

To: Marisa Purvis-Smith, Deputy Secretary Transport
Australian Department of Infrastructure, Transportation, Regional Development,
Communications and the Arts

Re: Transport for NSW Submission on the Cleaner, Cheaper to Run Cars: The Australian New Vehicle Efficiency Standard Consultation Impact Analysis

Dear Marisa

Transport for NSW (TfNSW) appreciates the opportunity to engage with the Australian Government on the *Cleaner, Cheaper to Run Cars: The Australian New Vehicle Efficiency Standard* Consultation Impact Analysis. The NSW Government made a formal submission in Phase 1 of the consultation for a National Vehicle Efficiency Standard (NVES) responding to *The Fuel Efficiency Standard – Cleaner, Cheaper to Run Cars for Australia* Consultation Paper issued in May 2023. I attach that previous submission which details the NSW Government's positions on the key issues (**Attachment A - NSW Government Response to the Consultation Paper on the Fuel Efficiency Standard**). I submit this letter of support from TfNSW with additional technical advice on the proposed NVES options based on the NSW Government's earlier submission.

TfNSW supports the Australian Government's preferred option (*Option B – fast but flexible*) given its effectiveness at achieving fuel savings for consumers and emissions reductions in line with Government targets. Introducing the NVES as soon as possible is key to ensuring Australia is no longer left behind with dirtier, more costly vehicles compared to other advanced economies. TfNSW is supportive of a January 2025 commencement for the NVES. Anchoring the NVES to fuel-efficiency standards in the USA, where advancements in fuel efficiency have not impacted vehicle prices, helps achieve the balance of reducing fuel costs and emissions whilst controlling for unintended consequences on vehicle availability and cost. We would encourage the Australian Government to evaluate the impacts of the NVES early and consider whether ambition can be increased from 2030 or earlier to bring even further benefits to consumers in terms of fuel savings and positive health impacts.

TfNSW provides this additional feedback in support of the proposed NVES with further consideration of the following matters.

NVES headline targets

The prior submission from the NSW Government supported setting a trajectory of average annual emission ceilings that aligns with Australia's commitments under the 2016 Paris Agreement and the Australian Government's emissions reduction targets of a 43 per cent by 2030 and net zero by 2050. TfNSW notes that both Options B and C help Australia meet its climate commitments. The projected reduction in CO₂ emissions by 2030 from new light vehicles of at least 61 per cent is in line with Australia's committed targets, as well as the NSW Government's target 50 per cent reduction in emissions by 2030. We do not support Option A as it falls short of aligning with Government targets for emissions reduction.

Consistent with NSW Government aspirations that a NVES should reflect a high level of ambition to enable Australia to catch up to other international jurisdictions, we support a strong and ambitious ceiling reduction. TfNSW acknowledges the Australian Government's preference for Option B on the basis that there are concerns that more stringent targets may disrupt vehicle model availability and affordability.

Option B allows for Australia to catch up with other global markets (namely the USA) with likely minimal negative impacts on vehicle availability. We support the ambition of Option C and would encourage the Australian Government to carefully analyse the impacts of the first years of the NVES on vehicle supply and consider reducing headline targets to be more in line with other countries. For example, New Zealand, a close comparator to Australia (right-hand drive, high import market), has set a target of 63 g/km by 2027, whilst even the most ambitious option (Option C), proposes a target of 66 g/km for passenger vehicles by 2027.

NVES parameters

TfNSW notes the separate headline targets for two classes of vehicles in all options, one for passenger vehicles (PVs) and one for light commercial vehicles (LCVs). In line with previous NSW Government feedback, we support the inclusion of SUVs (ADR category MB) with PVs, which under all options have lower headline targets, to prevent unintentionally incentivising uptake of larger vehicles. Given SUVs made up half of all vehicles sold in Australia in 2020-21, their inclusion with LCVs in Option A would likely have a significant negative impact on the overall effectiveness of the NVES. Consistent with the NSW Government's prior advice, TfNSW would urge the Australian Government to consider simplifying to one class of vehicles as the transition continues. The fleet limit curve mechanism allows for variation based on the mass of the vehicle, so as the fuel efficiency gap narrows between the two classes, it would make sense to combine all vehicles under one headline target. This would be in line with the guiding policy principle of simplicity.

