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Submission to Regulation Impact Statement: Improving the efficiency of new light vehicles

Nissan Motor Co. (Australia) Pty. Ltd. has, as a member of the Federal Chamber of Automotive Industries (FCAI), contributed to the development of the *FCAI Response to Improving the efficiency of new light vehicles Draft Regulatory Impact Statement*. Nissan supports the key points and positions included in the FCAI response, including:

- The widespread availability of EN standard fuels is a key enabler for globally consistent vehicle emissions standards and proposed Australian CO2 targets. As such, Australian fuel standards and availability must be first defined before CO2 targets can be properly contemplated.
- Support a mandated 2030 sales weighted & mass-based CO2 target, with separate targets for MA and MC/NA category vehicles
- CO2 standard to commence in 2020 with starting target(s) to be determined from 2015 through to 2020.
- Then an accelerated annual rate of reduction of 3.5% from 2022 through to 2030.
    - The 3.5% annual reduction from 2022 to 2030 will need to be accompanied by a wide range of complementary measures (credits, financial and non-financial incentives, etc) which are included in the CO2 standards of overseas markets to encourage the purchase of low emission vehicles
- If an extensive package of complementary measures are not incorporated in the CO2 target legislation, then 1.6% annual reduction from 2022 to 2030 is all that is achievable
- A 2022 start date for changed annual reduction in CO2 is required for two reasons:
    - Based on CO2 legislation being announced in 2017, OEMs require 5 years lead-time to influence product being released in the Australian market
    - 2022 is also an appropriate start time for two other key pieces of legislation being considered by the Ministerial Forum into Vehicle Emissions – widespread availability of Improved Fuel Standards (EN Standard Fuels, 95RON, 10ppm sulphur, etc) *and* introduction of Euro6 for new vehicles

Nissan: global leader in zero-emissions electric vehicles

Nissan is the global leader in zero-emissions vehicles. As part of the Renault-Nissan Alliance, the world's fourth-largest automotive manufacturer, Nissan has sold more than 250,000 of its LEAF electric vehicle (EV), the world's first mass-produced electric car that is also the best-selling EV in history.

Nissan: *Intelligent Mobility*

Nissan's achievements with zero-emissions vehicles occur under its *Intelligent Mobility* program, which has two important goals: zero-fatality driving and zero-emissions driving, the latter first achieved with the market release of the Nissan LEAF electric car in 2010.

Reducing CO2 and encouraging consumers to purchase low and zero-emission vehicles

The success of the Nissan LEAF electric car in regions such as North America, Europe, Japan and China is underpinned by the same two factors driving the wider consumer uptake of EVs overseas:

- Government-led purchase incentives for new-car consumers to select an electric car, and;
- Wide-spread publicly available electric vehicle recharging infrastructure, with full or partial funding from US or EU governments

The local introduction of these two essential factors is certain to increase Australian consumer uptake of zero-emissions electric vehicles in a manner similar to the countries mentioned.

Nissan Australia encourages the Government to incorporate supply-side initiatives into any legislated CO2 standard that are included in the CO2 standards of overseas markets such as the USA, Europe, Japan and China. These Government-led initiatives encourage manufacturers to bring the latest-technology low emission vehicles to the Australian market, as the technologies they often contain typically have high market introduction costs.

Examples of supply-side initiatives in overseas-market CO2 standards include credits for eco-innovations/off-cycle technologies and A/C gas with low global warming potential, super credits for vehicles with extremely low exhaust emissions (below 50g/km), pooling, banking, trading and others.

In the period of 2020-2030 where mandatory CO2 standards are legislated in Australia, Australian consumers will expect to continue to be able enjoy the wide range of vehicles currently available in today's market. Specifically Automatic transmissions (AT, CVT, etc) and the need for high towing capacities.

An example of this is the Nissan Pathfinder, two powertrains are offered: 3.5l V6 and 2.5l 4cyl Hybrid. Whilst the hybrid has a lower CO2 value (203g/km vs. 240g/km) it has a lower towing capacity (1650kg vs. 2700kg).

If we (Nissan) were to only offer the Hybrid due to stringent CO2 standards, there would be a reduction in consumer choice due to lower towing capacity. An effective way of encouraging consumers to choose lower CO2 vehicles, and in some cases their reduced capability, is to incorporate financial and non-financial incentives for purchasing such vehicles.

Zero-emissions vehicles are, of course, the ultimate solution for the reduction of exhaust-related CO2 emissions from Australia's light-vehicle fleet. En-route to this goal, encouraging Australian consumers to adopt new vehicles with lower CO2 emissions is important.

Incentivised encouragement needs to demonstrate a real-world benefit of low emission vehicles to Australian Consumers to drive their purchase decisions, and it is the responsibility of all three levels of government (Federal, State and Local) to offer such incentives as shown below:

Financial Incentives

- Import Duty and LCT Removal linked to CO2 output (Federal Government)
- GST Discount linked to CO2 output (Federal Government)
- Income Tax Rebates linked to CO2 output (Federal Government)
- Stamp Duty Discount/removal linked to CO2 output (State Government)
- Registration cost Discount linked to CO2 output (State Government)

Non-Financial Incentives

- Government Fleet Purchasing Policies linked to CO2 output, including a minimum percentage of fleet being Zero-Emission (Federal, State and Local Government)
- Access to Transit Lanes for Plug-in vehicles (State and Local Government)
- Exemption from Motorway Tolls for Plug-in vehicles (State and Local Government)
- Free Dedicated Parking (street and multi-story) reserved for Plug-in vehicles (Local Government)
- Updated Building Standards/Codes requiring mandatory Plug-In vehicle charging infrastructure and charging in new Apartments and Multi-dwelling buildings (State Government)

It is important that Government-led demand and supply side initiatives to encourage greater consumer use of zero- and low-emission vehicles are implemented and maintained for the entire period of any mandated CO2 standard, as there is evidence in Canada and the Netherlands of the significant decline in the sale of zero- and low-emission vehicles when incentives/initiatives are discontinued.

Conclusion

Nissan Australia supports the Australian Government's intention to coordinate a whole-of-government approach to improving the efficiency of light vehicles. As outlined in Nissan's submission, and detailed in the *FCAI Response to Improving the efficiency of new light vehicles Draft Regulatory Impact Statement*, there is a range of areas that need to be considered to achieve the desired outcomes of the Ministerial Forum into Vehicle Emissions.

Nissan Australia welcomes the opportunity to participate in on-going Government-Industry consultation to deliver improvements in fuel efficiency of motor vehicles which are relevant to the Australian market conditions and contribute to the Government's overall post-2020 GHG reduction targets.

Yours sincerely,

Richard Emery
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