

Parents for Climate's Response to the New Vehicle Efficiency Standard (NVES) Impact Analysis

Overview

Parents for Climate thanks the Department for the opportunity to contribute to this final review process on the New Vehicle Efficiency Standard (NVES).

We have read the Impact Analysis document and out of the three proposed policy options, **our preferred choice is Option C**. The overarching reason for this is that strong action is needed because (i) we are already feeling the effects of planetary heating, (ii) we are starting from behind, (iii) there are many benefits from the transition that will come earlier with stronger action. We give details in point 3 below.

That said, we are **not opposed to** the government's choice of **Option B – as long as it is not undermined/weakened before it is legislated**. Any weakening of Option B would make it unfit for purpose – we would likely fail to reach net zero emissions before 2050. A substantial part of our submission thus focuses on aspects of policy that could be proposed by some special interests to weaken Option B (or C). These are discussed in point 1 below.

We also strongly suggest some **improvements to Option B**:

- (i) The **penalty/fine should be increased** (point 2 below), and;
- (ii) There should be an **explicit target for net zero emissions intensity by 2030/2035** (point 4).

On the cost-benefit analysis we think that one important benefit has been omitted – the contribution of up to 20 million EV batteries to the electricity grid (see point 3c).

On a broader note, we note that the need to reduce emissions for Australia's heavy vehicle fleet as well has been neglected in the proposed NVES – we discuss this in point 5 below.

Finally, in Point 6 we have some suggestions on how the government could further support the transition to a zero-emissions fleet.

Submission Details

1. **Please don't let loopholes be added to Options B or C**

While we prefer Option C, for the fastest transition, we are not strongly opposed to Option B, since it contains no substantial 'loopholes' as far as we are aware. We would be **very strongly opposed to any loopholes**/weakening policies being added to Option B (or C), for example:

- a. **Supercredits must not be included.** They have been shown to weaken NVEs in the EU¹ and other countries – they clearly “dilute” the scheme, as recognised in the Impact Analysis. It is noted² that both the EU and the US FESs are phasing out the multiplier credit mechanism (supercredits) entirely by 2025³. We should not consider them.
- b. **Break-points must not be weakened:**
 - i. As set out in our submission to the FES Consultation paper⁴, we prefer a flat limit curve. This is not included for Option B or C at the moment. We recognise that the **'breakpoint' method partially addresses our concerns** that a continually increasing limit curve would incentivise sales of larger vehicles (as happened in the US, through its CAFE⁵ standards). We strongly suggest that these breakpoints not be removed or weakened.
 - ii. However we believe the upper breakpoint could be strengthened. The current mass of 2200 kg aligns with the largest SUVs in Australia right now (eg. Ford Everest, Volkswagen Touareg). The danger we see is that there could be an incentive to increase the sales of these most massive SUVs, causing a pile-up of the most massive vehicles at this limit. It would be better to set the limit lower than the most massive current vehicles, for example with a **breakpoint of 2000 kg**.
 - iii. Further, in the Impact Analysis it is stated 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. This is reasonable, **except if the masses increase – only decreases should be allowed**, increases should not be allowed. The danger in letting increases 'creep in' is that there could be a feedback effect to the NVEs from companies selling larger vehicles.
- c. **Checkpoints should lead to corrections.** We are pleased to see regular checkpoints included, they are vital in order to check that the scheme is working as intended, and to check for any 'gaming' of the scheme – and adapt accordingly. In terms of gaming of the system, it is hard to predict the 'loopholes' that will appear, but companies will undoubtedly find them once the scheme is running. If it becomes clear that targets will not be met, modifications to the scheme should be made to correct the trajectory. Conversely, if targets are too easily met, they should be strengthened.
- d. **SUVs must remain in the passenger vehicle class**

Options B and C include SUVs in the passenger vehicle class, which is sensible. We strongly recommend not changing this, since it would slow/weaken the transition. SUVs

¹ <https://www.fleetnews.co.uk/news/manufacture-news/2021/01/28/most-car-makers-will-avoid-eu-emission-fines>

