LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PLANNING, TRANSPORT, AND CITY SERVICES
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Submission Cover Sheet

Inquiry into EV Vehicle Adoption in the ACT

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LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY
INQUIRY INTO EV VEHICLE ADOPTION IN THE ACT

Submission to the Standing Committee on Planning, Transport and City Services
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[redacted]

Introduction

At around 20 per cent of the global total, road transport is a significant source of greenhouse gas emissions. In Australia, light vehicles (cars, vans, utility vehicles (utes) and Sports Utility Vehicles - SUVs) account for half of this.

The adoption of Electric Vehicles (EVs) is an important way to reduce emissions and so fight climate change. I therefore welcome the Inquiry by the Legislative Assembly for the Australian Capital Territory (ACT) into EV [Vehicle] Adoption in the ACT.

My submission argues that the ACT Government should advocate strongly for Fuel Efficiency (CO2) standards to be introduced by the Australian (Federal) Government across Australia for all new light vehicles.

National Fuel Efficiency (CO2) standards directly relate to Term of Reference 'h' of the ACT Inquiry:

"Other Federal barriers to EV uptake, cost and availability of EVs, including fuel efficiency standards, impact of EV uptake on existing motor and service industry sectors including possible transition assistance, equity and just-transition issues for people on lower incomes".

Existing proposals for the adoption of EVs

There have been a number of state and national inquiries, public and private organisations' plans and political parties' policies over the last few years aimed towards increasing the adoption of EVs[i] [ii] [iii]. Most recently, many candidates in the 2022 federal election have proposed financial incentives to reduce purchase and on-road costs of EVs.

An alternative to financial incentives could be to provide publicly funded physical infrastructure such as charging facilities. Another would be to facilitate Vehicle-to-Grid (V2G) services. V2G would allow newer designed EVs to double as household battery storage, saving thousands of dollars in battery system costs for rooftop solar owners (and governments), while providing storage and grid stability for the expected future increase in the generation of renewable energy. V2G home energy schemes are commercially available today in other countries such as the United Kingdom. Trials are currently underway in the ACT by the ACT Government and through the Australian

National University[iv] [v] [vi]. V2G should be given priority, as it will greatly enhance the desirability of EVs by making them an integral part of the ACT's electricity grid.

However, most existing proposals involve spending public funds to incentivise the sale of EVs. A proposal that instead directly *saves* the taxpayer, while costing very little to implement, is Fuel Efficiency (CO2) standards. These are used successfully in other countries and *have already been assessed by the former Morrison Australian Government as one of the best ways to intervene in the market to reduce emissions*. They are also consistently reported in the media as having the broad support of experts for use in Australia[vii] [viii] [ix].

When asked specifically about introducing national Fuel Efficiency (CO2) standards during his June 29 address at the National Press Club of Australia, the Hon Chris Bowen MP, Minister for Climate Change and Energy, said that the Australian Government "would consider all viable options" towards its upcoming new electric vehicle strategy[x]. This is an encouraging sign for the ACT government to advocate for national action on standards.

Price parity of EVs with ICE vehicles and reduced fuel costs through Fuel Efficiency (CO2) standards

Many car buyers say that they would consider buying an EV for their next vehicle if there was price parity between EVs and ICE vehicles[xi]. This is expected to happen under business-as-usual conditions anywhere between 2025 and 2029[xii] [xiii], with expected sales of EVs in 2030 being 25-89 per cent of new vehicles (from the various statements of both major parties over time). However, with the lifecycle of light vehicles in Australia being around 20 years, all new light vehicle sales would have to be zero emissions by no later than 2030 for Australia to meet its emissions reductions target of net zero by 2050 in the transport sector. Therefore, market intervention is needed to achieve price parity faster than the business-as-usual timeframe.

