



4 March 2024

FORD AUSTRALIA COMMENTS ON THE COMMONWEALTH GOVERNMENT'S CONSULTATION IMPACT ANALYSIS FOR THE AUSTRALIAN NEW VEHICLE EFFICIENCY STANDARD

Ford Australia appreciates the opportunity to provide input to the Australian Government's Consultation Impact Analysis which considers several options for a national New Vehicle Efficiency Standard (NVES). Our comments build on our submission of 31 May 2023 where we responded to the Australian Government's consultation which considered the need for a national fuel efficiency standard (FES) for new vehicles.

Ford Australia supports the introduction of a NVES for Australia but based on our experience with the operation of international schemes, and our deep knowledge of our Australian customers, we are concerned that the pace of emissions reduction proposed in the Government's preferred Option B is too rapid, especially for light commercial vehicles (LCVs).

To have the best chance of achieving sustained emissions reductions, the standard needs to bring all customers along – ensuring they have access to vehicles that meet their work and lifestyle needs, supported by widely available and reliable infrastructure.

We have directed our feedback to areas where we have specific technical expertise, particularly relating to the higher utility LCVs demanded by our customers. High capability, lower-emission technologies in this segment are still emerging and are therefore not yet available to be deployed at scale.

We note the Consultation Impact Analysis projects LCVs will account for around 17% of Australia's total transport emissions in 2025, whereas passenger vehicles are projected to account for around 45% - and it is in this segment that lower-emission vehicles that meet customer requirements are more available.

Ford Australia's Viewpoint

- We strongly recommend the following adjustments apply to the Government's Preferred Standard 'Option B':
 - a) Option B CO2 Reduction Glidepath to be spread over a minimum of 7 years and establish more feasible targets than proposed for the LCV category. This recognises that customers require vehicles that deliver high capability levels and that appropriate lower-emissions technology in the LCV segment is still emerging, and;
 - b) The inclusion of Technology Credits (super credits and off-cycle) to encourage the supply of zero and low emission vehicles, particularly in the absence of purchase incentives.
- We recommend extending the current duty exemption for electrified passenger vehicles to electrified LCV category vehicles to help more Australians access more affordable EVs that meet their requirements.
- These proposed adjustments are critical in helping deliver the Government's objectives of accelerated emissions reduction, by supporting vehicle manufacturers to bring more zero and low emission vehicles to Australia while ensuring Australian consumers can continue to access a range of vehicles capable of meeting their requirements.



Ford Australia's Electrification Transition

Ford Australia is proud to offer an expanding range of electrified vehicles in our line-up. At present we offer the E-Transit van and the Mustang Mach-E performance SUV, with the E-Transit Custom and the all-electric Puma Gen-E small SUV on their way. We know some of our Ranger customers are considering electrification for their mobility needs. Our Ranger PHEV arriving in 2025 will help many of these customers make the transition by enabling them to drive in all-electric mode for short drives such as the daily commute then providing the flexibility of petrol back-up for when they need to tow or drive longer distances, whether for work or recreation.

We have customers spread across metro, regional and rural areas with many using their vehicle for work, especially those who drive light commercial vehicles. Ranger, in particular, is designed for both personal and commercial use and is a critical business enabler that supports primary producers, tradespeople, and other small businesses. By offering a mix of powertrains, their specific capability requirements can be met – whether for hauling, towing, remote or distance travelling. We pride ourselves on providing highly capable work vehicles for our customers that can transport a crew, carry cargo, tow work gear, and do so in locations with offroad-only access. The design of the final standard must ensure that customers who operate in these environments and need these capabilities are not penalized where the technology shift is slowest to occur – that is, in higher utility vehicles.

Comments on Specific Aspects of the Consultation Impact Analysis

Glidepath Severity of Headline CO2 Targets

If implemented as proposed, Option B would be the most aggressive CO2 reduction standard anywhere in the world. The fleet-wide reductions of 62% over 5 years would be 18% more aggressive than the Clean Car Standard enacted in New Zealand in 2022. This option attempts to compress decades of technology adoption and development in jurisdictions such as the USA and Europe into 5 years. It aims to “catch-up” to 2027-32 CO2 targets proposed by the US-EPA by 2029, targets that are yet to be legislated.

