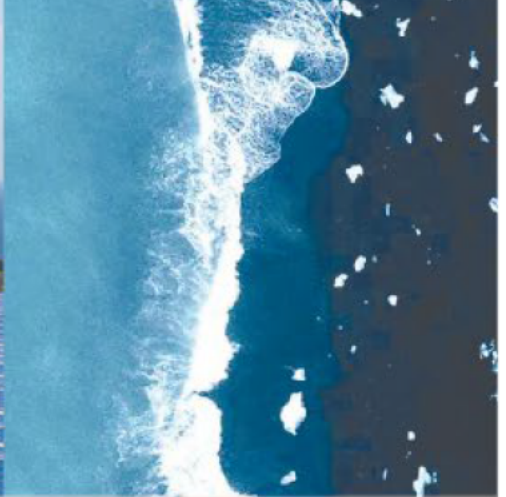


# Australian New Vehicle Efficiency Standard Consultation Impact Analysis

Submission by Hyundai Motor Company Australia  
March 2024



# 1. Introduction

Hyundai Motor Company Australia (HMCA) welcomes the opportunity to make this submission to the Australian Government's New Vehicle Efficiency Standard (NVES) Consultation Impact Analysis.

HMCA is encouraged by the introduction of the NVES and supports the Government's aim to reduce transport emissions and in doing so align Australia with other advanced nations.

The Government's ambition reflects Hyundai Motor Group's aim to be carbon neutral globally by 2045, realising a more sustainable, safer and greener world.

We are committed to working with the Government to deliver a world-class NVES and ensure Australian consumers get access to the widest range of affordable zero- and low-emission vehicles (ZLEVs).

It is our goal to meet the Government's proposal through our broad range of ZLEVs across the Hyundai and Genesis portfolios, and make our contribution to reduce emissions in line with Australia's commitment to decarbonise.

HMCA sees merit in the Government's preferred Option B, and with minor adaptations incorporated as outlined below, we believe we can achieve all proposed targets while offering accessible, affordable and efficient vehicles to Australian new car buyers.

## 2. About Hyundai

In 2023, Hyundai Motor Group (HMG) – which includes Hyundai, Genesis and Kia – was the world's third-largest automotive manufacturer by volume, behind Toyota and Volkswagen, and ahead of Stellantis and the Renault-Nissan-Mitsubishi Alliance. The group sold 7.32 million vehicles last year.

Hyundai Motor Company (HMC) is part of Hyundai Motor Group. It exports its vehicles to more than 200 countries and complies with laws in all regions and nations, including applicable emissions regulations.

HMCA is a fully owned subsidiary of HMC. In Australia, Hyundai was the fifth-largest brand by sales volume in 2023 with 75,183 sales, behind Toyota, Mazda, Ford and Kia.

Hyundai, Genesis and Kia's combined volume in Australia was 153,219 vehicles in 2023, making HMG brands number two in the Australian market.

HMG's global ambition is to be a top-3 EV automaker with a total production volume of 3.64 million units across 31 EV models by 2030: HMCA is targeting a fully electric product line-up in Australia by 2040.

Note that this submission relates to the Hyundai and Genesis brands only.

## 3. General comments

In studying the NVES proposal, HMCA supports the Government's five guiding principles for the Standard, being:

**Effective:** Needs to reduce emissions to help meet climate change goals as outlined in the Paris Agreement, and assist with the Government's stated net zero goal for Australia by 2050.

HMCA, as it works toward carbon neutrality globally by 2045 and the phasing out of ICE and hybrid vehicles in Australia by 2040, agrees that this aim should remain clearly in focus.

**Equitable:** Gives all Australians access to the vehicles they need for work and leisure, with no undue impacts to consumers.

HMCA, through significant investment in ZLEVs over the last decade, is in a position to continue to provide accessible, affordable mobility to the majority of Australians. As of today, we are selling our second-generation EVs, and by 2030 we will have launched our next generation zero emission platforms. Our aim is to cover all major market segments with ZLEVs.

**Transparent:** Must be well-explained to avoid misunderstanding and unintended consequences.

HMCA supports the current two-way discussion and looks forward to supporting the Government in educating all stakeholders on the benefits of the NVES.

To ensure transparency is maintained, we recommend the NVES be subject to a regulated annual review.

**Credible and robust:** Drawing on the best expert analysis and experience.

HMCA appreciates the NVES consultation process underway now. As of today, Hyundai cannot solve every product and price point challenge with ZLEVs: a world-class Australian auto industry needs world-class competition, which means all stakeholders' voices need to be considered throughout this process.

**Enabling:** Enable vehicles with the best emissions and technology to be available to Australian customers, as good as any available internationally, while avoiding increasing the average age of the fleet so there are no inadvertent safety impacts.