² [Engineers Australia FES Submission 2023](#) (page 9)

³ https://climate.ec.europa.eu/eu-action/transport/road-transport-reducing-co2-emissions-vehicles/co2-emission-performance-standards-cars-and-vans_en

⁴

https://assets.nationbuilder.com/ap4ca/pages/442/attachments/original/1685514840/Australian_Parents_for_Climate_Action_Fuel_Efficiency_Standards_May_2023.pdf?1685514840

⁵ <https://www.thedrive.com/news/small-cars-are-getting-huge-are-fuel-economy-regulations-to-blame>

are usually private consumer vehicles, so should not be included in the Light Commercial Vehicle class.

2. The penalty amount should be increased

One substantial point that we disagree with in Option B is the penalty amount – it is too low at \$100/gCO₂/km. We strongly recommend that the EU's penalty unit value of around **\$200/gCO₂/km be adopted**. The reason for this is that the **government's aim is not to collect fines** – they should be a deterrent. If that deterrent is too weak, then the **car companies will decide to pay the fine rather than comply** - if it is not too expensive for them. This has occurred in the US, with some car companies paying tens of millions of dollars in fines, which is miniscule (< 0.5%) when compared to their profits (in the billions for the large companies)⁶.

3. Why we prefer Option C over Option B

Option C is the option that reduces emissions fastest.

We believe the NVES should be as strong as possible, for the following reasons:

a. **Urgency of the Climate Emergency**

Global warming is increasing unabated, with the UN's World Meteorological Agency recently announcing⁷ that *"there is a 66% likelihood that the annual average near-surface global temperature between 2023 and 2027 will be more than 1.5°C above pre-industrial levels"* and that *"there is a 98% likelihood that at least one of the next five years, and the five-year period as a whole, will be the warmest on record"*. Time is critical in the transition to a zero-carbon economy. Winning slowly on climate is still losing.

b. **We are starting from behind – time is critical**

Almost all developed countries already have an FES/NVES in place, with many having had them for a decade or more – Australia's version needs to be strong for our emissions to decline in line with the rest of the world. Being a rich nation, there is no reason why we shouldn't be pulling our weight. Australia is aiming to host the next COP – we should lead by example and make our NVES something to be proud of.

c. **Important BEV benefit omitted in cost-benefit analysis?**

The transition to a national fleet of millions of BEV vehicles brings another important opportunity. BEV batteries can be used to (i) supplement the power grid, providing flexibility/stability, (ii) act as remote and/or emergency power facilities. **With the NVES millions of BEV batteries will be in Australia within a decade**, and with most new EVs sold from about 2025/6 expected to be "vehicle to grid" capable⁸ (assuming deployment of the updated CCS bidirectional charging protocol), these benefits will be substantial, and should be included in any cost-benefit analysis. If done well, this huge new power source could reduce the cost of upgrading the power grid. Since this new technology is likely a net positive, the benefit of Options B and C increase. However this benefit in Option C would increase earlier, **enhancing the cost-benefit ratio of Option C more**.

⁶In the US, General Motors and Stellantis paid a combined [\\$US363 million in fines](#) for breaching CAFE standards over 2 years. The combined yearly profits of these companies is around US\$50 billion, so these fines represent 0.35% of their profits. Fines need to be strong to be a deterrent.

⁷<https://public.wmo.int/en/media/press-release/global-temperatures-set-reach-new-records-next-five-years>

⁸ <https://illuminem.com/illuminemvoices/onions-orchestration-and-opportunity-iiii-the-3-os-of-evs-and-charging>

d. Families will benefit sooner

- i. **Safe air for our kids:** Apart from CHG emissions, ICE vehicles including hybrids create vast amounts of dangerous pollution. The death toll alone from car pollution is greater than the road toll, causing tens of thousands of hospitalisations and asthma cases.⁹
- ii. **Cheaper vehicle running costs:** Given high inflation, increasing mortgage interest rates, and high fuel costs, families are really feeling the pinch financially. The much lower running costs¹⁰ of BEVs will be available to families once the cost of EVs drops, which will come about sooner through a strong NVES.
- iii. **Partially alleviate climate anxiety:** Climate anxiety (understandable given the emergency we are in) amongst parents and children is increasing¹¹, and firm action by the government can help alleviate this.