Our strong recommendation is to adjust the proposed CO2 glidepath duration to cover a minimum 7-year period, giving adequate lead time for expanded availability of low emission vehicles currently in market and the deployment of low emissions vehicles available elsewhere that may be adapted for Australian regulatory requirements. This would also allow time for supporting systems such as expanded charging infrastructure and the electricity generation and distribution capacity to be developed. Further, extending the CO2 glidepath will provide a more reasonable and realistic timeframe for lower emission technologies to be developed for highly capable work vehicles that need to carry passengers and large payloads, tow high loads, and perform offroad, and make these available to Australian customers.

Credits

Super and Off-cycle credits have been successfully used in other CO2 reduction standards globally to incentivise the availability of low and zero emission technologies. They are particularly impactful early on as they help offset potential penalties by giving extra stimulus to deploy Plug-In Hybrid (PHEV) and Battery Electric (BEV) vehicles, along with Off-cycle technologies such as Engine Stop-Start and lower Global-Warming Potential (GWP) refrigerants.

Given the Government's objective to achieve rapid fleet CO2 reductions, our strong recommendation is to include a super credit system that allows all BEV and PHEV vehicles (LCVs & Passenger Vehicles) to be counted as 3 and 2 vehicles respectively. Off-cycle technologies should be eligible for further CO2 offsets. This will give impetus to deploying the best technologies and achieve real world CO2 reductions in the absence of consumer purchasing incentives.



Break Points

The proposed Option B standard includes for Break Points that flatten allowable CO2 emissions above 2,000kg and 2,200kg for Passenger and Commercial vehicles respectively. These limits penalise vehicles with the highest capability to do work and are contrary to standards in other jurisdictions. In the US-EPA scheme, for example, Break Points are set to ensure vehicles with capability to carry large payloads, tow high loads, and perform offroad are not disincentivised. It is our recommendation that Break Points be removed, or be set at 2,500kg, to ensure that light vehicles with the capability to support trades, agricultural, infrastructure providers, and forestry users are not penalised.

Vehicle Segmentation

Option B seeks to adopt proposed US CO2 levels for 2029 as the headline target, however it plans to apply these to substantially different vehicle fleets. Under the US-EPA system no vehicle over 3,856kg GVM is subject to light duty emissions targets, and in other jurisdictions such as Europe and New Zealand they don't apply to vehicles over 3,500kg GVM. Further, in the US system medium and large offroad SUVs are categorised as Light Trucks and are permitted higher CO2 emissions due to their offroad capabilities.

This is a significant vehicle classification disconnect between the proposed NVES and worldwide norms. Almost all jurisdictions that follow UN-ECE standards, including Europe, regulate vehicles above 3,500kg separately to light duty vehicles. If Option B in the NVES is not amended to be consistent with worldwide norms, this significantly increases the stringency and penalises high work capability vehicles. (e.g., Payload Carrying, Towing Capacity, and Off-Road). By applying the scheme to medium duty (NB1) vehicles up to 4,500kg GVM, the scheme could force these vehicles out of the market as CO2 targets for light duty vehicles are not appropriate for medium duty vehicles.

Further, we recommend that the proposed scheme treat MC category offroad vehicles as part of LCV category, recognising the important capabilities these vehicles bring to Australian business and industry. Failure to account for this difference in classification is likely to impact the availability of vehicles that bring critical capabilities to the Australian market.

Commencement of Penalties

As we raised in our earlier submission, the need to allow sufficient time for scheme management and tracking systems to be developed and tested is critical to the success of any regulation, and even more so for one as ambitious as the New Vehicle Efficiency Standard. Expecting that robust IT, administrative, compliance and reporting systems can be developed, deployed, and operating reliably within 10 months from today is unrealistic in Ford's experience. Ford notes that even a scheme as aggressive as that adopted in New Zealand allowed for 24 months from the time the policy was unveiled until it became effective with penalties.

It is our recommendation that penalties commence from 2026 at the earliest if all prerequisite systems are in place. Otherwise, they should be delayed two years from the start of the proposed scheme. This will give industry and government critical time to develop and test their internal tracking and monitoring systems. Further, penalties should commence at \$50 per g/km and grow annually over the scheme to a maximum of \$100 per g/km. In this way vehicle importers will have the time needed to adjust their supply plans in the initial years of the standard without incurring stringent penalties while adapting their fleets to the final legislation.

Yours sincerely

Ford Motor Company of Australia Pty Limited



Organisation questionnaire response

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

| | |
|--|--|
| What organisation do you represent? (required) | Ford Motor Company of Australia Pty Limited |
| 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 |