



March 9, 2017

Vehicle Emissions Working Group
Department of Infrastructure and Regional Development
GPO Box 594
CANBERRA ACT 2601

Via email: vemissions@infrastructure.gov.au

Subject: GFEI Comments on the draft Regulation Impact Statement on improving the efficiency of new light vehicles

To Whom It May Concern:

The Global Fuel Economy Initiative (GFEI) appreciates the opportunity to provide comments on “Improving the efficiency of new light vehicles” draft Regulation Impact Statement (RIS). We strongly support the Department of Infrastructure and Regional Development’s proposal of establishing Australia’s first light vehicle CO₂ standards. The proposal has the potential to turn Australia into one of the global leaders in reducing CO₂ emissions from light-duty vehicle fleet.

GFEI is a partnership of the International Energy Agency (IEA), United Nations Environment Programme (UNEP), International Transport Forum of the OECD (ITF), International Council on Clean Transportation (ICCT), Institute for Transportation Studies at UC Davis, and the FIA Foundation. GFEI exists to assist governments and transport stakeholders promote greater fuel economy. We work in countries and also in global policy processes. Our three core activities are: 1) Data and research analysis of fuel economy potentials by country and region; 2) In-country capacity-building support for national and regional policy-making efforts; 3) Outreach and awareness campaigns raising to stakeholders.

GFEI’s support for the RIS is based on the following four reasons:

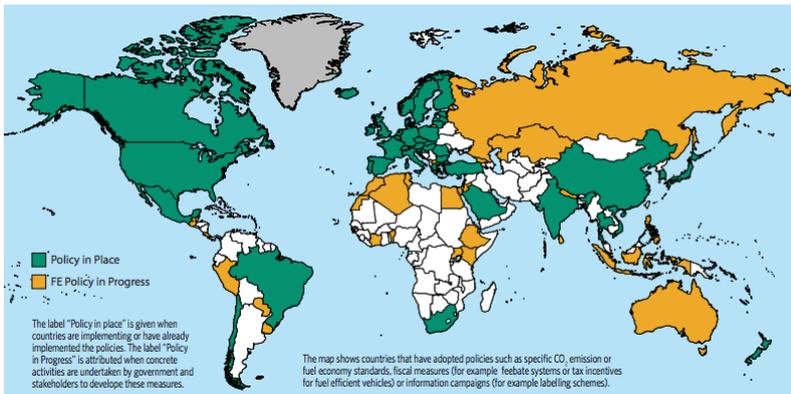
1. Adopting mandatory CO₂ emissions standards meets Australia’s urgent need to reduce vehicle CO₂ emissions

As one of the major vehicle markets in the world, a member of the Group of Twenty (G20), and a signatory to the Paris Agreement on climate change, Australia needs to step up its efforts to reduce vehicular CO₂ emissions.

Australia is a major vehicle market. In 2015, Australia was the 11th biggest vehicle market around the world and 97% of the new vehicles sold there were light-duty vehicles. Of the top

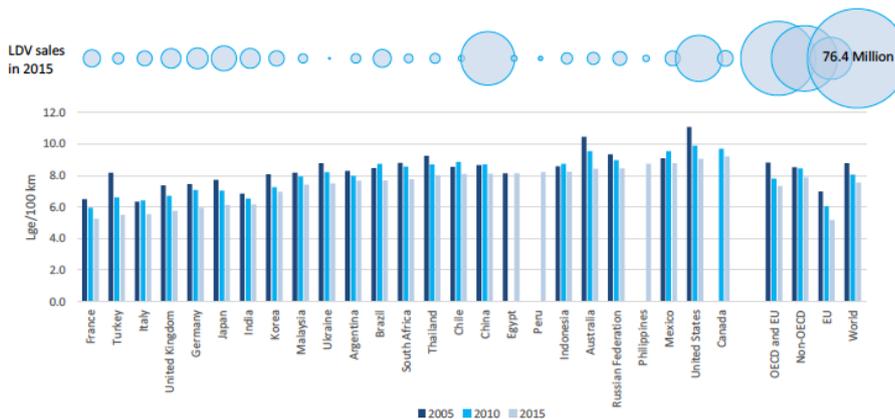


10 vehicle markets¹, only Russia (9th) has not yet adopted a mandatory fuel efficiency/CO₂ emission standard for light-duty vehicles (LDVs) or passenger cars. The CO₂ emissions standards in the draft RIS will mark the first time that Australia puts a mandatory fuel efficiency-related emission policy in place, and joins the ranks of other major vehicle markets.



Source: GFEI. (2016). Fuel economy state of the world 2016- Time for global action. Available at <https://www.globalfuelconomy.org/media/203446/gfei-state-of-the-world-report-2016.pdf>

Australia is an important global economic player. Australia is a member state of Organisation for Economic Co-operation and Development (OECD) and G20. The OECD economies have traditionally improved the fuel efficiency of their light vehicles at a greater rate on average than non-OECD economies (GFEI, 2016). Australia’s new light-duty vehicle fleet is currently less efficient on average than most G20 economies. The proposed standards will help Australia to keep up with the light-duty vehicle fuel efficiency progress in other OECD and G20 countries.