In continuing the progress made by Hyundai in the last decade, HMCA will import a broad range of zero-emission vehicles in line with the company's accelerating global launch cadence.

**In addition to the above, HMCA bases its submission on three key principles, with a focus on the consumer:**

**Accessibility:** Our aim is to build value-for-money into all Hyundai products, for all Australian new car buyers in a wide range of segments, while simultaneously delivering reduced or zero tailpipe emissions.

Further, the offset effect of a broader introduction of ZLEVs will allow more affordable ICE and hybrid vehicles to remain in market for longer.

We see the advance of technology, increased competition, and introduction of credits for EVs as critical to reducing and eventually eliminating the price disadvantages of EVs.

**Application:** Delivering practical and versatile ZLEVs to all main segments of the Australian market will be Hyundai's mission. Our short- and mid-term product portfolio will see the introduction of ZLEVs across a broad range of applications, including a large 7-seat SUV EV and a small, lower-cost battery-electric EV SUV.

Further, HMC's next generation Integrated Modulated Architecture (IMA) will help enable the launch of 17 new EV's by 2030, including three sedans, six SUV's and one light commercial vehicle.

**Action:** Market research tells us the vast majority of our customers care about climate change and respect brands who seek to protect the environment.<sup>1</sup> With investment in EVs in Australia now stretching back over a decade, Hyundai's commitment to sustainability is well demonstrated. Our rate of change will now accelerate at a greater pace.

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<sup>1</sup> Ipsos. (2023). The Ipsos Climate Change Report. Available at: [https://www.ipsos.com/sites/default/files/Ipsos\\_ClimateChangeReport\\_2023.pdf](https://www.ipsos.com/sites/default/files/Ipsos_ClimateChangeReport_2023.pdf) (Accessed: 4 March 2024); Kantar. (2023). Mental health, poverty and climate change top the sustainability issues that Australians are most concerned with and want addressed in 2023. Available at: <https://kantaraustralia.com/mental-health-poverty-and-climate-change-top-the-sustainability-issues-that-australians-are-most-concerned-with-and-want-addressed-in-2023/> (Accessed: 4 March 2024).

## 4. Proposed NVES adjustments

HMCA supports all elements and targets of the Government's preferred Option B as outlined in the Consultation Impact Analysis, with modifying components included. These are:

**1.5x multiplier for all EV models (PC, SUV & LCV) from 2025 to 2029:** A 1.5x multiplier ensures optimum visibility and simplicity. We recommend no caveats based on vehicle segment or price bracket, in order that all EVs benefit and are treated the same.

An extended timeframe for the 1.5x multiplier (2025-2029) emphasises the importance of incentivising the industry while recognising a typical product cycle of four to six years.

A key objective of the NVES is to stimulate the introduction of more EVs from more brands across a broader range of vehicle segments: a shortened period for the multiplier is less effective. It would not allow time for brands to develop and introduce products over a standard model lifecycle and benefit from the incentive gained by the introduction of those new products.

In the absence of a demand-side consumer incentive, we believe this supply-side credit – incentivising innovation and an expanded EV portfolio – is most effective. It will enable sufficient development lead time for new products, which in turn helps to address the price point and segment functionality concerns of today by extending the life of some HEV/ICE products for a short period.

**Addition of credit pooling:** Credit pooling should be permitted across automotive manufacturer parent companies as a useful tool to provide enhanced flexibility and manage the credits earned from EV deployments.

## 5. Conclusion

We appreciate the opportunity to make this submission and would be pleased to provide further input, especially in the form of a detailed confidential briefing with ministers and departments, outlining our future product portfolio and predicted emissions curve.

HMCA stands ready to meet the Government's Option B emissions targets, support the development of the NVES and play an active role in Australia's first fuel efficiency standard.

A brief appendix covering other considerations is included on the following pages.



## Appendix: Other considerations

HMCA appreciates the complexity of the NVES and its potential effects on a highly diverse market. This appendix briefly outlines other matters associated with the NVES, to be considered as the policy is developed and finalised during the consultation period.

### Acceptance of EVs awarded an ANCAP 4-star safety rating

As the requirements and costs involved in achieving a five-star safety rating advance rapidly, we request close consideration of ANCAP’s ‘five stars or nothing’ approach to vehicle safety and associated laws, especially for EVs in government fleets.

A four-star rated car today represents a higher level of safety than a five-star car of just a few years ago.

Hyundai understands and respects ANCAP’s remit to ‘push’ the industry and advance vehicle safety over time, but we note that ANCAP’s ‘five stars or nothing’ approach is at odds with European practice based on identical test procedures.

