



Allegra Spender MP

FEDERAL MEMBER FOR WENTWORTH

31st May, 2023

The Hon Chris Bowen MP, Minister for Climate Change and Energy
The Hon Catherine King MP, Minister for Infrastructure, Transport, Regional Development and Local Government
House of Representatives
Parliament House
Canberra, ACT, 2600

By email: [REDACTED], and
cleanercars@infrastructure.gov.au

RE: FUEL EFFICIENCY STANDARDS CONSULTATION.

Dear Minister Bowen and Minister King,

I am writing to you on behalf of my community in Wentworth regarding the government's consultation on the design of fuel efficiency standards for light vehicles. I have received a large number of constituent correspondents on this issue and there is a strong desire for ambitious action. I have long been an advocate for the introduction of strong, mandatory, fuel efficiency standards – and I am pleased that the government has finally committed to introducing them. This consultation will be critical to determining whether the new standards drive the climate and cost-of-living outcomes that we desperately need, and I implore you to seize the opportunity presented by the super-majority for strong climate action in this parliament.

As you are aware, an accelerated shift to more efficient vehicles is essential to reducing emissions, reducing the cost-of-living, and improving energy security. Transport accounts for almost one-fifth of Australia's carbon emissions, with most of this coming from road vehicles.¹ The average passenger vehicle in Australia is around 45% more emissions intensive than in Europe² – and given that new light vehicles tend to last 15 years, rapid decarbonisation by 2035 is essential if we are to reach net zero by 2050. Decarbonisation is also an energy security priority, because Australia imports over 90% of its liquid fuel from overseas.³ Combined with driving very inefficient vehicles, global price spikes in these imported fuels have pushed-up the cost of living significantly for Australian households. Transition to more efficient vehicles – including EVs powered by Australian sunshine – should therefore be an economic priority.

The following paragraphs outline three key characteristics that my community believe should be at the centre of the design of a mandatory fuel efficiency standards:

1. **Ensuring a standard of 0g CO₂/km is reached for all light vehicle types by 2035 at the latest** – in line with our 2050 net zero commitment.
2. **Ensuring Australian standards mirror the absolute emissions *targets* in comparable markets (e.g. EU, NZ), rather than comparable markets' *annual rate of reduction*** – in order to ensure that Australia is not locked into relatively less ambitious emissions targets.
3. **Avoiding, or at least minimising, the use of super credits, and excluding off-cycle credits entirely** – given that these undermine the transparency and effectiveness of the headline target.

¹ The Grattan Institute (2021). The Grattan Car Plan, page 3

² Department of Climate Change, Energy, the Environment and Water (2022). Transport – Light vehicles information page

³ Department of Climate Change, Energy, the Environment and Water (2019). Liquid Fuel Security Review, page 3



DETAILED COMMENTS ON THE DESIGN OF THE STANDARD.

Introducing a strong, mandatory, fuel efficiency standards is the most critical action that Australia can take to reduce household fuel bills, reduce transport emissions, and improve our energy security. Despite these imperatives, Australia has been left behind, and currently sits alongside Russia as the only country in the OECD without a fuel efficiency standard in place. As a result, international car manufacturers have sold older, more expensive, and higher emissions vehicles in Australia. Recent data shows that the average CO₂ intensity for new passenger vehicles in Australia was ~170g CO₂/km, compared to ~130g CO₂/km in the US and only ~120g CO₂/km in Europe.⁴ Correspondingly, in 2022, 70 electric models were delivered to Australia, just 14% of the 500 EV models available globally. In comparison, nearly 300 models were available in China, and 150 in the United Kingdom.⁵

It is therefore imperative that the new standard enables Australia to catch-up with the standards in place in comparable markets – and is consistent with our legislated net zero target. The International Energy Agency, Energy Transitions Commission, and many others are clear that 100% of new light vehicle sales must be zero emissions by 2035 at the very latest if we are to achieve net zero by 2050.⁶ The new standard must therefore be consistent with this target (i.e. reach 0g CO₂/km for all light vehicle types by 2035 at the latest) – something which 25% of the global car market have already committed to.⁷