Source: IEA. (2017). International comparison of light-duty vehicle fuel economy. Ten years of fuel economy benchmarking.

¹ The top 10 vehicle markets in 2015 were: China, U.S., EU, Japan, India, Brazil, Canada, South Korea, Russia, and Mexico.

Australia has a global commitment to reduce CO₂ emissions. As part of a global response to climate change, the Australian Government has committed, after ratifying the Paris Agreement, to reduce greenhouse gas emissions by 26-28% from 2005 to 2030. The proposed vehicle efficiency target can help Australia meet its global commitment and contribute to the global reduction of CO₂ emissions.

2. The proposed Target A makes Australia one of the leaders in meeting GFEI's 50by50 goal of achieving 50% fuel consumption reduction of new LDVs in 2030, compared to a 2005 baseline

GFEI aims to achieve a 50% fuel consumption reduction from all in use LDVs globally in 2050, compared to a 2005 baseline. This includes a 50% reduction in the average fuel consumption (gasoline equivalent l/100km) of new light duty vehicles sold by 2030. Because the historical global fuel consumption reduction rate since 2005 is significantly lower than the annual rate of improvement required to meet the 2030 GFEI target, stronger action taken at the individual country level is especially important. Historically, the fuel consumption improvement of OECD countries is more than two times faster than non-OECD countries on average.

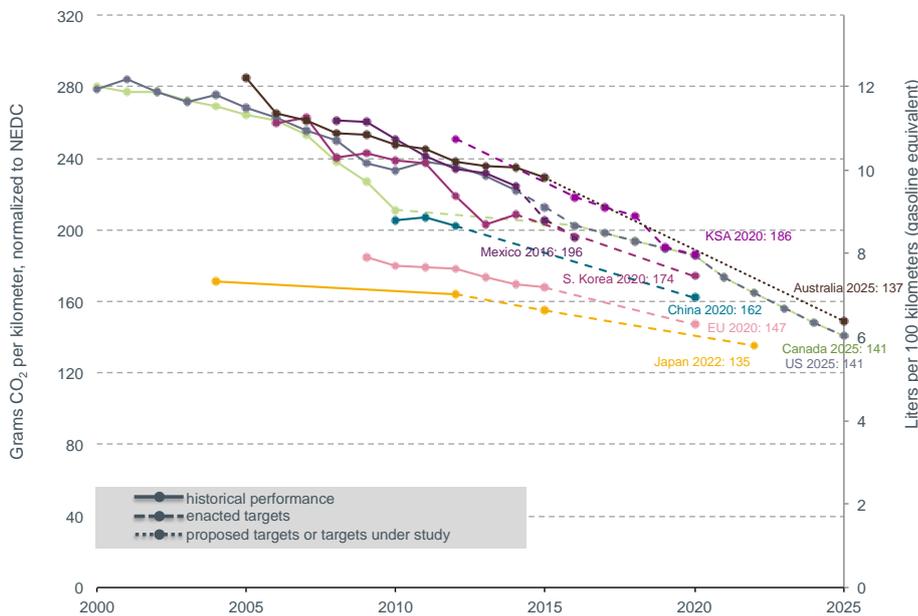
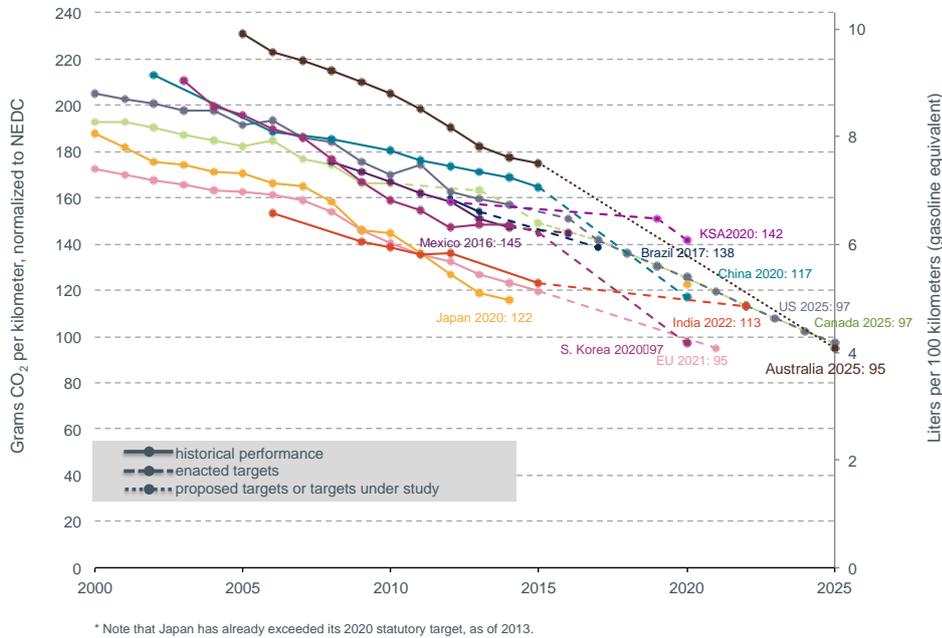
The fuel consumption of Australia's LDV fleet was 10.3 l/100km (gasoline equivalent) in 2005. The draft RIS proposes three targets by 2025, implementing Target A of 105 g CO₂/km (4.5 l/100km) will achieve 56% fuel consumption reduction of new LDVs by 2025 and more by 2030 if the technology and standards continue to improve at a similar pace beyond 2025. By adopting Target A, Australia will rightfully join other OECD partners in an effort to lead the world in reducing vehicle fuel consumption, and emerge as a leader in achieving 50% fuel consumption reduction of new light duty vehicles sold by 2030.