e. The transition should be relatively easy for Australia

The transition to a low- or zero-emissions light vehicle fleet is likely to be relatively easy and fast for Australia because:

- i. **The transition is already underway:** By our calculations (details in our previous FES submission¹²), emissions intensity has already reduced by around 9%. This reduction is due partly to the uptake of hybrids and partly to the recent surge in BEV sales. Since BEVs have zero emissions intensity, the drop is rapid.
- ii. **We are a small market:** It doesn't take a large fraction of global stock to have an impact, with Australia purchasing only about 1% of global new car sales¹³.
- iii. **Many ZEV models already exist:** In many light vehicle segments the technological development is fairly mature and production is increasing to large scales. Many of these vehicles are already available in Australia.
- iv. **There is a huge latent demand for EVs:** We are a wealthy country and demand for EVs is clearly far outstripping supply despite the high (current) prices¹⁴.
- v. **The cost of EVs will soon reach parity with ICE vehicles:** In some segments of the market this has already happened¹⁵, and taking a total cost of ownership perspective¹⁶ widens the range of vehicles that have made parity. Price parity will suddenly accelerate the market transition - the job of the NVES is to make this happen even earlier, since time is critical.
- vi. **We are an import market:** As an import-only vehicle market Australia is incredibly reliant on the importation of vehicles from manufacturers in Japan, Korea, China, Europe and the US¹⁷. While traditionally this has meant the importation of inefficient and dirty vehicles in lieu of an efficiency standard, this also presents a

⁹<https://www.unimelb.edu.au/newsroom/news/2023/february/vehicle-emissions-may-cause-over-11,000-deaths-a-year-research-shows>

¹⁰<https://www.racv.com.au/royalauto/transport/electric-vehicles/are-evs-cheaper-to-run.html>

¹¹[https://www.thelancet.com/journals/lanplh/article/PIIS2542-5196\(21\)00278-3/fulltext](https://www.thelancet.com/journals/lanplh/article/PIIS2542-5196(21)00278-3/fulltext)

¹²https://assets.nationbuilder.com/ap4ca/pages/442/attachments/original/1685514840/Australian_Parents_for_Climate_Action- Fuel Efficiency Standards May 2023.pdf?1685514840

¹³Drive.com. 2023. Top 10 best-selling cars worldwide in 2022

¹⁴https://electricvehiclecouncil.com.au/wp-content/uploads/2023/07/State-of-EVs_July-2023_.pdf

¹⁵<https://theconversation.com/thinking-of-buying-an-electric-vehicle-for-your-next-car-heres-the-market-outlook-and-what-to-consider-179293>

¹⁶<https://www.racv.com.au/royalauto/transport/electric-vehicles/are-evs-cheaper-to-run.html>

¹⁷ L.E.K. Consulting, 2021. Vehicles - Supply Chain Benchmarking Report

unique opportunity¹⁸ – implementing a strong NVES would encourage manufacturers to supply Australia with cutting-edge and affordable EV models.

- vii. **A fast transition is popular:** Polls show that people want strong and fast action on climate. For example a 2022 Ipsos poll showed 8 out of 10 Australians are concerned about climate change¹⁹, and in a survey by the Electric Vehicle Council, 54% of respondents said they would consider an EV as their next car and over 50% would pay more for an equivalent EV, compared to an ICE vehicle)²⁰. A fast transition to EVs will help facilitate needed action on climate.

f. **Achieve enhanced energy security sooner**

By relying on imported fuel to run our national fleet of ICE vehicles, we are exposed to international risks. The sooner we transition to local, renewable energy (particularly electricity for charging EVs), the sooner this risk can be mitigated.

4. **We recommend an explicit zero by 2030 (or 2035) target**

The NVES should have an enforced target of 100% ZEVs by 2030, or 2035 at the latest.