ANCAP takes the majority of its test results from EuroNCAP. Australian tests are carried out using an identical method. However, the definition of a four-star rated vehicle is markedly different in each region:

Comparative descriptions of 4-star safety results based on identical tests	
<p>Australia</p>	<p>Provides an adequate level of safety performance yet fell short in one or more key assessment areas. May present a higher injury risk to occupants and/or other road users in certain scenarios or have a reduced ability to avoid a crash.<sup>2</sup></p>
<p>Europe</p>	<p>Overall good performance in crash protection and all round; additional crash avoidance technology may be present.<sup>3</sup></p>

**We are unaware of any national government in the EU enforcing a ‘five stars or nothing’ policy for fleet procurement.**

We recommend that the Australian Government considers the relaxation of ‘five stars or nothing’ laws and set a practicable example by allowing the inclusion of four-star vehicles (including EVs) into its fleets. This would be effective in introducing smaller, more affordable EVs into the used car market.

### NVES effect on vehicle pricing

Even in the absence of emissions standards, the Australian market has been demanding higher-priced vehicles from OEMs for many years.

<sup>2</sup> ANCAP. What do the star ratings mean? Available at: <https://www.ancap.com.au/what-do-the-star-ratings-mean> (Accessed: 4 March 2024)

<sup>3</sup> EURO NCAP. How to read the stars? Available at: <https://www.euroncap.com/en/about-euro-ncap/how-to-read-the-stars/> (Accessed: 4 March 2024)

The following is a summary of volume and price shifts in Australia from 2015 to 2023:

	MLP growth		Volume change	
	\$	%	Units per annum	%
Vans 2.5-3.5t	\$10,704	28%	3,136	18%
PU/CC 4x4	\$12,010	25%	74,540	56%
Small Cars <\$40k	\$9,538	39%	-113,523	-65%
Medium Cars <\$60k	\$6,645	19%	-36,989	-71%
SUV Light	\$3,353	13%	25,906	97%
SUV Small <\$45k	\$5,218	17%	73,905	101%
SUV Medium <\$60k	\$10,243	29%	73,633	58%
SUV Large <\$80k	\$13,587	28%	20,840	20%

Source: VFACTS; MLP growth calculated as a weighted average of median pricing

It is clear that Australian car buyers' habits have shifted in the last seven years and will continue to shift in the next seven as the NVES takes effect.

The table above reflects consumers' willingness to pay for technology if it meets their needs. The opportunity presented to the industry is to translate these emerging mobility needs into functionality and price points which consumers feel meet their needs in the coming seven years.

Average prices for vehicles will continue to rise, but the range of available ZLEVs in all segments will inevitably grow. Hyundai is dedicated to providing ZLEV mobility solutions to suit all customer needs across the broadest possible range of market segments.

Accessing mobility is fundamental, especially as we phase out ICE and hybrid vehicles in favour of EVs, which for the foreseeable future will have a higher price of entry. A balanced credit system enables brands to innovate in the market while resolving the issue of accessibility and application via a continued supply of entry level ICE and hybrid vehicles.

### Complementary measures worth considering

Financial and non-financial EV incentives should be integrated within the scheme, just as they are in other major markets. Complementary levers can include:

- Nationally consistent purchase incentives equivalent to those offered overseas and scaling back over time
- Stronger government fleet EV targets to create demand and grow the second-hand EV market (note that the Australian Government is not on track to achieve its 75% EV by 2025 target due in part to insufficient AC charging installations in government buildings, caused by budget constraints and landlord restrictions)
- Non-financial incentives including access to transit lanes, free parking and free charging

Hyundai also notes the critical requirement for a broad, safe, reliable charging infrastructure. Considerations include:

- Public charging and hydrogen refuelling co-investment for nationwide public network development (hubs of DC EV charging and hydrogen refuelling stations with redundancy and scalability)
- Private charging installation subsidies for residential and business customers
- Zero-interest loans for ZLEVs (this contributed to significant ZLEV growth in the ACT)
- Regulations enforcing high standards for charging infrastructure reliability/uptime
- A consistent, single payment method for all chargers across Australia





# Organisation questionnaire response

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

<b>What organisation do you represent?</b>  (required)	Hyundai Motor Company Australia (HMCA)
<b>Please rank the proposed options in order of preference.</b>  (optional)	Option A - 2nd, Option B - 1st, Option C - 3rd
<b>Briefly, what are your reasons for your choice?</b>  (optional, 3000 character limit)	Our reasons are contained within the HMCA NVES submission
<b>Do you support the Government's preferred option (Option B)?</b>  (optional)	NULL
<b>Do you have any feedback on the analysis approach and key assumptions used?</b>  (optional, 3000 character limit)	No
<b>Briefly, describe how the NVES might impact your organisation</b>  (optional, 3000 character limit)	Our reasons are contained within the HMCA NVES submission
<b>Who should the regulated entity be?</b>  (optional, 3000 character limit)	.