3. Target A in the draft regulation impact statement will bring Australia's LDV CO₂ emission performance on par with other leading regions

In terms of the absolute LDV CO₂ emission level, a 2025 target of 95 g/km for passenger cars and SUVs would align Australia with both the EU 2021 target and the US 2025 target. The 2025 target of 149 g/km for light trucks falls slightly behind the EU 2021 and US 2025 targets. Nevertheless, with an annual reduction rate of 5.9% for passenger cars and SUVs, and 4.2% for light trucks under Target A, Australia can become one of the leaders in reducing CO₂ emissions from LDV fleet.

The standard, if finalized in 2017, provides sufficient lead-time to get the market ready for a phase-in from 2020. A minimum lead-time of one to two years is a common global practice, as demonstrated by standards in the U.S., China, Korea, India, and Saudi Arabia. The European Union's experience with 2015 light vehicle CO₂ standards implementation shows

that the manufacturers tend to react to the plausible mandatory standards even during the development of the standards.



Source: ICCT. (2017). Global passenger vehicle standards. <http://www.theicct.org/info-tools/global-passenger-vehicle-standards>

4. The proposed CO₂ emission standards are cost-effective

The draft regulation impact statement shows that the implementation of the strictest CO₂ emission standards in the proposal is cost-effective at a benefit-cost ratio of 1.86. We estimate that the predicted technology cost per vehicle is 1.2 to 1.75 times of the costs estimated by the U.S. EPA. Lightweight technology, if employed, will further reduce technology cost necessary to meet the standards. Given that even the US EPA's study did not take account of all available technology development, it is likely that the actual benefit-cost ratio of the proposed CO₂ emission standards will be much higher.

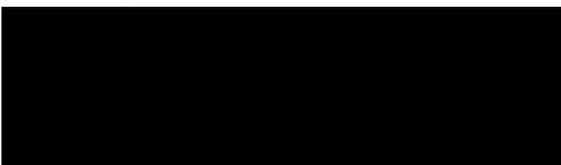
From the point of view of consumers, the fuel savings resulting from the purchase of fuel-efficient vehicles will more than offset the higher initial vehicle cost, and deliver long-term savings. The U.S. 2025 LDV fuel economy standards as well as EU 2021 light vehicle CO₂ standards show that fuel savings will offset the higher vehicle cost in less than three years, and fuel savings will continue for as long as the consumer owns the vehicle.

To summarize, a mandatory CO₂ emission/fuel economy standard is an effective policy that directly encourages manufacturers to produce a more efficient fleet. Proposed target A in the RIS gives Australia a chance to become one of the world leaders in reducing CO₂ emissions from its light-duty vehicle fleet. GFEI strongly supports Australia undertaking mandatory LDV CO₂ emissions.

In addition, we commend the "Vehicle emissions standards for cleaner air" draft RIS put in place by the Department of Infrastructure and Regional Development. We emphasize the importance of controlling noxious tailpipe emissions from vehicles, especially when a significant portion of Australia's LDV fleet burns diesel. Implementing tighter CO₂ emission standards and tailpipe emission standards together incentivizes manufacturers to put technologies on their vehicles that simultaneously achieve improvements in both types of emissions.

Thank you again for the opportunity to provide comments on this draft RIS. We would be glad to clarify or elaborate on any of the points made in the comments above, and willing to support adoption and implementation of light-vehicle CO₂ standards in Australia.

Best regards,



Sheila Watson, GFEI Executive Secretary



On behalf of:

GFEI partners

International Energy Agency (IEA)

United Nations Environment Programme (UNEP)

International Transport Forum of the OECD (ITF)

International Council on Clean Transportation (ICCT)

Institute for Transportation Studies at UC Davis

FIA Foundation

