8.12.2011

CO2 Emissions Standards
Vehicle Emissions and Environment Section
Surface Transport Policy
Department of Infrastructure and Transport

RE: Environment Victoria’s submission to the Department of Infrastructure and Transport Discussion Paper – Light Vehicle CO2 emission standards for Australia.

Environment Victoria welcomes the opportunity to comment on the government’s discussion paper investigating light vehicle CO2 standards for Australia.

Environment Victoria is Victoria’s leading non-government not-for-profit environmental organisation. With 88 member groups and thousands of individual members and supporters, we’ve been working to safeguard Victoria’s environment for over 40 years. Our Sustainable Transport campaign has advocated for sustainable transport solutions for over a decade. During this time we have worked to promote public and active transport, sustainable planning, travel demand management and efficient vehicles.

Environment Victoria welcomes the Federal Government commitment to introduce mandatory emissions standards for new light vehicles sold in Australia from 2015. This commitment is recognition that the previous model of voluntary standards has not worked for Australia’s environment or our motorists and a new model is required.

In order for the transport sector to meet its potential emissions reductions from new cars and for Australian motorists to benefit from significant savings at the petrol bowser, the mandatory standard will need to be strong enough to drive significant change within a sector that has been slow to respond to such challenges in recent years.

However, a strong mandatory standard isn’t a silver bullet for cutting emissions from Australia’s transport sector, and much more needs to be done both within the vehicle fleet and beyond it in order for Australia to cut transport emissions in line with what climate science tells us is necessary.

Again, we thank you for the opportunity to submit in response to this discussion paper, and look forward to further consultation. For further information about this submission please contact me directly at victoria@envict.org.au or on 03 9341 8112.

Sincerely,

Victoria McKenzie-McHarg
Safe Climate and Sustainable Transport Campaigner
Environment Victoria
Summary of Recommendations:

1. The standard should include the setting of staged short and medium term targets of 2015 and 2020.

2. Further five-year rolling targets (2025, 2030 etc) should be set five years in advance.

3. The 2015 target should be strong enough to drive change in the industry from the outset.

4. The Department should include a further two scenarios in the cost-benefit assessment of a mandatory standard that include stronger targets inline with international standards and environmental imperatives. One of these scenarios should include a 2020 standard of 130g per km to start bringing Australia into line with international standards.

5. The setting of further targets beyond 2020 should be undertaken on the advice of the Climate Change Authority.

6. The government set a standard of at least 130g per km by 2020, to bring Australia closer to being in line with international standards.

7. Should the department not wish to look beyond the scenarios listed in the discussion paper, Environment Victoria would recommend scenario 6 – a standard of 183g/km in 2015, and 141g/km in 2020.

8. The federal government work with state government and industry bodies where appropriate to introduce a suite of complementary policies that will enable industry to achieve strong targets, rather than allowing consumer preference to become an obstacle to compliance. This should include registration and stamp duty concessions, tax adjustments, and information and education campaigns.

9. The cost-benefit analysis should include an analysis of the costs of failing to introduce a strong enough standard, both in terms of environmental impacts and the increased costs of reducing emissions from other parts of the transport sector or the economy more broadly.

10. A single set of CO2 targets should be set for all light vehicles including passenger vehicles and light trucks/vans.

11. The target should be calculated on a performance-based standard, and should not include bonus credits for new low or zero-emissions technologies.

12. The federal government should instead support these new technologies, in particular electric vehicles, through targeted and specifically designed policy and investment.

13. Targets should be set on a ‘footprint’ basis.

14. Data collected for the purpose of the standard should be made publically available on an annual basis.

15. Pooling, banking and trading should only be allowed if it does not introduce undue complexity or compromise into the scheme.

16. The regulator should be given a range of options for dealing with non-compliance appropriate for a range of situations including; financial penalties, ‘name and shame’ powers, enforceable undertakings, injunctions, periodic audits, executive office liability and criminal offences.
1. Introduction: Reducing Emissions from the Transport Sector

Transport accounts for about 15 percent of Australia’s greenhouse gas emissions, with light vehicles accounting for 64 percent of this\(^1\).

Ensuring sustainable transport options such as public transport, cycling and walking that are accessible and reliable is vital to reducing emissions from our transport sector, and will assist in strengthening our communities and saving money for families through reducing private vehicle use.

However, it is not reasonable to assume that these alternative transport modes will be practical for all people at all times. Given that most families will continue to rely on private car travel at least some of the time, cutting emissions from vehicles will be an important plank in transport sector emissions reductions.