Consistency with all new car sales being zero emissions by 2035 means the new standard must be far more ambitious than existing Federal Chamber of Automotive Industries (FCAI) voluntary standard. The FCAI's standard is wholly inadequate for the pace of transition required and the government should not be anchored to it. As shown on the following page, FCAI's target (blue) is unambitious relative to similar markets overseas (e.g. USA – Red; NZ – Black; EU – Purple) and insufficient relative to the path required for Australia to reach zero emissions for all new car sales by 2035 (green). The 2030 target under FCAI is similar to the EU's legally enforceable target for 2021, demonstrating how Australia is almost a decade behind.⁸ The voluntary nature of this standard, along with numerous carve-outs for those that participate, also mean that even the trajectory below is a best-case scenario that is unlikely to be achieved.⁹

Australia's standard should be at least as ambitious as a linear decline path to zero by 2035 (green line on the chart on the next page) and must be introduced as soon as practically possible (by FY 2024-25 at the latest). Whilst a 'slow start' decline rate may be politically attractive, this should be resisted because of the risk it creates of emissions targets being missed in later years. The government may also consider different patterns of decline rates for different categories of vehicle; however, what is imperative is that 0g CO₂/km is reached for all vehicle types by 2035 at the latest, and that measures are put in place to reduce the incentive for manufacturers and suppliers to shift to heavier vehicle categories.

The standard should be enshrined in legislation and must be mandatory (not voluntary). It should be accompanied by careful monitoring, including a shift to the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) and manufacturers reporting directly to the National Transport Commission, or an appropriate government department such as DCCEEW. Regular review periods (e.g. every 18-24 months) should be incorporated into the standard to enable the government, industry, and civil society to respond to changing circumstances if necessary.

⁴ The Australia Institute (2022). Fuelling efficiency, page 2 (2018 figures)

⁵ Electric Vehicle Council (2022). Australian EV Industry Recap 2022; International Energy Agency (2023) Global EV Outlook 2023

⁶ International Energy Agency (2022). Global Electric Vehicle outlook, page 55

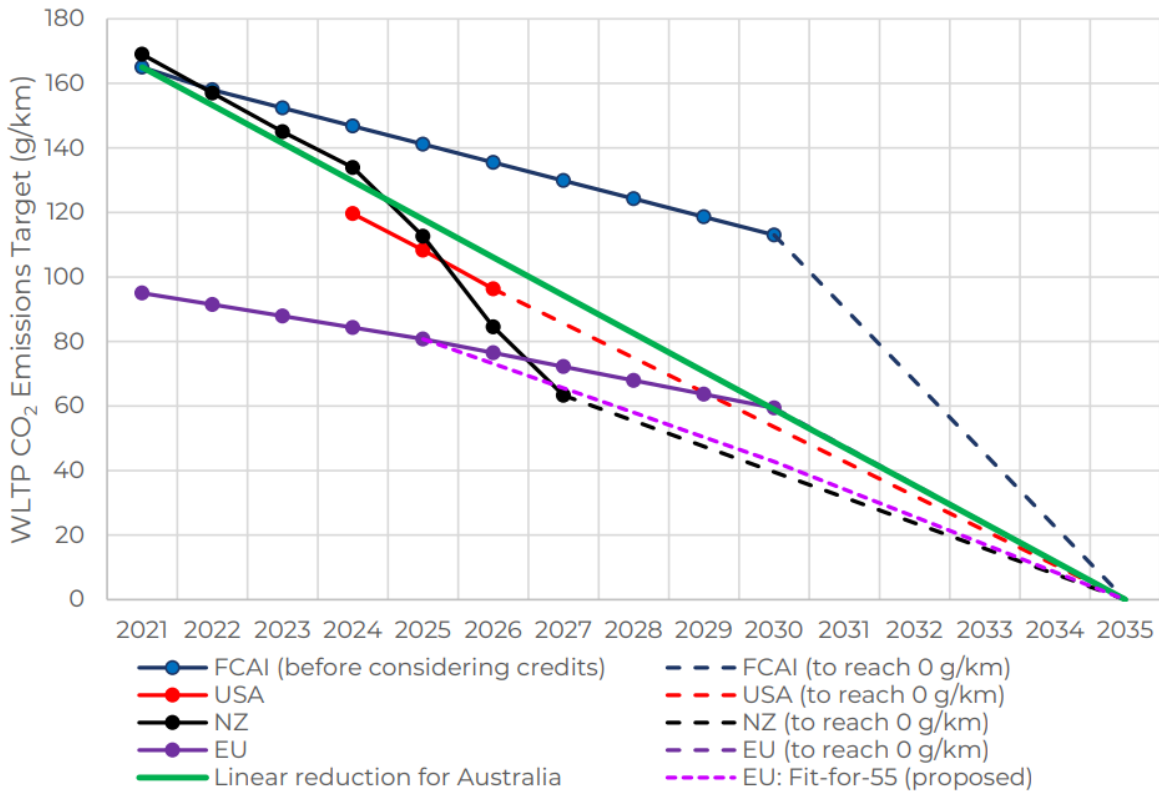
⁷ International Energy Agency (2022). Global Electric Vehicle outlook, page 55

