

## Submission to Infrastructure Victoria on Victoria's Draft 30 Year Strategy.



The Electric Vehicle Council (EVC) is the peak body representing the electric vehicle industry in Australia. Our members include companies involved in providing, powering, and supporting electric vehicles.

We welcome the opportunity to make this submission to Infrastructure Victoria on Victoria's Draft 30 Year Strategy.

### Initial comments on the draft strategy

The Electric Vehicle Council welcomes the inclusion of electric vehicles as a key infrastructure priority for Infrastructure Victoria in the next 30 years. It is commendable that the first recommendation of the strategy is to accelerate electric vehicle uptake.

It is imperative that Victoria addresses recommendation one as a high priority, preceding activities to co-ordinate this accelerated uptake. This is particularly pertinent with Victoria's current electric vehicle market as 0.1% of the fleet, with stagnant growth as the world accelerates. Other priorities, such as Recommendation 48, are only valuable to focus on once effective actions are well underway to accelerate the market growth of electric vehicles.

To emphasise this point, new electric vehicle sales accounted for only 0.75% of sales in 2020, rising from 0.6% in 2019. Actions that seek to 'co-ordinate' the accelerated uptake of electric vehicle are far from being a priority in Victoria. Actions such as those recommended in recommendation 48 should be considered as supplementary measure to recommendation one and introduced when the electric vehicle market is mature enough that its introduction is not an impediment to electric vehicle uptake in general.

We applaud Infrastructure Victoria for recognising that new road user charges (RUCs) should be a replacement of existing upfront charges and not additional, as has been proposed by the Victorian Government.

The EVC acknowledges the importance of considering issues such as road user charges and standardisation – in many cases we have led industry development of best practice and standards. However, as the draft strategy identifies - these are not, and should not be, the priority.

The first priority is to accelerate electric vehicle uptake, in line with the State's legislated requirement to achieve net zero emissions by 2050.

## Electric vehicle policy

The importance of the electrification of transport to achieving net zero emissions targets is well recognised globally. National and sub-national jurisdictions with plans to ban internal combustion engine vehicle sales include<sup>1</sup>:

- **By 2030:** Barcelona, Cape Town, Denmark, Iceland, Ireland, Israel, London, the Netherlands, Slovenia, Sweden, the United Kingdom and Vancouver.
- **By 2035:** Japan, California,
- **By 2040:** France, Sri Lanka, and Singapore.

In addition, vehicle manufacturers are investing billions towards electrification via new product lines, and setting targets:

Recent commitments include<sup>2</sup>:

- BMW plans over 7 million electric vehicles globally by 2030
- Daimler announces \$85 billion investment in electric vehicle
- Ford commits to 100% all-electric passenger vehicle range in Europe by 2030
- General Motors commits to all electric by 2035
- Jaguar Land Rover commits to all electric by 2025
- Renault announces 24 new models by 2025
- Volkswagen invests \$142 billion in electrification over the next 5 years

Once sold; vehicles stay on the road for an average of 15-17 years. Consequently, in order for Victoria to reach net-zero emissions by 2050, the last internal combustion engine vehicle must be sold by 2030, or 2035 at the latest.

Under existing market conditions, the Commonwealth Government projects that electric vehicle market share will only account for 26% of sales by 2030, a quarter of what is required. Importantly, these projections were set before the impact of new taxes, such as those proposed by the Victorian Government, were announced.

Policy is the most important driver in the transition to electric road transport in Australia.

### EVC response to recommendation 1: Accelerate the uptake of electric vehicles

Internationally, fuel efficiency standards and financial incentives are recognised as the most effective means to encourage uptake of electric vehicle uptake.<sup>3</sup> In fact, no successful electric vehicle market exists globally without having provided financial incentives to lower the upfront cost for consumers.

The lack of leadership at a federal level requires that state governments fulfil the electric vehicle policy void in Australia. In Victoria, there is currently no meaningful policy to accelerate uptake and an intention to announce a new tax that is projected to decrease sales by up to 50%<sup>4</sup>.

