

Transport and Infrastructure Net Zero Consultation Roadmap

Take the survey


Department of Climate Change, Energy, Environment and Water

Response received at:

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[REDACTED]
- 9 Who are you answering on behalf of?
Organisation
- 10 Organisation name
Federal Chamber of Automotive Industries
- 11 What best describes you or your organisation?
Industry
- 12 What sector do you represent?
Light road vehicles (cars, utes etc.)
- 13 What state or territory do you live in?
Australian Capital Territory
- 14 Postcode
2604
- 15 What area best describes where you live?
City
- 16 1. Do you support the proposed guiding principles?
Not answered
- 17 1.1 Please add details to your response.
Not answered
- 18 2. Do you support the use of the avoid-shift-improve framework as a tool to identify opportunities for abatement?
Not answered

- 19** 2.1 Please add details to your response.
Not answered
- 20** 3. Do you agree the development of a national policy framework for active and public transport will support emissions reduction?
Not answered
- 21** 3.1 Please add details to your response.
Not answered
- 22** 4. What should be included in a national policy framework for active and public transport and how should it be developed?
Not answered
- 23** 5. What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to ensure the movement of people contributes to transport emissions reduction?
Not answered
- 24** 6.1 What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to ensure that the movement of goods contributes to transport emissions reduction?
Not answered
- 25** 6.2. How would these actions address the identified challenges and opportunities for emissions reduction in the movement of goods?
Not answered
- 26** 7. Do you agree with the proposed net zero pathway for light road vehicles?
Not answered

- 27 7.1 Please add details to your response.
Not answered
- 28 8. The Australian Government is currently developing an Australian New Vehicle Efficiency Standard and has already begun to implement actions in the National Electric Vehicle Strategy.8.1 What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to reduce light vehicle emissions?
Not answered
- 29 8.2 How would these actions address the identified challenges and opportunities to reduce light vehicle emissions?
Not answered
- 30 9. Do you agree with the proposed net zero pathway for heavy road vehicles?
Not answered
- 31 9.1 Please add details to your response
Not answered
- 32 10. The proposed pathway for heavy road vehicles relies on a mix of battery electric, hydrogen fuel-cell and low carbon liquid fuels.Rank from 1 to 3, the order in which these should be prioritised for emissions reduction.
Not answered
- 33 10.1 Please add details to your response. Why did you rank them in that order?
Not answered
- 34 11. What role should low carbon liquid fuels play in the heavy vehicle

decarbonisation?

Not answered

35 12. What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to reduce heavy vehicle emissions?

Not answered

36 13. Do you agree with the proposed net zero pathway for rail?

Not answered

37 13.1 Please add details to your response.

Not answered

38 14. The proposed pathway for rail relies on a mix of battery electric, hydrogen fuel-cell and low carbon liquid fuels. Rank from 1 to 3, the order in which these should be prioritised for emissions reduction.

Not answered

39 14.1 Please add details to your response. Why did you rank them in that order?

Not answered

40 15. What role should low carbon liquid fuels play in rail decarbonisation?

Not answered

41 16. What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to reduce rail emissions?

Not answered

42 16.1 How would these actions address the identified challenges and

opportunities to reduce rail emissions?

Not answered

43 17. Do you agree with the proposed net zero pathway for maritime?

Not answered

44 17.1 Please add details to your response.

Not answered

45 18. The Australian Government is engaging in consultation as part of the development of the Maritime Emissions Reduction National Action Plan and those consultations will also inform the final Roadmap and Action Plan. 18.1 What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to reduce maritime emissions?

Not answered

46 18.2 How would these actions address the identified challenges and opportunities to reduce maritime emissions?

Not answered

47 19. Do you agree with the proposed net zero pathway for aviation?

Not answered

48 19.1 Please add details to your response.

Not answered

49 20. The Australian Government has already engaged in consultation on aviation decarbonisation through the development of the Aviation White Paper and those consultations will also inform final Roadmap and Action Plan.

