogation is reduced.
2. Any derogation would be neutral as it does not apply to specific manufacturers but only to those that fulfil the predefined requirements, such as independence and Australian market volume.
3. The vehicles produced by SVMs tend to be vehicles to which there are no close substitutes in the current market.
4. As it is the case in leading markets, the existence of a derogation for SVMs can be applied in a simple and coherent manner, with a clear internationally known definition to identify manufacturers within the scope of the provision.
5. The derogation would reduce the administrative burden on regulated entities through a simple redetermined application.

ESCA remains available for further discussions with the Australian government.