The Electric Vehicle Council recommends that a mix of regulatory, financial, and infrastructure policy is implemented in four areas:

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<sup>1</sup> This is not an exhaustive list

<sup>2</sup> Additional commitments can be found in: EVC (2020) State of Electric Vehicles 2020 appendix

<sup>3</sup> ICCT (2016) Comparison of leading electric vehicle policy and deployment in Europe.

<sup>4</sup> SMH (2021) Energy chiefs accused of 'unjustified' electric vehicle sales forecast.

## 1. Policies to directly reduce electric vehicle costs and improve model availability

Policies to reduce electric vehicle costs and improve model availability have the most impact on electric vehicle uptake. These ‘carrot’ policies, such as financial incentives, encourage consumers to purchase electric vehicles. Importantly, these policies are required for manufacturers to decide to bring electric vehicles, particularly models in cheaper ‘mass market’ segments, to Australia in the first place.

In December 2020, in a poll commissioned by the EVC, the Redbridge Group asked Victorians about their attitudes to electric vehicle incentives and policy.<sup>5</sup> The research highlighted that 65% of Victorians support financial incentives and other policies to encourage electric vehicle purchasing.



The Electric Vehicle Council recommends that Victoria accelerate uptake and improve model availability by:

- Providing Victorians with an upfront financial incentive of \$5,000 for the purchase of an electric vehicle, for the years 2021 - 2025.
  - This may be achieved through a combination of an upfront incentive or cashback schemes, and/or an exemption to existing charges, such as registration and motor vehicle tax duty exemption.
  - An incentive of \$5,000 would be on the low end of upfront financial incentives available globally. The table below lists national incentives in G7 countries, excluding complementary incentives available at the sub-national level.

G7 electric vehicle purchase incentives		
Market	Incentive (local currency)	~AUD
Canada	\$5,000	\$5,000
France	€7,000	\$11,000
Germany	€6,000	\$10,000
Italy	€6,000	\$10,000
Japan	¥400,000	\$5,000
UK	£3,000	\$6,000
USA	\$7,500 USD	\$10,000
Australia	-	-

Table 1: Financial incentives for the purchase of electric vehicles

<sup>5</sup> The Redbridge Group (2020)

- Setting a government fleet target of 100% by 2030.
  - It is noteworthy that U.S President Biden committed to electrify the 600,000-vehicle government fleet in his first week in office.
- Publicly stating an aim to achieve a sales target of 100% electric vehicle sales by 2030 (or 2035 at the latest).
  - The EVC is currently developing research on the annual sales objectives that would be required to reach this goal by 2030 and would be happy to work with the Victorian Government in developing their milestones.
- Requiring public transport contracts to procure new zero emissions buses and coaches as soon as feasible, with a target of full fleet electrification by 2030.
- Delaying a road user charge until electric vehicles account for 10% of the fleet, or set by a later date, with interim reviews.
  - For more detail on the EVC's position on RUCs please see page 6.
- Creating exemptions for zero emissions freight vehicles to operate outside current residential curfews and bans, and trialling wavers for weight restrictions for these vehicles.

## 2. Implementation of CO<sub>2</sub> emission standards

Currently, 80% of the global light vehicle market has CO<sub>2</sub> standards while Australia does not.<sup>6</sup> The introduction of light vehicle CO<sub>2</sub> emissions standards, in line with global standards, would directly reduce emissions and encourage vehicle manufacturers to bring a wider variety of electric vehicles to Australia.

A clear policy commitment would signal to manufacturers that the government is serious about addressing emissions from road transport.

Importantly, these standards should be complemented with measures to support consumers decisions to achieve these targets, such as financial incentives for zero emissions vehicles.

The Electric Vehicle Council recommends that Victoria advocates for CO<sub>2</sub> standards at a Federal Government level. Where that is unsuccessful, that Victoria adopts a leadership role in Australia and implements CO<sub>2</sub> standards at a State Government level.

## 3. Policies to improve charging convenience

The Electric Vehicle Council welcomes the \$28.66 million investment by the Victorian Government to install electric vehicle charging infrastructure.

However, the provision of chargers, though necessary to relieve range anxiety, does not help with the affordability of purchasing an electric vehicle. Where electric vehicle ownership is not incentivised, the commercial viability of operating public charging infrastructure will continue to be unfeasible. As such, charging infrastructure investment should be coupled with policy drivers to encourage electric vehicle purchasing.