Not answered

- 50 20.1 What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to reduce aviation emissions?
Not answered
- 51 21. Do you agree with the proposed net zero pathway for transport infrastructure?
Not answered
- 52 21.1 Please add details to your response.
Not answered
- 53 22. What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to reduce transport infrastructure emissions and ensure that transport infrastructure is ready for and enables low-emission transport modes?
Not answered
- 54 22.1 How would these actions address the identified challenges and opportunities to reduce transport infrastructure emissions?
Not answered
- 55 23. What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to ensure the energy mix is ready to support transport emissions reduction?
Not answered
- 56 24. How should the use of low carbon liquid fuels (LCLFs) be prioritised across different transport modes over time to achieve maximum abatement?
Not answered

- 57 25. What are the best ways for the Australian Government to work collaboratively with industry, business, governments and communities to implement the proposed pathways?
Not answered
- 58 25.1 What are good domestic or international examples of partnership and collaboration on transport and transport infrastructure emissions reduction that could inform the final Roadmap and Action Plan?
Not answered
- 59 25.2 What opportunities can Government leverage to show leadership in Australia and internationally?
Not answered
- 60 26. What measures and metrics should be used to evaluate the final Transport and Infrastructure Net Zero Roadmap and Action Plan?
Not answered
- 61 26.1 What other data and evidence could governments use and how could this offer further insights on the pace, scale and location of transport emissions reduction pathways?
Not answered
- 62 27. Do you have any feedback on the proposed review process?
Not answered
- 63 28. Do you have any further feedback on the Consultation Roadmap and proposed pathways?
Not answered
- 64 28.1 Is there anything missing? Are the sections appropriately integrated? Is the Roadmap appropriately ambitious?
Not answered

65 29. Is there any further information or documentation that you wish to be considered with your submission?

Not answered

66 Would you like to upload a document?

Yes

67 Have you removed any identifying information from your submission?

Yes

68 Upload a submission

264 Redacted 240806.FCAI_Submission_Roadmap_to_Net_Zero.ecbbe0dc.pdf

69 Upload a submission

Not answered

70 Upload supporting file

Not answered

71 Upload supporting file

Not answered



**FEDERAL
CHAMBER OF
AUTOMOTIVE
INDUSTRIES**

FCAI submission in response to:

Transport and Infrastructure Net Zero Consultation Roadmap

06 AUGUST 2024

FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES
Level 1, 59 Wentworth Avenue
KINGSTON ACT 2604





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1. INTRODUCTION

As the Australian, and global, economy journeys towards Net Zero, the importance of thorough debate and consultation across sectors cannot be understated.

The Federal Chamber of Automotive Industries (FCAI) welcomes the opportunity to provide this submission on the Transport and Infrastructure Net Zero Consultation Roadmap (Consultation Paper).

The FCAI is the peak Australian industry organisation representing over 60 global automotive brands who design, manufacture, import, distribute and sell light duty passenger vehicles, light commercial vehicles, and motorcycles in Australia across more than 380 models supported by almost 4,000 dealers. Our members are listed on our [website](#).

We bring together our members to consider changes to our operating environment, develop industry-wide positions or perspectives, and drive collective initiatives for the benefits of members, consumers and the broader industry.

Australia is steadily on the pathway towards decarbonisation of the light duty transport sector with government policy and consumer purchase patterns seeing the adoption of zero and low emission vehicles grow exponentially in recent years from a relatively modest starting point.

As an industry we are committed to decarbonising the light duty transport sector and the liquid fuels that enable internal combustion engine powered vehicles to remain a part of the fleet into the future.

Over the past decade we have seen the growth in technologies such as Hybrid EV's (HEV), Plug-In Hybrid EV's (PHEV), Battery EV's (BEV) and Fuel Cell EV's (FCEV) increase from 1.17 per cent of new vehicles sold in 2014 to 18.57 per cent of all new vehicles in 2023¹.

With future policies, such as the New Vehicle Efficiency Standard (NVES) due to come into effect in 2025, this growth is continuing to accelerate in advance of policy, with zero and low emissions vehicles accounting for 24.88 per cent of new vehicles sold year-to-date in 2024² (to end June). Of this BEV's specifically accounted for 7.9% of new vehicles sold year-to-date.

However, we recognise that while the pace of change is accelerating, Australia is still a market with a large car parc of more than 21 million registered vehicles³ which will take time to transition.

The transition will also occur at different paces within market segments as advancements in technology across electrification, battery chemistry and other powertrains continues.

As an example, in the medium passenger segment we see a high rate of EV sales, at 48.51 per cent, however as a segment medium passenger only makes up 5.3 per cent of new

vehicles sold. In contrast, the Light Commercial segment has an EV penetration of 0.01 per cent but makes up 19.3 per cent of new vehicles sold⁴.