⁸ The Australia Institute (2022). Fuelling efficiency, page 17

⁹ EV Council (2022). Securing affordable electric vehicles, page 7



Figure 1: Comparison of different fuel efficiency standards for light vehicles (cars / SUVs)¹⁰



MINIMISING SUPER CREDITS AND CLOSING LOOPHOLES.

Implementation of the standard is a significant but necessary policy change, and therefore it is important that flexibility is incorporated in the first few years to encourage decarbonisation at lowest cost. However, it is critical that any flexibility mechanisms have integrity and do not create the perception of decarbonisation without real action.

For example, manufacturers and suppliers who exceed their emissions targets could be awarded credits to trade with others for whom meeting the standard is more difficult. This would improve scheme efficiency, without compromising integrity.

However, if considered absolutely necessary, the use of so-called 'super credits' must be tightly restricted. For example, they must not be awarded to conventional hybrid vehicles (which cannot operate at zero-emissions for any significant distance). If super-credits are used for any mass-market vehicle, these vehicles must be zero emissions, and the super-credits must have a clear sunset clause (e.g. 2026-2028 or when EV penetration reaches a certain level, whichever is earlier). Any banking arrangements for super-credits must be strictly time-limited (e.g. 1-2 years).

Furthermore, so-called 'off-cycle credits' should be excluded altogether. If included, they would enable manufacturers to artificially meet standards for selling vehicles with certain features (e.g. solar reflective paint), which are largely unrelated to fuel efficiency.

¹⁰ EV Council (2022). Securing affordable electric vehicles, page 8



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CONCLUDING REMARKS.

Analysis over many years has consistently shown the significant economic and emissions reduction benefits of introducing strong, mandatory, fuel efficiency standards. A 2016 analysis by the Bureau of Infrastructure, Transport, and Regional Economics (BITRE) on behalf of the Ministerial Forum on Vehicle Emissions showed that introducing a standard of between 105g CO₂/km and 135g CO₂/km by 2025 would lead to a net economic benefit of \$5.8BN to \$13.9BN by 2040.¹¹ More recent work shows that if fuel efficiency standards had been introduced in 2016, Australian consumers and businesses would have saved \$5.9BN in fuel costs. Such a standard would have also prevented 9 million tonnes of CO₂ from being emitted, similar to a year's worth of emissions from domestic aviation.¹²

With Australia so far behind its global peers, implementing an ambitious standard now is also critical to sending a strong signal to global manufacturers that Australia is a viable mass-market for EVs. Providing such certainty to business is also critical to encourage investment in the (private) charging infrastructure needed to support increased EV uptake. If the government fails to act decisively now, there is the realistic prospect that Australia will be locked-out of a supply-constrained global EV market – and won't have the right infrastructure in place for those EVs that are sold to our country.

I urge you to act strongly and decisively on the areas detailed above. This consultation is the latest in a long line of federal government reports on this issue, and now is the time to get on with the job. Strong mandatory light vehicle fuel efficiency standards are essential to reducing fuel costs for consumers, reducing our emissions, and improving our energy security, and must be implemented as a priority.

Kind regards,

Signed electronically to avoid delay.

Allegra Spender MP
Independent Member for Wentworth

¹¹ BITRE (2016). Emissions discussion paper

¹² The Australia Institute (2022). Fuelling efficiency, page 19