

Recommendations for an Australian New Vehicle Efficiency Standard



1. Deliver a globally competitive standard for Australia that:

- Clearly demonstrates how the standard will support the government's legislated emissions reduction targets, and at minimum be consistent with delivering a reduction in total transport emissions approximately equal with, but preferably lower than 2005-levels by 2030[1].
- Ensures the transport sector makes an equitable contribution to emissions reduction and block efforts being made by some groups to actively shift the burden from global car makers onto Australian farmers, manufacturers, energy suppliers, households and other local businesses to cut harder and faster to meet Australia's emission reduction targets.
- Enables the achievement of the electric vehicle (EV) targets adopted in the majority of Australian states and territories i.e. at least 50% EV sales by 2030, which were recently endorsed by the Federal Government via inclusion in its National Electric Vehicle Strategy[2].
- Catches up to major global markets like the US and EU by, or ideally before 2030, in recognition of the fact that if Australia continues to remain behind, other countries will continue to be prioritised for the supply of low and zero-emissions vehicles.
- Recognises much of the technology already exists overseas but we need a standard that brings it to Australia, and therefore there is no excuse to follow a proportional reduction in emissions targets. We must aim to catchup this decade.
- Includes a penalty rate consistent with other major countries, after accounting for the broader design of the standard, including the overall stringency of targets and inclusion of any concessions/bonus credits.

[1] https://theicct.org/wp-content/uploads/2022/12/Australia-FE-standards_final.pdf

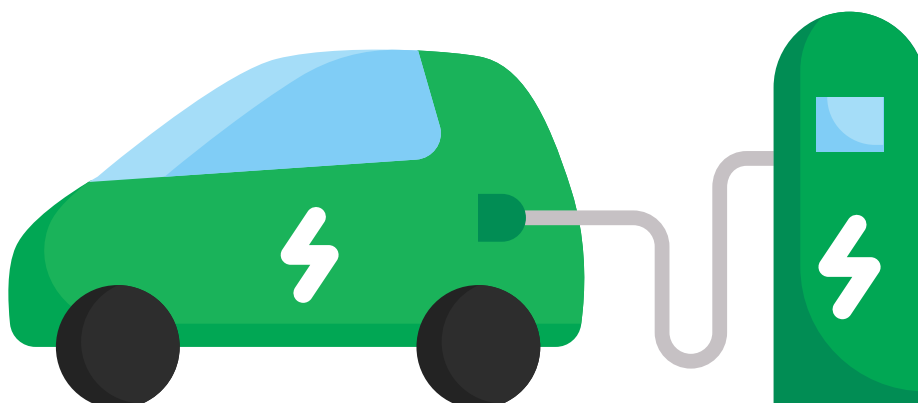
[2] <https://www.dcceew.gov.au/sites/default/files/documents/national-electric-vehicle-strategy.pdf>

2. Introduce a mandatory standard regulated by the Department of Transport:

- Start during 2024 with targets set until at least 2030 to provide a clear signal to the new vehicle market.
- Allow for two reviews of the standard before 2030 in 2026 and 2029 to consider future targets, concessions/bonus credits, the penalty rate and other design features in response to emerging market conditions as well as progress against Australia's emissions reduction and EV sales targets.
- Provide certainty to the market by only varying targets three years ahead of the standard review year e.g. only targets for 2029 onwards would be reviewed in 2026; targets for 2032 onwards would be reviewed in 2029. See example outlined in the table below:

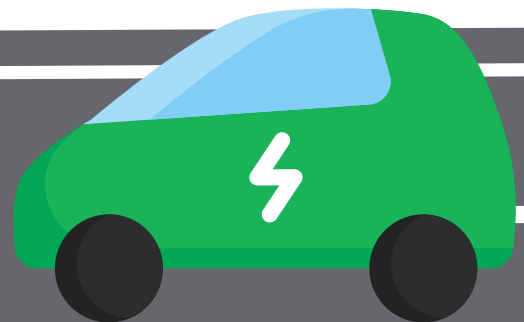
Review Year	NVES Target Period	Fixed targets (do not change)	Flexible targets (can be amended / must be set)
2023	2024-2030	2024, 2025, 2026, 2027, 2028	2029, 2030
2026	2026-2033	2026, 2027, 2028	2029, 2030, 2031, 2032, 2033
2029	2029-2036	2029, 2030, 2031	2032, 2033, 2034, 2035, 2036

- Include clear guidance on projected EV sales under the standard to inform the government's broader EV policy and confidence to secure further private investment in the EV industry.



