



KYLEA TINK MP

Independent Federal Member for North Sydney



Department of Infrastructure,
Transport, Regional Development,
Communication and the Arts
GPO Box 594
CANBERRA ACT 2601

4 March 2024

Dear Department,

Consultation on the New Vehicle Efficiency Standards (NVES)

I strongly support the implementation of New Vehicle Efficiency Standards (NVES) for Australia and welcome the opportunity to contribute to this final review process.

The time for climate action is now, and a NVES is an important step towards reducing transport emissions as well as delivering much-needed cost-of-living relief. On behalf of my community of North Sydney, I have long advocated for the introduction of vehicle efficiency standards and am pleased to see the Government now proposing a strong and sensible standard.

The Impact Analysis document for the government's NVES proposal outlines three options. Option A is effectively a do-nothing option that would deliver little additional benefit. Option B and Option C are my preferred choices, given they deliver the greatest fuel savings and the strongest climate action.

I welcome many elements of both Option B and Option C, outlined in more detail below, including:

- An annual emissions ceiling trajectory that catches Australia up to the USA as a minimum,
- a simple system without loopholes such 'super credits' or 'off cycle credits',
- an adequate penalty price,
- breakpoints to cap the concessions available for heavy vehicles,
- appropriate categorisation of vehicles, with SUVs included as passenger vehicles.

Additionally, I have recommended elements to improve and strengthen the standards, including:



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- Legislating a specific target for 100% zero emissions new vehicles by 2030 or 2035 at the latest.
- Increasing the target ambition for 2025.
- Ensuring data transparency and accurate emissions recording.
- Including anti-avoidance provisions to ensure the system is effective and transparent.
- Ensuring breakpoints are only allowed to decrease.
- Placing an obligation on the Minister for Climate Change to report on the progress and impact of the NVES in the Annual Climate Change Statement to Parliament.
- Provision of information, support and education to vehicle suppliers and manufacturers to assist them to navigate the standards and systems.

Since being announced, the NVES has been the subject of misinformation campaigns and significant pressure to weaken the proposed standards. It should be noted there is no evidence to suggest Australia's proposed NVES will increase vehicle prices. In the face of this backlash and misinformation, it is imperative the Department and Government do not backslide on their preferred option B. Options B must be, at a minimum maintained, if not strengthened, and no elements of option A should be included to weaken the proposed system.

Swift and strong action is essential

My community of North Sydney have been strong proponents for the introduction of ambitious fuel efficiency standards as an essential step towards reducing the cost of transport, reducing transport emissions, improving air quality, energy security, vehicle efficiency and safety.

Families and individuals are feeling the cost-of-living crisis acutely. High inflation, compounded by increasing mortgage interest rates and high fuel costs are putting increasingly more pressure on already stretched budgets. The much lower running costs of electric vehicles and more efficient vehicles will ease some of this pressure, with Australians set to save \$1,000 or more on their annual fuel bills before the end of this decade under the NVES.

Additionally, the urgency of the climate crisis means it is critical to transition to a zero-carbon economy as soon as possible. Australia's latest National Greenhouse Accounts show that transport emissions are rising, and without policy intervention, the transport sector will overtake electricity and industry as the largest source of Australia's emissions by 2030. A



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strong NVES is an essential part of the policy package necessary to curb transport emissions and ensure the bulk of the emissions reductions task is not left to harder to abate sectors such as farming, manufacturing and construction.

A strong NVES also offers an opportunity to improve air quality and health outcomes. The death toll alone from car pollution is greater than the road toll, causing tens of thousands of hospitalisations and asthma cases.

Additionally, the NVES provides an opportunity to improve Australia's energy security by reducing reliance on imported oil to fuel our transport system. Currently, Australia relies on imports for over 90 percent of fuel consumption. Replacing imported transport fuels with local, renewable energy leaves our nation more self-sufficient and better prepared in the case of international supply route disruption.

All developed countries bar Australia and Russia already have a fuel efficiency standard in place, with many having had them for a decade or more. Australia's version must be strong for our emissions to decline in line with the rest of the world. As a rich nation, Australia should lead by example – particularly given the Government's aspiration to host the next COP (the formal meeting of the United Nations Framework Convention on Climate Change).

Luckily, Australia is in a prime position to adopt strong vehicle standards despite being late to the game. Being a small, import market Australia is incredibly reliant on the importation of vehicles from manufacturers in Japan, Korea, China, Europe and the US, where similar standards are already in place. Implementing a strong NVES would encourage manufacturers to supply Australia with cutting-edge and affordable EV models (which are rapidly declining in cost) as well as more efficient fossil-fuelled vehicles.