A strong mandatory standard for CO2 emissions from new vehicles is a key first step towards cleaning up Australia’s vehicle fleet.

1.1 Australia falling behind the pack

To date Australia is lagging behind the pack, with new cars sold in Australia in 2010 approximately 52 percent more polluting than new cars sold in Europe, where a strong mandatory standard exists\(^2\). Similarly, other OECD countries such as Japan, South Korea, the USA and China have all taken steps towards cleaning up their vehicle fleets.

At the same time, Australia’s car manufacturing industry has fallen behind international developments. The Australian car manufacturing industry focuses on medium to large cars, and a significant majority of their sales are reliant upon procurement preferences for Australian-made cars in fleet purchases for various levels of government and corporations.

The most popular car segment in the Australian market by a large margin is the small, more fuel efficient car\(^3\). Australian motorists demonstrated preference for small and fuel efficient cars has meant that they have been forced to purchase imported vehicles in the absence of local alternatives – imports currently account for about 85 percent of sales\(^4\). While concerning for local manufacturers, this shows that consumer preference for small and efficient vehicles in Australia exists, and a strong standard is likely to drive the importation of much more efficient vehicles. These vehicles are not currently making it to our shores but are essentially reserved for those countries with existing strong standards.

1.2 The opportunity presented by mandatory standards

In 2008, Environment Victoria commissioned the Nous Group to investigate how Victoria could cut its greenhouse gas emissions by 50 percent by 2020 using existing technologies ramped up over time. The report found that significant cuts could be made within the transport sector with either a 10 or 20 year ramp-up time from travel demand management, mode shift away from private vehicle use (and towards public and active transport), increased vehicle occupancy and improved vehicle efficiency. Changes

\(^{1}\) Australia’s National Greenhouse Gas Inventory; Commonwealth of Australia, Australia’s low pollution future; the economics of climate change mitigation, 2008, p. 40.


\(^{3}\) www.fcai.com.au/sales

achieved from improved vehicle efficiency achieved by far the deepest cuts in greenhouse emissions from the transport sector, due largely to the high levels of private car ownership in Victoria\textsuperscript{5}.

This report highlighted the importance of introducing a strong standard in order to achieve the potential cuts to emissions from our transport sector. While a standard for new vehicles will only impact on a small proportion of vehicles on our roads in the first few years of the scheme, this will increase as the vehicle fleet changes over and older cars are retired. A standard for new vehicles can therefore have a significant impact on the existing vehicle fleet over time, as these vehicles filter through the fleet and into the second-hand car market.

1.3 Complimentary Measures

However, a mandatory standard for CO2 emissions on its own won’t necessarily drive the changes across our vehicle fleet that are desired. Australia needs a strong set of complementary policies to support the standard in order for the policy to achieve the best outcomes for our environment and motorists.

Registration concessions for efficient vehicles and changes to stamp duty charges have been shown internationally to have a significant impact upon the purchasing decisions of motorists. While in Australia these policies are delivered by state governments, the Australian government has a role to play in encouraging and supporting the implementation of such policies in order to drive the best outcome from the mandatory standard.

Further, the Australian government has significant influence over the efficiency of a large number of vehicles on our roads through its vehicle procurement policy. Environment Victoria recommends that the Australian Government introduce an emissions reduction target for its vehicle fleet across all government departments and agencies in order to drive changes in the Australian car manufacturing industry and in new car purchases more broadly.

The Australian Government should also invest in information and education of motorists about fuel efficient vehicle choices, and the impacts these can have on their environmental impact as well as their petrol costs. Since October 2008 all new cars sold in Australia have been required to display the fuel consumption, in L per 100km (for urban and non-urban driving), and the number of grams of carbon dioxide emitted by the vehicle per km\textsuperscript{6}. While this consumer information is useful, it could be significantly improved through the addition of a star rating system among other measures.

Further to these measures, the Australian government also has an important role to play in driving emissions cuts across other aspects of the transport sector.

In particular, investing in public and active transport alternatives, working with state governments on travel demand management, investing in rail freight and other sustainable freight programs and inter and intra-state fast rail as an alternative to flying are all areas in which the federal government can have a significant impact.

Without this full suite of complementary policies, it is unlikely that a mandatory standard for new vehicles will deliver the emissions reductions from the transport sector that are required.