- a. Using a simple model²¹ we find that it is impossible for the light vehicle sector to meet the government's legislated target of 43% emissions reduction by 2030 (assuming this were applied pro-rata to the transport sector). This is true even if 100% of vehicle sales were ZEVs from 2025 onwards.
- b. However, a strong NVES can reduce emissions to zero by 2050. To do this would require a target of reducing the emissions intensity limit to zero as soon as possible.
- c. A 2035 zero-emissions intensity target is in line with the EU.
- d. A 2040 target is unlikely to result in reaching zero light vehicle emissions by 2050.
- e. Since targets are not always met, and given the time-critical nature of the global climate emergency, we think it prudent to aim high, so we recommend a 2030 target.

5. **Heavy vehicles need a plan**

The current NVES proposal is focused on light vehicles only. Whilst they produce about 70% of road vehicle emissions, the other 30%, which is from heavy vehicles, is also vitally important to tackle. As far as we are aware, there is no FES/NVES or other legislative tool to reduce emissions for the heavy vehicle sector. If this is correct then it might make sense to include heavy vehicles in this NVES. This would be efficient to do, essentially adding one more class of vehicle. Certainly heavy-vehicle ZEVs are not as developed as for light vehicles, but this could be easily incorporated as a higher emissions intensity limit (initially). Another possibility is to delay the start date of a heavy-vehicle part of the NVES. We note that regulations around vehicle dimensions or drive axle weights may need to be adjusted to facilitate the deployment of imported heavy duty BEV trucks.

6. **Suggestions for supporting the transition**

- a. Apart from the NVES, it is well recognised that infrastructure needs to be built to cater for the influx of BEVs.

¹⁸ [Climate Analytics, 2019. Australia's vehicle fleet: Dirty and falling further behind](#)

¹⁹ [Ipsos, 2022. Ipsos Climate Change Report 2022](#)

²⁰ [Electric Vehicle Council - Consumer Attitudes Survey 2021](#)

²¹ https://assets.nationbuilder.com/ap4ca/pages/442/attachments/original/1685514840/Australian_Parents_for_Climate_Action-Fuel_Efficiency_Standards_May_2023.pdf?1685514840

- b. Less recognised as far as we can see, is the need to **provide a workforce for the BEVs**.
 - i. We suggest supporting **specialist BEV technician apprenticeships, TAFE training** and BEV update **training** for car mechanics, in order to build/update the workforce.
 - ii. Luckily there will be a lead time since BEVs need little servicing for a few years initially (one of the benefits of BEVs).
 - iii. The size of the workforce required, and when it is required, would be easily calculated based on the numbers of BEVs in Australia each year.
- c. Other ways of supporting the transition are:
 - i. BEV rebates, tax offsets.
 - ii. A targeted approach to encouraging and enabling low cost BEVs for low and middle income earners who are often priced out of the existing market.
 - iii. Community awareness campaigns discussing the importance of reducing ICE vehicles in general, particularly high emitting vehicles, and highlighting benefits such as improved urban air quality and health outcomes.



Organisation questionnaire response

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

What organisation do you represent? (required)	Parents for Climate
What is your name? (required)	Simon Campbell
What is your position at the organisation? (required)	Volunteer (policy and submissions team). Submission approved by Nic Seton, CEO of P4C.
Please rank the proposed options in order of preference. (optional)	Option A - 3rd, Option B - 2nd, Option C - 1st
Briefly, what are your reasons for your choice? (optional, 3000 character limit)	Option A is clearly not going to reduce emissions in time, which is not acceptable. Options B and C are both reasonable as they stand -- but *only* if not weakened before legislated. Option C is preferable due to the urgency of climate action. Please see detailed submission attached.
Do you support the Government's preferred option (Option B)? (optional)	Yes
Do you have any feedback on the analysis approach and key assumptions used? (optional, 3000 character limit)	Please see detailed submission attached.
Briefly, describe how the NVES might impact your organisation (optional, 3000 character limit)	Please see detailed submission attached.
Who should the regulated entity be? (optional, 3000 character limit)	Please see detailed submission attached.