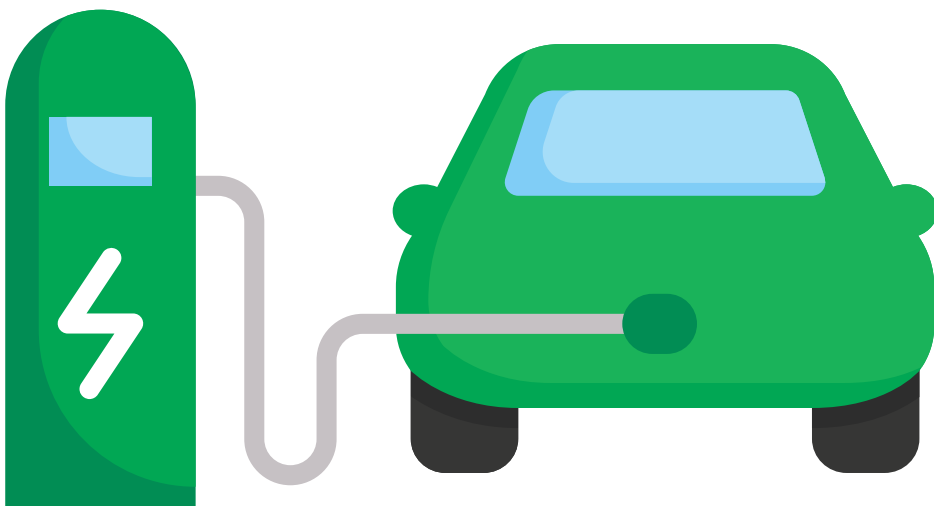
3. Preference for a simpler, transparent standard:

- Fewer concessions/bonus credits will provide greater visibility of the true emissions rates of new vehicles for both car makers and consumers.
- A simpler design will also reduce the administrative burden for Government and car makers while accelerating the introduction of the standard.
- Car makers should be provided with the flexibility to bank, trade and pool credits with a carry-back period of two years, and a carry-forward period of three years – in line with a review of the standard taking place every three years.
- Off-cycle or air-conditioning credits should not be included. These concessions/bonus credits are largely being phased out overseas and provide free credits for features that are generally already included and/or will soon be required in Australian vehicles.
- Only consider technology super-credits where there is a clear need and justification for their inclusion to further encourage supply of low and zero-emission vehicle models in specific vehicle segments or price brackets. These credits must be minimal, temporary, capped and have a clear phase-out timeline - in line with global best practice.



4. Recognise Australia is a dynamic and attractive new vehicle market:

- Many new car makers have entered the Australian market in recent years to fill gaps from those exiting our market, and this pattern will continue, particularly as Australian consumer demand for low and zero-emission vehicles of all shapes and sizes rapidly increases.
- The Australian market is likely to look significantly different in terms of the car makers and models on offer over the coming decades irrespective of the standard design.
- The standard must be designed around the ability for the market as a whole to meet the government's annual targets, not catering to the needs of individual car makers.
- Ultimately the government should aim for the Australian new vehicle market to be shaped by an ambitious NVES that reduces fuel costs for Australian households and businesses, and increases national security by minimising our dependency on foreign fuel for transport.



5. Acknowledge different segments of the new vehicle market are likely to transition at different rates but should aim to reach the same end goal by:

- Setting one set of targets for passenger cars (MA) and another set for off-road SUVs (MC) and light commercial vehicles (NA).
- Setting different targets for different size vehicles via a mass limit curve.
- Ensuring that the use of a mass limit curve does not incentivise the supply of heavier vehicles or disincentivise the supply of lighter vehicles by either setting relatively flat slopes, or flattening the curves above 2,000 kg for MA and 2,200 kg for MC/NA, and flattening the curves below 1,400 kg for MA/MC/NA - similar to New Zealand.
- Recognising the difference between these two sets of targets should be minimised to reduce the risk of a shift in the new vehicle market towards larger, less efficient and generally less safe vehicles.
- Ensuring that both sets of targets adopt an overall trajectory consistent with the same end goal of over 95% of new vehicles sold being EVs by the mid-2030's to support the achievement of the government's net zero target by 2050 – in line with recommendations by the International Energy Agency[3], Energy Transitions Commission[4], International Council on Clean Transportation[1], and other experts[5].

[3] <https://iea.blob.core.windows.net/assets/dacf14d2-eabc-498a-8263-9f97fd5dc327/GEVO2023.pdf>