\textsuperscript{5} Nous Group, Commissioned by Environment Victoria, \textit{Turning it around: climate solutions for Victoria}, Nov 2008, p. 27.

2. The mandatory standard:

2.1 The target

In order to have a significant impact on emission from our vehicle fleet and to bring Australia in line with international best practice standards, it is important that the government introduce a strong standard that drives change to Australia’s vehicle fleet from the outset.

This should include the setting of staged short and medium term targets.

Beyond 2015, Environment Victoria considers the next logical date for a second stage target would be 2020. We consider a series of five year rolling targets beyond this (2025, 2030 etc) would be appropriate. These targets should be set five years in advance to allowing the scheme to respond to developments in the vehicle market and Australia’s transport emissions profile.

The discussion paper sets out six scenarios for emissions reduction targets in 2015 and 2020 (or 2024). The industry and stakeholder consultation session held in Melbourne revealed that some parties, particularly the Federal Chamber of Automotive Industries (FCAI) were concerned that the target for 2015 should not be onerous as manufacturing and technology decisions for 2015 had already been made by the industry and couldn’t be changed. Environment Victoria is concerned that without a strong target from the outset the process risks becoming business-as-usual, and will fail to drive the change in industry and consumer behaviour intended.

Recommendation:

17. The standard should include the setting of staged short and medium term targets of 2015 and 2020.
18. Further five-year rolling targets (2025, 2030 etc) should be set five years in advance.
19. The 2015 target should be strong enough to drive change in the industry from the outset.

The discussion paper also indicates that the six scenarios listed are a guide for further investigation rather than an indication of the government’s position. Given this, Environment Victoria is concerned that the scenarios fail to fully investigate the options available to the government, and that none of the scenarios includes targets strong enough to achieve environmental outcomes in line with the Australian Government’s recently legislated 80 percent emissions reduction target by 2050. In addition, the discussion paper recognises that a standard of 130g by 2020 would require annual reductions of approximately 5 percent which is consistent with the rates of improvement being applied in the US and EU, however the paper then fails to include consideration of such a scenario.

Environment Victoria therefore recommends that the Department include a further two scenarios in the cost-benefit assessment of a mandatory standard in order to understand the impacts of the full set of options available. One of these scenarios should investigate a standard of 130g per km by 2020 in order to bring Australia in line with current EU standards, albeit five years later.

The setting of emissions reduction targets can be a fraught process and subject to industry and political pressure. This interference could potentially lead to a standard that fails to deliver the best outcome for Australian motorists or our environment. Environment Victoria considers that further setting of targets is therefore best undertaken on the advice of the Climate Change Authority (CCA) established under the Clean Energy Future policy package. As the expert authority charged with planning and reporting on
Australia’s progress towards its 2020 and 2050 emissions reduction targets, the CCA is the natural body to determine what contribution light vehicles should make to those overall reductions.

**Recommendation:**

20. The Department should include a further two scenarios in the cost-benefit assessment of a mandatory standard that include stronger targets inline with international standards and environmental imperatives. One of these scenarios should include a 2020 standard of 130g per km to start bringing Australia into line with international standards.

21. The setting of further targets beyond 2020 should be undertaken on the advice of the Climate Change Authority.

The starting point for developing a target should always be what is necessary to achieve the desired outcome. For this reason, Environment Victoria has recommended investigating stronger options than suggested in the discussion paper, as these can examine what is required to meet national objectives.

For 2020, Environment Victoria recommends a target that will begin to bring us into line with European standards. However, should the Department decide not to investigate stronger options than those described in the discussion paper, Environment Victoria would recommend scenario 6 as the only scenario likely to drive change in the industry close to what is required environmentally.

**Recommendation:**

22. The government set a standard of at least 130g per km by 2020, to bring Australia closer to being in line with international standards.

23. Should the department not wish to look beyond the scenarios listed in the discussion paper, Environment Victoria would recommend scenario 6 – a standard of 183g/km in 2015, and 141g/km in 2020.

### 2.2 Perceived impediments to strong targets

The discussion paper asks whether there are any impediments to achieving the stronger standards suggested in scenarios 5 and 6. Environment Victoria anticipates that consumer preference will be raised as an issue preventing the widespread uptake of smaller and more efficient vehicles thereby preventing this level of change.

Rather than have existing consumer preference drive a weak standard that fails to deliver the full benefits of vehicle fuel efficiency to Australian motorists, the government should commit to develop a suite of complementary policies to ensure companies can meet these standards and that consumer preference doesn’t become an insurmountable obstacle.

