

The Hon Catherine King MP  
Minister for Infrastructure, Transport, Regional Development and Local Government

The Hon Chris Bowen MP  
Minister for Climate Change and Energy

8 October 2024

**RE: New Vehicle Efficiency Standard (Exempt Vehicles) Consultation: Tesla Submission**

Dear Minister King and Minister Bowen,

Tesla commends the Federal Government for progressing the design and implementation of the New Vehicle Efficiency Standard (NVES). Strong vehicle emissions standards are essential to tackle climate change. They will also save lives by reducing deadly vehicle pollution, and save Australian motorists hundreds of dollars a year by replacing expensive imported fuel with renewable electricity.

NVES is an elegant, robust, and well-designed standard that will save the average Australian family thousands of dollars in petrol and finally put Australia on a trajectory to achieve its climate targets for transport.

Australia has been slow to adopt vehicle CO2 standards. As Ministers King and Bowen have noted many times, similar standards have been in place in the United States for decades, and now cover 85% of the world's car market. Australia is among the last major economies to adopt this critical measure to tackle transport pollution. If there is an advantage in being last, it is the opportunity to learn from dozens of preceding policy examples overseas. The Albanese Government has made the most of this advantage, applying the best features of international schemes, while avoiding unnecessary complexity and opacity.

In many other countries, petrol lobbyists have succeeded in pushing legislators to include loopholes like multiplier credits, off-cycle credits, and non-penalty years. We commend the Government's commitment to avoid such loopholes. However, calls continue to attempt to gain broad-based exemptions from the NVES scheme. We encourage the Government to resist these calls to ensure that Australia maintains its ambition and rewards vehicle manufacturers for sending their most efficient vehicles to Australia to meet the strong standards and avoid penalties.

We note the exemption classes currently drafted in the exemption determination (i.e. "vehicles for which an ADR on CO2 emissions does not apply") provide the baseline class of road vehicles to be exempt. This should be limited in scope and monitored to ensure appropriateness going forward. Any further broadening of this exemption risks undermining the efficacy of NVES and creating loopholes that might otherwise have been avoided.

Indeed, there is additional scope to tighten the current exemption allowances – e.g. for lighter NB1 classes where it appears many single/dual cab utes, wagons and carriers are listed at 3.51t gross vehicle mass. Many such vehicles are used primarily as a family vehicle (i.e. no commercial purpose), yet are still able to enjoy fringe benefit and tax write-offs; and may now be able to qualify for multiple years of fuel efficiency exemptions, purely due to these manufacturers not yet obtaining CO2 tests. For example, as reported, exemptions would apply to variants of at least four models including Toyota Landcruiser 70, Ram 1500 TRX and 2500, and the Chevrolet Silverado HD.<sup>1</sup> There is no reason to continue to grant additional time for these classes of vehicles to obtain tests 'as required' under ADR given they can practically comply with these tests now. We support government's aim to ensure vehicles that can be used as commuter vehicles (rather than sole goods vehicles) are captured and appropriately accounted within NVES. This achieves the goals of the program while acknowledging the changing consumer preferences.

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<sup>1</sup> [www.theguardian.com/australia-news/2024/oct/04/fuel-efficiency-standard-laws-nves-albanese-government-exemptions](http://www.theguardian.com/australia-news/2024/oct/04/fuel-efficiency-standard-laws-nves-albanese-government-exemptions)

Government must also be careful to ensure the potential for gaming the system or creating perverse outcomes is minimised – e.g. if OEMs seek to change model designations and delay ADR requirements further; or upgrade lighter NB1 vehicles to a gross vehicle mass to exceed the 3.5 tonne threshold and become exempt etc. These attempts at delay and gaming tactics must be monitored and penalised to ensure strict and robust exemption regime.

There are several justifications for this.

Firstly, one of the impacts of well-designed standards with tightly scoped exemption classes is to support OEMs to expand the range of affordable, low emission vehicle models available, because carmakers that generate regulatory credits in region are incentivised to bring new models into those regions. If this regulatory credits revenue can't be recognised for several years or is uncertain due to an expanding scope of exemptions, this incentive is reduced and delayed.

Secondly, broadening exemption eligibility is unnecessary for most purposes. The strongest incentive for low emission vehicles is a strong and internationally-competitive regime, with enforceable penalty price. If OEMs are liable for AU\$200 of penalty credits for every gram of CO2 under the limit curve in the EU, but can qualify for exemptions in Australia, naturally they will continue to prioritise sending low emission vehicles to Europe.

To ensure transparency and public trust in the NVES, it is critical that government holds its line against requests for ad-hoc exemption classes due to petrol lobbying efforts. Limiting the scope of potential exemptions will also reinforce the guiding principles of the NVES – i.e. that it is:

1. **effective** in reducing emissions;
2. **equitable** so all Australian's can access vehicles they need for work and leisure
3. **transparent** and well explained to avoid unintended consequences
4. **credible** and robust drawing on expert analysis and experience
5. **enable** vehicles with the best emissions and safety to be available to Australians

Similarly, Tesla fully supports the NVES exemption principles as approved by Minister King – i.e to minimise the scope of vehicles affected and timing of any exemption; ensure competitive neutrality; and minimise the administrative burden on all (not just select parties seeking model / brand exemptions due to volume or vehicle type).

For decades, sections of the petroleum and vehicle industries have resisted real emissions reduction in the light vehicle sector. They have done so first by opposing fuel efficiency standards outright, and then by attacking standards proposed by government, instead arguing for trajectories so weak they would actually allow increases in pollution. Now they are attempting to weaken the credibility of the scheme implementation by creating new and unnecessary exemption classes. If they get their way, new vehicles on offer to Australians will continue to be among the most inefficient and polluting in the world. This will continue to add pressure to household budgets, with the average household spending over \$5000 a year on petrol and diesel.

It is important to remember that Australia is starting behind comparable countries when it comes to decarbonising light vehicles. Some argue that it would be acceptable to adopt the rate of improvement in other markets, thereby remaining perpetually behind by several years. Australia deserves better than this defeatist approach. Continuing to lag other countries is an unacceptable outcome when it is eminently possible for Australia to match the ambition of its peers and catch up to other major markets before the end of the decade.

Sincerely,



Thom Drew

Country Director, Australia & New Zealand