Fuel Efficiency (CO2) standards are not currently mandated for road vehicles in Australia. However, they are in other major markets, such as the United States, European Union and Japan, as an effective way to help transition fleets of ICE vehicles to EVs and so reduce greenhouse gas emissions. They offer a flexible market approach that while technologically agnostic, favours Hybrid vehicles, Plug-in Hybrid Electric Vehicles (PHEVs) and EVs, due to their inherently high efficiency and in the case if PHEVs and EVs, their ability to be fuelled by renewable energy.

If designed well, Fuel Efficiency (CO2) standards would move the EV market towards price parity with ICE vehicles before 2030 and so save motorists in terms of both purchase costs and fuel costs. Under the standards, manufacturers/importers of vehicles would have to achieve an average new vehicle fleet efficiency, pushing both increased percentage of EV sales and a greater efficiency of ICE and Hybrid vehicles in non-EV

sales. This has been the case in other countries where they have been implemented. They could also be tailored to Australian conditions and their limits could easily be tightened up over time if needed.

As national Fuel Efficiency (CO2) standards could only be implemented by the Australian Government, the ACT Government should advocate strongly for such national standards through the normal consultative arrangements it has with the Australian Government for the national regulation of road transport.

Recent efforts to introduce Fuel Efficiency (CO2) standards in Australia

As mentioned above, Fuel Efficiency (CO2) standards are not currently mandated for road vehicles in Australia. There is often confusion in the community between Fuel Efficiency (CO2) standards and noxious emissions standards, the latter of which have been mandated for many years. They are not the same: refer Appendix 1 for the background to noxious and CO2 standards in Australia.

In 2015, the former Morrison Australian Government established a Ministerial Forum to coordinate a whole-of-government approach to addressing emissions from motor vehicles. In December 2016, the then Federal Department of Infrastructure and Regional Development published a draft Regulation Impact Statement (RIS) on options to improve the efficiency of new light vehicles. The RIS concluded that, as has happened in other countries, the adoption of Fuel Efficiency (CO2) standards for light vehicles would both reduce motorists' costs and reduce emissions, by increasing the efficiency of new vehicles being offered to the Australian market.

Despite the detailed analysis showing positive benefits for both motorists and for the reduction of emissions, the proposal was not then adopted into the former Morrison Australian Government's subsequent 2021 Future Fuels and Vehicles Strategy[xiv]. It also appears that no final RIS or legislation was delivered.

In line with other major markets, the proposed model of Fuel Efficiency (CO2) standards in the RIS was based on limits for fleet averages of each vehicle manufacturer, rather than individual vehicles or vehicle models. This meant that the market could still offer larger or more powerful/less efficient vehicles to a minority of consumers (such as for weekend outback driving with a large boat or caravan), provided sufficient low emission vehicles (such as EVs) were also sold to give an overall decrease in emissions for each manufacturer. This would compel sales of efficient vehicles with competitive pricing, such as price parity with ICE vehicles. Price parity is the main incentive that potential EV buyers are looking for.

During the 2019 federal election campaign, the Labor Party proposed implementing Fuel Efficiency (CO2) standards. However, it then dropped them in its 2022 election campaign. This was very likely because of the disingenuous "End the weekend" [xv] rhetoric heard in 2019 about the supposed inferior performance of EVs versus ICE

vehicles and claims that a 'carbon tax' would be applied to less efficient vehicles. Labor's current policy is to instead to bring in 'real-world testing of vehicle efficiency', which is little more than a real-world tweaking of official test results[xvi]. Unfortunately, this would do little if anything to reduce greenhouse gas emissions.

With the new Albanese Australian Government, now is the time to revisit Fuel Efficiency (CO2) standards. Now is the time for all state and territory jurisdictions to advocate strongly for the new Australian Government to revive what had stalled in 2016 under the previous Australian Government. As numerous media articles have reported over the past few years and continue to report, Fuel Efficiency (CO2) standards have popular support both within the community and industry[xvii].