Segment	EV segment share	Segment Share of Total Market
Passenger - Medium	48.51%	5.3%
SUV - Small	7.29%	14.64%
SUV - Medium	12.95%	22.5%
SUV - Large	3.17%	11.9%
Light Commercial – (4x2 & 4x4)	0.01%	19.3%
EVs as % of Total Sales	7.9%	

The growth in EV sales across certain segments, such as medium passenger, is occurring at a more rapid pace where electrified options are more widely available, compared with the Light Commercial segments where electrified technologies are still emerging to meet the high capability and different performance attributes consumers demand of these types of vehicles.

It is important that due consideration is taken in addressing the challenge as a whole, rather than focusing on singular policy initiatives in isolation without considering the broader inputs and implications from other elements of the economy.

2. RECOMMENDATIONS

- 2.1 Acknowledge the complexity of decarbonising the light duty fleet, and the need for diverse technology pathways to reduce emissions across segments, particularly light commercial vehicles.
- 2.2 Explore policy, taxation and incentive programs to support the transition of the light duty fleet toward Electrified Vehicles.
- 2.3 Develop an appropriate, and fair, Road User Charge scheme to replace Fuel Excise.
- 2.4 Support the robust development of a Low Carbon Liquid Fuel sector to reduce economy wide emissions.

3. FEEDBACK

3.1 Opportunity for Light Duty Transport

In principle, we agree with the view put forward within the Consultation Paper that electrification will be an important technology solution supporting decarbonisation across the light duty fleet.

To this end, the uptake of various sources of electric vehicles has already begun to increase significantly in recent years in advance of Government policy, and expectations are that this trend will continue across the full suite of electrified technologies.

However, the transition will take time given the size and complexity of the existing car parc and, while segments of the vehicle market currently have a large availability of electrified options, there remain challenges particularly in the heavier segments such as large SUV and light commercial vehicles which will take longer given the use case of vehicles and consumers needs for off-road capability, towing/payload capacity and range.

This transition, which will be underpinned by further improvements in technology and battery composition, should ensure that there remains a selection of solutions to enable the decarbonisation of the transport fleet.

Within the electrified segment of the light duty fleet, policies will need to focus on the affordability of vehicles, availability of public charging infrastructure, robust nature of the grid which supports it, and broader revenue solutions to ensure that consumers have confidence in transiting while maintaining a robust sector.

For segments of the light duty fleet which will be harder to decarbonise at a cost which is acceptable to consumers, there should remain a focus on looking at other solutions and how alternative energy sources, such as low carbon liquid fuels, can play a role in reducing economy wide emissions from the broader transport sector.

3.2 New Vehicle Efficiency Standard

As an industry which has long advocated for a fuel efficiency standard in Australia, the FCAI welcomes the certainty which the Government has brought through the introduction of the New Vehicle Efficiency Standard (NVES).

The NVES presents challenges for the sector, however we recognise the certainty provided allows the automotive sector to have the capacity to plan with a degree of confidence for future years.

We recommend that the Government, supported by their Departments, need to increase the focus and resource on the development of supporting systems, rules, regulations, and complementary policy to ensure that there is appropriate time for industry to understand and implement changes which are required to be able to capture the opportunity which comes through the NVES.

It is important to note that the NVES operates as a supply side mechanism for the automotive sector, providing the direction on the options, where they exist for brands to choose regarding product selection and other compliance pathways, however industry will still be beholden to consumer preferences.

This necessitates a more robust focus on demand side mechanisms, or incentives, which are recommended in the next section.

3.3 Demand Side Mechanisms

As identified within the Consultation Paper, while there is an increase in the availability of affordable electric vehicles in Australia, and market forecasts suggest this should increase both in terms of brands and models available, there remains higher upfront access costs for consumers across some segments of the market, particularly in SUV's and larger vehicles such as light commercials.

These cost differences may change with time as technology continues to advance, and with potential changes in input costs impact prices, however we are of the opinion that there are several demand side mechanisms which the Government could explore to reduce either the upfront, or ongoing costs associated with purchasing a low/no emission vehicle.