TfNSW supports the inclusion of break points in the fleet limit curve under Options B and C. The flattened limit curve that is part of Option C would provide a slight disincentive for the heaviest vehicles and has the potential to capture more vehicles on the lighter end as compliant with the standard. The previous NSW Government submission supports policies that do not over-incentivise larger and/or heavier vehicles which have negative impacts on road safety and maintenance. In supporting Option B, we urge the Australian Government to consider including a flattened limit curve under Option B or adopting one in the future.

TfNSW supports the desire to maximise simplicity and transparency by not allowing supercredits, off-cycle credits and air conditioning credits in Options B and C. These credits have the ability to significantly reduce the effectiveness of the NVES, and it is simply no longer the case that manufacturers require additional incentives to produce cleaner vehicles.

TfNSW acknowledges the necessity to provide a policy that is flexible for regulated entities to ensure for its achievability. TfNSW agrees that Option B provides for the suitable credit banking, pooling and trading scheme. The proposed windows for the maturation of debits/credits and reporting of net debits/credits seem sufficient for management of the scheme, though we point to our suggestion from the previous submission from the NSW Government to increase the frequency of reporting to monthly or quarterly to allow for transparency ahead of the official maturation period.

Penalties

In our previous submission, the NSW Government recommends setting a penalty rate that is greater than the cost of the fuel efficiency improvement, was in line with other jurisdictions, and would increase over time to accelerate reductions in CO₂ emissions. TfNSW believes that the penalty rate proposed under Option B is in line with our suggestions. We recommend that the rate be adjusted annually to reflect changes in the Consumer Price Index. We believe it is sufficiently high to ensure compliance, though this should be monitored through the behaviour of entities in the future. We would recommend increasing it in the future if necessary.

NVES monitoring and testing

In the NSW Government submission to Phase 1 of this consultation, we urged using the World Harmonised Light Vehicle Testing Procedure (WLTP) over the New European Driving Cycle (NEDC) test as the preferred way to measure vehicle emissions. TfNSW is pleased that WLTP will be adopted as soon as is feasible and note that a transition period will be necessary as the fleet switches to Euro 6 standards by July 2028. TfNSW supports the Australian Government in the development of an Australian specific procedure to convert NEDC fuel consumption and CO₂ emissions test results to a WLTP equivalent. Transparency in how WLTP targets will be converted to NEDC in the interim period will be key for both industry stakeholders and the public.

TfNSW supports the proposal to include the NVES through an amendment to the *Road Vehicle Standards Act 2018*, as the standard will be applied to road vehicles. We support the proposed regulated entities -- type approval holders who enter vehicles onto the Register of Approved Vehicles (RAV). We also agree that the proposal to assess vehicles upon their initial entry on the RAV fits with the intent of the NVES. The creation of a new regulator (proposed to be the Clean Car Regulator) will ensure integrity, compliance, and accountability for the NVES.

NVES review and evaluation

TfNSW supports the plan to review the NVES in 2026. Regular evaluation is key to ensuring the standard achieves its goal to reduce emissions and provide fuel savings for consumers.

TfNSW realises the need to achieve emissions reductions without unintended consequences, in particular preventing people from buying newer vehicles resulting in them keeping older, dirtier vehicles on the road longer. We appreciate the inclusion of an analysis of the car parc in the evaluation to understand the impact of the NVES on vehicle retention and the average age of the fleet. We believe this analysis should guide whether headline targets can be more ambitious in the future – if vehicle retention rates remain unchanged, the Australian Government should consider reducing headline targets further. TfNSW is happy to work with the Australian Government on data sharing arrangements to enable this analysis. In performing this evaluation, we suggest that zero-emissions vehicles should be considered separately, as longer retention rates of these vehicles will not adversely impact emissions.

The contact officers for this matter are [REDACTED] and [REDACTED]

We thank you for considering this additional feedback and trust it will add value to the finalisation of the NVES.

Yours sincerely

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[REDACTED]
03 March 2024