Draft RIS for Improving the efficiency of new light vehicles

The draft RIS that recommended Fuel Efficiency (CO2) standards was published on the Federal Department of Infrastructure and Regional Development's website in 2016[xviii] Key findings of the RIS were:

> The successful widespread introduction of Fuel Efficiency ((CO2) standards elsewhere in the world, noting that; "80 per cent of the global light vehicle market – including the US, EU, Canada, Japan, China, South Korea and India – have adopted mandatory fuel efficiency standards. These standards aim to drive improvements in vehicle efficiency at a faster rate than could otherwise be expected from market forces alone."
>
> The potential savings in fuel and greenhouse gas emissions across Australia; "The main benefit identified in the analysis was a reduction in fuel costs to the economy of $10.8-$27.5 billion. Additional benefits would arise from a cumulative reduction in greenhouse gas emissions of 25-65 million tonnes by 2030 and 91-231 million tonnes by 2040."
>
> The potential savings to motorists even before the latest fuel price hikes; "At a retail fuel price of $1.30 per litre, it was estimated that an average motorist purchasing an average performing passenger vehicle in 2025, could save between $237 and $519 per year in fuel costs. For an average performing light commercial vehicle purchased in 2025, it was estimated that an average motorist could save between $182 and $666 per year in fuel costs."

Conclusions

The adoption of Electric Vehicles (EVs) is an important way to reduce emissions and so fight climate change.

While financial incentives and infrastructure changes such as more charging facilities and V2G will help increase EV adoption, national Fuel Efficiency (CO2) standards would reduce emissions while directly *saving* taxpayers' money through price parity of EVs with Internal Combustion Engine (ICE) vehicles as well as reduced fuel costs. it would also

mean that new sales of non-EVs would be more fuel-efficient as well and so would produce less emissions.

Unlike for noxious emissions, there are currently no standards for Fuel Efficiency (CO2) in Australia. However, the former Morrison Australian Government *has already assessed them as being beneficial to the Australian motorist*, issuing a draft Regulation Impact Statement (RIS) in 2016. Despite this not subsequently being adopted, the initiative remains popular within a number of political parties, the community and the vehicle industry itself. They would cost the government little to implement, would reduce CO2 emissions of the fleet, and would save the motorist in both purchase and running costs. They could be tailored to Australian conditions and their limits could easily be ratcheted up if needed over time.

The ACT government should advocate strongly, through its normal consultative arrangements, for Fuel Efficiency (CO2) standards to be introduced by the Australian Government across Australia for all new light vehicles.

Appendix 1

Background to road vehicle noxious and CO2 standards in Australia

Noxious emissions standards have been mandated in Australia for many years. These limit pollutants such as hydrocarbons, oxides of nitrogen, carbon monoxide, particulates and other compounds from ICE/Hybrid vehicles and PHEVs. They are currently based on United Nations “Euro” series of regulations.

Noxious emissions standards do not limit CO2. As part of the tests for noxious emissions, fuel efficiency and CO2 output are measured, but not limited. The Australian Government uses this data (for light vehicles) to populate a consumer database called the Green Vehicle Guide (The GVG). The purpose of the GVG is to help consumers choose an efficient vehicle by comparing noxious emission and CO2 levels between models. However, there is nothing compelling them to do so. In addition, a label indicating the fuel efficiency and CO2 emissions of a vehicle must be placed on the windscreen when first sold.

The Federal Chamber of Automotive Industries, the industry body that represents most light vehicle suppliers in Australia, has published its own voluntary targets for fuel efficiency/CO2. However, these are much weaker than the government mandated limits in other major markets and they tend to represent close to business-as-usual levels anyway. In addition, they are voluntary, and they do not cover all vehicle brands.

Fuel quality is important for vehicles to be able to meet noxious emissions limits. While Australian diesel fuel meets the standards of other major markets, under the former Morrison Australian Government’s agreement with the refining industry Australian petrol need not do so until 2027. However, and unlike for noxious emissions, fuel quality is not as critical a factor when it comes to meeting any fuel efficiency/CO2 limits.

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