These include:

- **Extending the Fringe Benefits Tax (FBT) exemption for PHEV's**

Currently the FBT exemption for PHEV's is due to sunset from the 1st of April 2025. Given the role which PHEV's can play as a transition technology for consumers we would recommend to the Government that it extend the FBT exemption sunset to align with BEV's.

Since the FBT exemption first came into place we have seen the supply of PHEV's increase by almost 300% across fleets and novated leases, with 2024 on track to present another record year for PHEV sales.

PHEV's can support the overall reduction in transport related emissions, both through operations in pure electric mode, as well as hybrid operations, and provide consumers with a mechanism to improve awareness, understanding and confidence in EV technology while alleviating range concern.

During this pivotal time, we recommend that Government should not be looking to remove incentives on Zero and Low Emission Vehicles, but rather encouraging their sales to support the overall objectives to reduce economy wide emissions and to enable consumers to become more familiar with and confident in electrified technologies as an option to internal combustion engine technology.

- **Scrapping Luxury Car Tax**

The Luxury Car Tax remains policy created when there was a local manufacturing industry based in Australia.

Given the relative prices of many Electric Vehicles and the antiquated nature of the tax we would recommend that the Government remove the Luxury Car Tax in its entirety to improve the affordability of technology to consumers particularly as it relates to safety and environmental performance.

- **Resetting the instant asset write off scheme threshold at \$50,000 for electrified vehicles**

Previous iterations of the instant asset write off scheme have been critical to supporting small and medium enterprises in Australia to turnover their fleets improving access to both safer and more efficient vehicles.

Given the focus on access to affordable technology, we would recommend that the Government explore increasing the scheme threshold, to \$50,000 at a minimum, to support business decisions to access electrified vehicles.

Targeted schemes, such as these, can help to incentivise both private and fleet purchasers to select low, and no emission vehicles as their next vehicle.

More importantly though, over time it will support the availability and development of a second-hand market in Australia which is critical given the size of our car parc, and the time in which it will take to turnover the fleet.

3.4 Infrastructure

The continued investment in public charging infrastructure to support the uptake of electric vehicles is a pivotal requirement going forward to ensure consumer confidence, particularly in regions and to consumers with limited, or no, off street parking options.

As market penetration grows there will be a continual need for renewed development in public and private charging infrastructure to ensure that consumers are still able to access the same quality of service, and supply, when required.

International experience indicates that a majority of charging will occur at the home, which is an attractive proposition for Australian consumers given the availability of off-street parking and high penetration of rooftop solar investment.

Revised building codes across the country that support the installation of recharging infrastructure in new builds is a positive step. However, issues are emerging regarding the supply of infrastructure to existing high density dwellings such as apartments and body corporates concerns over battery fires, even if the risk of occurrence is extremely low.

At times this can exacerbated through cost of insurance as well while the industry grapples with the rate at which developments occur, and the limited historic data on which to base decisions for insurance premiums.

It will be public charging infrastructure in metropolitan and regional/remote areas which requires critical investment and coordination from both Government and other participants to continue to provide the public with confidence to embrace the new technology.

Market assessments on the quantum vary, however a recent Deloitte assessment suggested that by 2033 there would need to be a minimum of 31,500 public chargers available to support the national fleet⁵.

Given the large-scale investment which will be required from both existing, and new infrastructure providers we recommend that the Federal Government should play a greater role in the identification, and coordination, of charging priorities to ensure the efficient allocation of capital towards infrastructure.

This would need to be focussed towards not only the physical charging equipment role out, but also through the distribution and generation assets, given the large amount which will be required in coming decades.

3.5 Road User Charge

As acknowledged within the Consultation Paper the Federal Government has announced that they are currently working with the States and Territories on long term options for road user charging reforms in Australia.

Revenue generation for the utilisation of roads has historically been linked to energy consumption, in the form of fuel excise, which has been applied to all road users captured through the price of fuel.

Fuel excise, currently set at 50.6 cents per litre, is levied on importers and distributors of petroleum products and then passed through to the price which consumers pay at the pump. While a comparatively simple scheme, it typically raises more than \$23.1 billion in gross revenue per annum for the Federal Government in 2023-24⁶. As an aside, this revenue is not entirely hypothecated to transportation or recharging infrastructure expenditure.

However, fuel excise as a means of collecting revenue will decrease in coming decades as the number of EVs on the road grows, which will leave a gap in Government budgets.