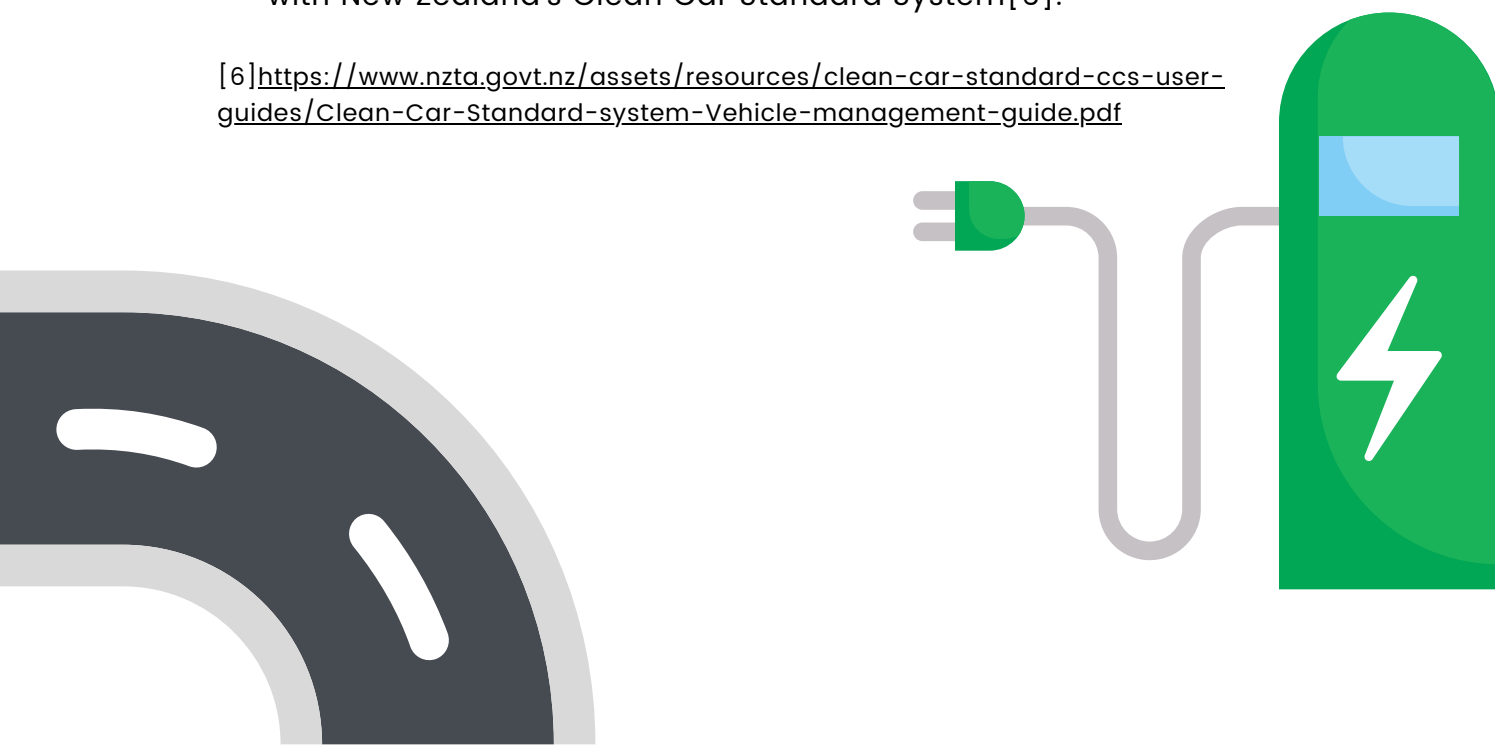
[4] <https://www.energy-transitions.org/wp-content/uploads/2020/09/Making-Mission-Possible-Full-Report.pdf>

[5] <https://transportfacts.org/>

6. Government should establish a reporting framework that reduces administrative burden:

- An independent source of new vehicle sales data that is managed by the government is critical to the integrity and auditability of an Australian NVES.
- This database could be used by government to provide transparent, publicly available new vehicle sales data. This would provide insight into how the nation is tracking in terms of the adoption of low and zero emission vehicles, in line with what New Zealand and other markets already have.
- This database will also be important for tracking transport emissions in line with emission reduction targets, and informing broader EV policy at local, state/territory and federal levels.
- Car maker-reported sales could be verified against other data sources, such as vehicle registration databases.
- Car makers should also be provided with tools that clearly identify how they are tracking against targets in real-time – as is the case with New Zealand’s Clean Car Standard System[6].

[6]<https://www.nzta.govt.nz/assets/resources/clean-car-standard-ccs-user-guides/Clean-Car-Standard-system-Vehicle-management-guide.pdf>



7. Be complemented by other policy measures that:

- Harmonise Australian vehicle standards with international standards to reduce the cost and burden of importing new vehicles to Australia. This includes updating the Vehicle Type Approval requirements in Australia to allow direct acceptance of type-approved electric vehicles from global major markets in full volume supply under the Road Vehicle Standards Act (RVSA).
- Accelerate the adoption of low and zero-emission vehicles in fleets to create a strong, second-hand market of affordable options.
- Increase the number of new vehicles sold in Australia to accelerate fleet turnover, further reduce transport emissions, and lead to a greater number of low and zero-emission vehicles for all Australians.
- Consider targeted incentives for farmers, tradies, remote communities and other groups with specific transport requirements to support and facilitate the adoption of low and zero-emission vehicles nationally.