The Electric Vehicle Council recommends that Victoria improves charging convenience by:

- Providing financial incentives to reduce the cost for home chargers.
- Providing financial incentives to reduce the cost for commercial chargers.
- Investing in bus depot upgrades to power electric bus transition.
- Investing in heavy vehicle charging infrastructure along freight routes to support long distance logistics transport operators.
- Addressing inappropriate electricity tariff structures that disincentivise the rollout of public electric vehicle charging sites.

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<sup>6</sup> Australian Financial Review (2019) Fuel efficiency standards better than a Trump deal.

Additionally, the Victorian Government has a role in facilitating private sector investment by removing the need for a development application, so that infrastructure providers can fast-track charging infrastructure installation.

The Electric Vehicle Council seeks clarification regarding the recommendation to encourage electric vehicle adoption by implementing design and payment standards.

While it is important that charging infrastructure is installed at the convenience of consumers, this should not come at the expense of innovation occurring in the deployment of charging infrastructure. Industry's leadership in setting standards, such as plug types, demonstrates our willingness to achieve favourable consumer outcomes where objectives are clear.

Any efforts to standardise or regulate charging infrastructure in Australia should be in consultation with the industry and must be consistent with global standards, many of which are still under development. Particularly with our small and stagnant market share, the development of non-conforming Australian standards risks decreasing investment in Australia.

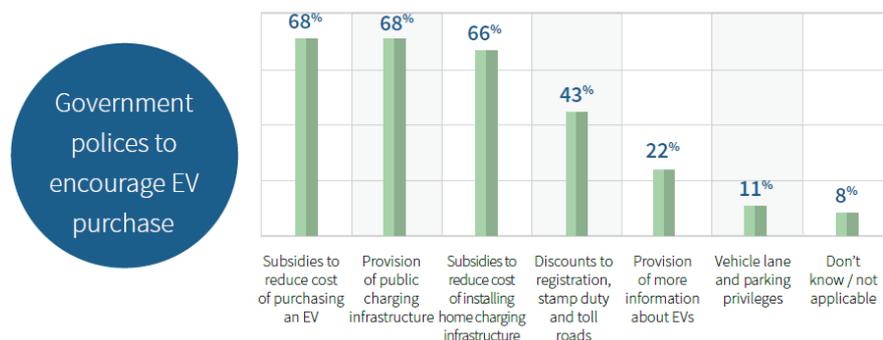
Additionally, charging infrastructure does not end at the border of Victoria and any attempt to standardise or regulate at a state level, without considering the implications for the national network, may do the opposite of policy's intent.

#### 4. Policies to increase consumer knowledge and awareness

Consumers in Australia and Victoria have already indicated interest in an electric vehicle as their next vehicle purchase.

Research published by the Electric Vehicle Council in August 2020 found that 56% of respondents would consider purchasing an electric vehicle as their next car purchase (up from 48% in 2018 and 53% in 2019).<sup>7</sup>

Furthermore, respondents overwhelmingly indicated support for government policies to reduce the cost of electric vehicles and provide public charging infrastructure, with 68% indicating these were policy mechanisms to encourage uptake.



<sup>7</sup> EVC (2020) State of Electric Vehicles 2020

Polling of Victorians in December 2020 by Redbridge Group additionally found that:



Consumer surveys have shown a strong correlation between knowledge of electric vehicles and willingness to purchase.<sup>8</sup> Government should, following effective actions to increase electric vehicle uptake, support efforts to educate consumers including fleets of the benefits of electric vehicles.

### EVC response to recommendation 48: Remove annual charges while introducing distance-based pricing for electric vehicles

The Electric Vehicle Council supports efforts to reform the road taxation system via road user charges (RUCs). However, the Electric Vehicle Council opposes the implementation of a tax that will:

- stifle adoption of electric vehicles in an emerging market and/or
- create a net financial disincentive to electric vehicle uptake.

Any effort to implement an RUC must be done in conjunction with a financial incentive to offset a net-disincentive for electric vehicle owners.

Governments must consider measures to support electric vehicle uptake before introducing new charges for electric vehicles. In jurisdictions that are now implementing trials of RUCs, consumers have been provided with financial incentives over the last decade to stimulate uptake.