**Recommendation:**

24. The federal government work with state government and industry bodies where appropriate to introduce a suite of complementary policies that will enable industry to achieve strong targets, rather than allowing consumer preference to become an obstacle to compliance. This should include registration and stamp duty concessions, tax adjustments, and information and education campaigns.
2.3 Cost Benefit Analysis

Environment Victoria does not have the expert knowledge required to contribute expertise to the cost-benefit analysis of the scenarios listed. However, we are concerned that this cost-benefit analysis not be limited to the costs of implementation, compliance and potential costs of penalties.

Recommendation:

25. The cost-benefit analysis should include an analysis of the costs of failing to introduce a strong enough standard, both in terms of environmental impacts and the increased costs of reducing emissions from other parts of the transport sector or the economy more broadly.

2.4 Single vs. Split Targets

Environment Victoria supports a single set of CO2 targets for all light vehicles. We are concerned that splitting of the targets for passenger vehicles and light trucks could create a perverse incentive for manufacturers to move vehicles intended for passenger use into the light truck category in order to escape stronger standards.

Recommendation:

26. A single set of CO2 targets should be set for all light vehicles including passenger vehicles and light trucks/vans.

2.5 Bonus Credits

Much discussion has focused on the potential for bonus credits for new technologies to be included in the standard. This would potentially encourage uptake of new, low emissions technologies that are currently unsupported by other mechanisms and could deliver significant emissions reductions in the Australian vehicle fleet over time.

While Environment Victoria is a strong advocate for many of these new technologies such as electric vehicles, we do not consider it appropriate to include bonus credits for these technologies through the standard. We are concerned that this is not necessarily going to be the best support mechanism for each technology, and that it may compromise the integrity of the targets.

Recommendation:

27. The target should be calculated on a performance-based standard, and should not include bonus credits for new low or zero-emissions technologies.

28. The federal government should instead support these new technologies, in particular electric vehicles, through targeted and specifically designed policy and investment.

2.6 Methodology for setting targets

Environment Victoria advocates the use of a foot-print based model for setting and assessing the standard rather than a mass based model or the development of any other Australia-specific model for the standard.
While there are inherent issues with both a mass and a footprint based model, the mass based model creates a perverse incentive that will work against the intention of the standard.

Recommendation:
29. Targets should be set on a ‘footprint’ basis.

2.7 Reporting of data

Environment Victoria doesn’t have any specific experience with data collection or reporting through any existing processes related to vehicles or the vehicle fleet. We therefore do not make any recommendations about the type or quantity of data required to assess compliance with the standards.

However, Environment Victoria does recommend that the data collected for the purposes of the standard should be made public annually. This public report will assist build confidence in the transparency and effectiveness of the standard.

Recommendation:
30. Data collected for the purpose of the standard should be made publically available on an annual basis.

2.8 Pooling, banking and trading

Environment Victoria supports in principle the allowing of pooling, banking or trading of emissions reductions within the standards as it may create flexibility and allow manufacturers to avoid unnecessary costs while still meeting the environmental objectives of the standard.

However, there are significant risks associated with the added complexity of banking and trading systems, which may also result in compromise to the scheme.

Recommendation:
31. Pooling, banking and trading should only be allowed if it does not introduce undue complexity or compromise into the scheme.

2.9 Enforcement of the standards

The enforcement mechanisms used to ensure compliance with the standards by manufactures must be strong enough to achieve the objectives of the standard, and flexible enough to be able to deal with the various types or causes of non-compliance that may occur.

Environment Victoria does not support excluding manufacturers from the market if they fail to meet their target as a penalty this harsh is likely to result in government changing the standard rather than enforcing the penalty.

On the other hand, a ‘name and shame’ approach is very likely to be too weak to encourage compliance.

Environment Victoria recommends including a wide range of enforcement mechanisms to allow the regulator to apply the mechanism most appropriate to the situation, depending on the level of non-compliance.
Recommendation:
32. The regulator should be given a range of options for dealing with non-compliance appropriate for a range of situations including; financial penalties, ‘name and shame’ powers, enforceable undertakings, injunctions, periodic audits, executive office liability and criminal offences.

For further information regarding this submission please contact Victoria McKenzie-McHarg, Safe Climate and Sustainable Transport Campaigner at Environment Victoria at victoria@envict.org.au or on 03 9341 8112.