The FCAI is firmly of the view that there needs to be consideration given to the development of a scheme which could replace fuel excise, providing a technology agnostic approach to road charging.

The FCAI supports the development of a Road User Charge (RUC) to capture light vehicle operations in Australia provided it aligned with several basic design elements:

- **It is technology agnostic, applying to all light vehicles** - Any new scheme should not favour or penalise particular technologies or energy sources to further distort free market operations. It should be fair and equitable to acknowledge the fact that all Australians utilise roads in their day-to-day life, and the transition towards EVs will take time.
- **It should be based on distance travelled** - Over time there could be opportunities to explore the role of vehicle mass, location of travel and time of travel as has been done in other markets as a congestion charge, but in the first instance it should concentrate on distance travelled with potential concessions for longer distances travelled.

- **Operations should be simple** - Technology is advancing rapidly, but we acknowledge that the Australian fleet is a broad range of technologies from Heritage Vehicles through to modern EVs. This should be incorporated to ensure that regulatory burden is not too high to consumers.
- **It should replace fuel excise** - Linked to our first design element, any RUC should replace fuel excise, and ideally other vehicle and licence related fees for efficiency. It is integral with the development of any new program like this to ensure that it is not targeting a particular segment of the population or technology source.

While the design of a RUC should be technology agnostic, we also recognise that the design, implementation and future allocation of revenue will be a highly contentious debate linked towards the transition to low, and no, emission vehicles.

For this reason, it is critical that the design work continues now, and is incorporated within the Road Map to ensure it has appropriate focus and support across industry, government and consumers.

3.6 Low Carbon Liquid Fuels

The FCAI has recently made a submission in response to A Future Made in Australia: Unlocking Australia's low carbon liquid fuel opportunity, a version of which is made available through our website⁷.

Given the diversity of the Australian fleet, both new and existing, Low Carbon Liquid Fuel (LCLF) solutions can play a role in reducing economy wide emissions, benefiting the existing car parc.

This is acknowledged within the Consultation Paper, and it is our opinion that policy can be designed effectively to ensure that it can benefit harder to abate uses, such as Aviation and Heavy Transport, as well as the light duty fleet.

As the designers, manufacturers and suppliers of technologies which would potentially be consumers of LCLF, we support the objectives of seeking to develop policies regarding LCLF which deliver emission reduction across the economy.

It is our view that to maximise the opportunity to the economy, Government Policy should seek to abide by several key principles.

- **Maximise the manufacture, and availability, of LCLF products to best facilitate economy wide emission reductions in all transport sectors.**

We recognise that electrification is broadly seen as the most efficient pathway for decarbonisation across a number of segments of the light duty transport fleet, however there will remain strong demand for petroleum-based products, and sustainable alternatives, as the transition occurs

There are currently more than 21 million registered vehicles in Australia, with some segments easier to transition towards electrification than others in the current market.

Policy should seek to maximise production opportunities to allow for the broad adoption and utilisation of LCLF across the entire transport fleet benefiting both hard to abate sectors as well as the light duty transport fleet.

This should include providing long term certainty across policy decisions to facilitate actions across industries.

- **Comply with Australian Fuel Quality Standards to support operations within existing heavy and light duty fleets.**

Ensuring compliance with existing Fuel Quality Standards will provide for maximised potential benefits across existing fleet and support future supply and advancements in internal combustion engine technology.

- **Future design of demand side mechanisms, be they mandates or incentives, should recognise the opportunity for LCLF to support existing car parc.**

Currently the NVES establishes a framework for reducing emissions across the light duty transport fleet.

While electrification is seen as the predominant technology solution in this space, LCLF can have a role to play in certain segments, such as light commercial vehicles.

The interaction between policy related to the production and supply of LCLF and the NVES should be considered given the size of the current car parc, time it will take to transition, and the ongoing economy wide benefit in emissions reduction which could be realised in coming years from LCLF.

While the development of policy to support demand, and the broader LCLF industry, is still in its early stages future consideration should be given to how economy wide emission reduction can be assessed across schemes to support the Governments objectives.

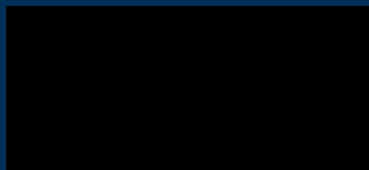
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