Additionally, these jurisdictions are not implementing blanket approaches of RUCs for electric vehicles. In contrast, they are running pilot schemes on a voluntary basis, while conducting research into the methods for designing road user charge programs.

*For example:*

California has been considering road user charge funding options since the launch of its pilot scheme in 2015. An RUC is being considered because ‘Californians are switching to more fuel-efficient vehicles, meaning they buy less gas and pay less gas tax.’<sup>9</sup>

*“The California Road Charge Phased Demonstration program, represented in four phases, is meant to explore how drivers could be charged for the miles they travel, rather than the fuel they use. The program outlines several methods for collecting*

<sup>8</sup> Electric Vehicle Council (2020) State of Electric Vehicles 2020.

<sup>9</sup> <https://caroadcharge.com/about/faqs/>

*revenue, such as paying at the pump or at electric vehicle charging stations, or through a usage-based insurance approach.*<sup>10</sup>

A similar scheme is proposed in the ACT, where all car owners can opt-in to a road user charge system, that replaces the upfront registration cost.

Furthermore, given the policy priorities of the Victorian Government, a far greater priority should be the implementation of emissions charges and low emissions zones. The loss of revenue from fuel excise due to electric vehicles is not expected to be realised in the short to medium term, whereas the impacts of increasing emissions from Victoria's transport sector are immediate.

The Electric Vehicle Council recommends that:

- Short-term financial incentives are prioritised to accelerate uptake until the market has reached 10% electric vehicle penetration.
- The road user charge is delayed until greater uptake of electric vehicles is reached:
  - To 2030, or;
  - When electric vehicles have reached 10% uptake.
- The road user charge is implemented for all vehicles on an opt-in basis:
  - Bearing in mind an RUC is being implemented to ensure equitable revenue generation from all vehicle users, the introduction of an RUC must not be restricted to electric vehicles only.
    - Loss of fuel excise is a result of fuel-efficient cars consuming less petrol/diesel, which require drivers to purchase less fuel and pay less fuel excise.
    - Internal combustion engine vehicle owners may benefit economically from switching to an RUC system, where they drive less than the average vehicle in Victoria, and therefore should pay less in fuel excise/road user charges.
  - An opt in for all approach for all vehicles allows for the system to be refined as needed, without disadvantaging electric vehicle owners. Additionally, it adjusts expectations of participants who are aware they are part of a pilot program.
  - As previously outlined, the ACT has announced that any road user charge measures in the next four years would be voluntary opt-in measures for all vehicle owners.
- An RUC is designed and implemented in consultation with the electric vehicle industry and other relevant stakeholders.<sup>11</sup>

Given that the revenue generated by an RUC directly correlates to the number of electric vehicles sold, the introduction of an RUC without providing incentives to offset the cost, will result in a loss of potential revenue over the next decade. It will additionally result in Victoria being the first jurisdiction globally to net-disincentivise electric vehicles.

Furthermore, recent analysis by EY for the Electric Vehicle Council has quantified the net benefit of electric vehicles in Australia, where the average net benefit to government and society of an electric vehicle replacing an internal combustion engine vehicle is \$8,763.<sup>12</sup> This net-benefit should be included in costings when considering the loss of revenue from fuel excise as a result of electric vehicles.

<sup>10</sup> Transport Topics (2020) California Seeks 150 Participants for Road User-Charge Research

<sup>11</sup> Insurance groups, motoring groups, transport peak bodies, etc.

<sup>12</sup> EY (2020) Uncovering the hidden costs and benefits from electric vehicles

### Additional recommendation: Support home-grown electric vehicle manufacturing industries

An acceleration of electric vehicle uptake will create investment and manufacturing opportunities for Victoria.

Due to the small size of our market, we are missing out on affordable electric vehicle models, and the manufacturing opportunities that come with a strong electric vehicle industry.

By supporting policy measures to exponentially grow the electric vehicle market, Victoria will send a message to the global electric vehicle industry that it has the appetite to build electric vehicle manufacturing industries, creating jobs and economic growth for the state. Failure to do so will see Australia continue to miss out on this once in a lifetime industry development opportunity.