



Insurance Council
of Australia

3 March 2024

To whom it may concern,

New Vehicle Efficiency Standard (NVES)

The Insurance Council of Australia (**Insurance Council**) thanks the Federal Government for the opportunity to provide input into the New Vehicle Efficiency Standard (NVES). We appreciate the collaborative approach the Federal Government has taken to welcome submissions from interested stakeholders.

The Insurance Council is the representative body of the general insurance industry in Australia and represents approximately 89% of private sector general insurers. As a foundational component of the Australian economy, the general insurance industry employs approximately 60,000 people, generates gross written premium of \$64.5 billion per annum and on average pays out \$147 million in claims each working day (\$36.5 billion paid out per year).¹

The Insurance Council and its members are supportive of the Federal Government's decision to implement a new vehicle fuel efficiency standard (NVES) to help guide the transformation of Australia's transport sector in the decades to come. A fuel efficiency standard is important to increase the supply of electric vehicles (EVs) and other fuel-efficient cars into Australia and will play an important role in decarbonising our economy. Insurers are working to reduce emissions across their operations, investments, underwriting and supply chain, and a faster transition to fuel efficient vehicles in Australia will facilitate faster decarbonisation.

Our submission draws on the consolidated feedback from Insurance Council members. These are set out below with specific responses to the consultation questions raised by the Federal Government.

Please rank the proposed options in order of preference.

We support an orderly implementation of the NVES that aligns Australia's fuel efficiency standards with global fuel efficiency standards, especially those of key car trading nations.

Briefly, what are your reasons for your choice?

The Insurance Council and its members recommend that implementation of the NVES is supported by the following enabling policy measures:

Recommendation: Support the development of a fuel-efficient vehicle supply chain in Australia.

Fuel-efficient vehicles with advanced technologies and materials can pose challenges in repair and replacement, leading to extended repair times compared to conventional vehicles. The Federal Government should support the establishment of a strong fuel-efficient vehicle supply chain. This includes upskilling existing technicians and training new ones for work on fuel-efficient vehicles and developing infrastructure for parts manufacturing, maintenance, and repair.

Recommendation: Improve national take up and coordination of EV charging infrastructure.

There has been substantial investment in public charging infrastructure in recent years. While this needs to continue, the policy framework for home charging requires further development. Government policy should support retrofitting EV charging infrastructure into existing housing and future-proofing new housing by ensuring all new builds are EV-ready.

¹ APRA Statistics February 2023

All charging infrastructure should be built to ensure resilience to extreme weather events. Flooding, cyclones and other weather events could damage charging infrastructure and may take a long time to safely repair, impacting mobility in the aftermath of disasters especially in regional areas.

Recommendation: Investment in research and training for fire authorities and other first responders to enable safe management of fuel-efficient vehicles involved in collisions and fires.

Research indicates that road registered fuel-efficient vehicles, namely EVs, do not present a greater risk of fire occurrence than conventional vehicles² however when EV battery fires do occur, they need to be managed differently and may require more time, resources and firefighting water to manage the incident. Battery fires are generally harder to extinguish due to the toxic chemicals released from malfunction, and firefighters require specific training to achieve this. Research is being undertaken by bodies such as the New South Wales Fire and Rescue to better understand how to effectively manage these incidents.

Recommendation: Introduce a scheme to incentivise the purchase of fuel-efficient light and heavy commercial vehicles for business.

Light and heavy commercial vehicles are used by insurers across their operations, especially for roadside assistance. A rebate or taxation concession scheme would encourage Australian businesses to replace ageing commercial vehicles and trucks with more efficient alternatives, reducing long-term operating costs and emissions. This would help to overcome the currently high purchase price of these types of vehicles, which is a major barrier to stronger uptake, especially for smaller businesses with lower margins.

Recommendation: the Federal Government works with the ICA and insurers to conduct evidence-based risk modelling to inform decision-making on the implementation and ongoing evaluation of the NVES.