Features of Option B and Option C supported

There are many features of both the Government's preferred Option B and the more ambitious Option C that I support and strongly recommend be included in the final scheme design and legislation. These include:

Annual emissions ceiling trajectory

The annual emissions ceiling trajectory seeks to deliver significant improvements in average fleet efficiency and reductions in pollution this decade, catching up to the USA as a minimum before the end of this decade. Option C sets a more ambitious trajectory, catching up with the USA around 2026 and then bringing forward US targets for 2029-2031 to the Australian NVES in 2028 and 2029.



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Simple system without loopholes

Option B and Option C both include a simple and transparent approach to crediting which does not make use of 'super credits', 'off cycle credits' or other manufacturer flexibility arrangements which are distortionary to the overall effectiveness and transparency of a fuel efficiency standard. Use of these credits can mean a target is met on paper but not in reality, undermining the scheme's outcomes.

As noted in the Impact Analysis, both the EU and the US efficiency standards are phasing out the multiplier credit mechanism entirely by 2025.

I strongly support the Government's approach of not including super credits, and recommend electric vehicles instead be incentivised through direct subsidies, which can be targeted at particular groups (for example, those on lower incomes) and particular vehicle types (for example, second hand vehicles, smaller vehicles or utility vehicles).

Penalty price

The proposed penalty price under the Government's preferred option B (\$100 per g/km) should be retained or increased. Noting that the EU's penalty unit value is substantially higher, Government should consider increasing the penalty in line with Option C (\$200 per g/km) to create a stronger deterrent, particularly if car companies decide to pay the fine rather than comply with the standards.

Breakpoints

Breakpoints effectively cap the concessions available for heavy vehicles. In the absence of a flat limit curve, the 'breakpoint' method is essential to avoid a continually increasing limit curve that would incentivise sales of larger vehicles. This has been evidenced in the USA, through its CAFE standards. I strongly suggest that these breakpoints are, at a minimum retained, if not strengthened.

SUVs included as passenger vehicles

Option C and B rightly include SUVs in the passenger vehicle category. A higher CO2 limit should not be available for a vehicle that is larger due to consumer preference rather than for a genuine utility or commercial reason (which is covered by the LCV category under the proposed standards).

Opportunities for improvement

Opportunities to strengthen the proposed NVES, include:



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- Legislating a specific target for 100% zero emissions new vehicles by 2030 or 2035 at the latest.
 - A 2035 zero-emissions intensity target is in line with the EU.
 - Most new cars sold today will stay on our roads for the next 15-20 years, so all new vehicle sales should be zero emissions from 2035 at the very latest to achieve net-zero emissions by 2050.
- Consider increasing the target ambition for 2025.
 - All options (A, B and C) have the same starting target in 2025, which gives car companies two years to prepare for the stricter targets under option B and option C that start from 2026. Two years is sufficient time for car makers to adjust their supply, given the number of electric and more efficient vehicles already on the global market and under development. Additionally, these standards have long been slated for implementation, giving car companies many years to prepare.
- Ensuring data transparency and accurate emissions recording.
 - The Government should consider real-world testing of vehicle emissions (onboard fuel consumption monitoring) to prevent manufacturers from producing inaccurate laboratory testing.
 - Free, transparent and granular data should be made available, showing vehicle sales by type and manufacturer. Currently, the only high-quality data is from the Federal Chamber Automotive Industries' VFACTS database – which the National Transport Commission has noted makes it difficult to report effectively on vehicle efficiency over time.
 - Collection, tracking and disclosure of emissions data should be undertaken independently from industry.
- Anti-avoidance provisions could be included to ensure the system is effective and transparent. For example, additional penalties for car companies that intentionally misrepresent data.
- Ensuring breakpoints are only allowed to decrease.
 - The Impact Analysis states that the limit curve and reference mass derived based on the fleet of vehicles sold in 2022 will be updated on a rolling basis annually. Only decreases should be allowed, to avoid a feedback effect to the NVES from companies selling larger vehicles.
- An obligation should be placed on the Minister for Climate Change to report on the progress and impact of the NVES in the Annual Climate Change Statement to Parliament.
- Information, support and education could be provided to vehicle suppliers and manufacturers to assist them to navigate the standards and systems.



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While I strongly welcome this policy and the Government's preferred option B and the more ambitious Option C, there is far more that must be done to reduce transport emissions in Australia. This policy, in isolation, will not achieve the emissions reductions necessary and must be accompanied by other measures.

Specifically, the proposed NVES does not cover the heavy vehicle sector, and does not encourage a shift to smaller vehicles, or non-car transport modes.

Additional policies to support decarbonisation of the transport system must also be prioritised, particularly those that encourage modal shift to active and public transport away from personal car use, and policies to decarbonise freight and non-road transport emissions.

I look forward to discussing this submission and working with the Department and with the Ministers to implement a robust NVES.

Yours Sincerely,



Kylea Tink MP
Independent Member for North Sydney