Finally, the Insurance Council recommends the Federal Government works with insurers to conduct evidence-based risk modelling to inform decision-making on the implementation and ongoing evaluation of the NVES. Insurers are well-placed to provide advice on fuel-efficient vehicle adoption, from ensuring charging infrastructure is built to withstand future extreme weather events or providing risk assessments on fuel-efficient vehicle performance. Governments should work with insurers and collaborate with stakeholders such as building developers, original equipment manufacturers and charging station providers to facilitate the provision of verifiable and credible information to consumers.

Briefly, describe how the NVES might impact your organisation.

There are some key enabling policy recommendations that will be important to enact in concert with the NVES.

Supply chain complexities: Fuel-efficient vehicles with advanced technologies and materials can pose new challenges in repair and replacement, leading to extended repair times compared to conventional vehicles. This can create challenges for both insurers and consumers. For example, there is a shortage of EV parts in Australia requiring more costly imports which can delay repairs. There is also a shortage of repair centres with the skills required to fix EVs, in some cases requiring vehicles to be transported long distances to be repaired. Many of these challenges could be alleviated if a strong EV supply chain is developed in Australia.

² Boehmer HR, Klassen MS and Olenick SM (2021) Fire Hazard Analysis of Modern Vehicles in Parking Facilities, Fire Technology, No 5; Burke G (2021) EV Risk Assessment. Risk Impact Pty Ltd; Bisschop R, Willstrand O and Rosengren M (2020) Handling Lithium-Ion Batteries in Electric Vehicles: Preventing and Recovering from Hazardous Events, Fire Technology, 56, 2671–2694; Sun P, Huang X, Bisschop R and Niu H (2020) A Review of Battery Fires in Electric Vehicles, Fire Technology, 56, 1361–1410.

Fire risk: As outlined above, while research indicates that road registered EVs do not present a greater risk of fire occurrence than conventional vehicles³, when EV battery fires do occur, they need to be managed differently and may require more time, resources and firefighting water to manage the incident. The risk of EV battery fires has direct implications for auto and property insurance and other types of insurance depending on where the fire occurs. Government investment in research and training for fire authorities and other first responders would enable safe management of fuel-efficient vehicles involved in collisions and fires.

Industry net zero goals: Insurers are working to reduce emissions across their operations, investments, underwriting and supply chain, and a faster transition to fuel-efficient vehicles in Australia will facilitate faster decarbonisation. To reduce Scope 1 and 3 emissions, insurers are reducing their reliance on ICE vehicles, including light and heavy commercial vehicles and some insurers are already reducing emissions in their fleets. For example, by 2029, Zurich has committed to 100% of their vehicle fleet being electric or plug-in hybrid. As of 2021, QBE has begun transitioning its vehicle fleet to hybrid or electric. Implementation of the NVES will support insurers to meet their Net Zero 2050 commitments.

We trust that our initial observations are of assistance. If you have any questions or comments in relation to our submission please contact [REDACTED]

Yours sincerely

[REDACTED]

Andrew Hall
Executive Director and CEO

³ Boehmer HR, Klassen MS and Olenick SM (2021) Fire Hazard Analysis of Modern Vehicles in Parking Facilities, Fire Technology, No 5; Burke G (2021) EV Risk Assessment. Risk Impact Pty Ltd; Bisschop R, Willstrand O and Rosengren M (2020) Handling Lithium-Ion Batteries in Electric Vehicles: Preventing and Recovering from Hazardous Events, Fire Technology, 56, 2671–2694; Sun P, Huang X, Bisschop R and Niu H (2020) A Review of Battery Fires in Electric Vehicles, Fire Technology, 56, 1361–1410.

[REDACTED] [REDACTED] [REDACTED] [REDACTED]



Organisation questionnaire response

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

What organisation do you represent? (required)	Insurance Council of Australia
What is your name? (required)	Ange Nichols
What is your position at the organisation? (required)	Senior Adviser, Climate Action
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)	Please see attached submission.
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)	Please see attached submission.
Briefly, describe how the NVES might impact your organisation (optional, 3000 character limit)	Please see attached submission.
Who should the regulated entity be? (optional, 3000 character limit)	Please see attached submission.