

Cleaner, Cheaper to Run Cars: The Australian New Vehicle Efficiency Standard

**RAC response to the Department of
Infrastructure, Transport, Regional
Development, Communications
and the Arts' consultation impact analysis**

February 2024



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RAC response to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts' *Cleaner, Cheaper to Run Cars: The Australian New Vehicle Efficiency Standard—Consultation Impact Analysis*

We thank the Department of Infrastructure, Transport, Regional Development, Communications and the Arts for the opportunity to provide feedback into the *Cleaner, Cheaper to Run Cars: The Australian New Vehicle Efficiency Standard—Consultation Impact Analysis* (the CIA).

RAC is a purpose-led member organisation. Since our foundation in 1905, RAC has existed to be a driving force for a Better WA – this is our purpose. We act as a voice for more than 1.3 million members in more than 60 per cent of Western Australian households. We work collaboratively with government, industry, our members and all Western Australians to champion change that will deliver safer, sustainable and connected communities – this is our 2030 Vision.

RAC welcomes the release of the CIA, which is an important step towards introducing a new vehicle efficiency standard (NVES) in Australia and achieving our commitments under the Paris Agreement and *Climate Change Act 2022*. It is pleasing to see key points made in RAC's 2023 submission to *The Fuel Efficiency Standard – Cleaner, Cheaper to Run Cars for Australia: Consultation Paper* (Consultation Paper), including having options that ensure affordable access to safer and low emissions vehicles, avoiding over-reliance on flexibility mechanisms such as super-credits, and the importance of regular reviews, largely appear to have been addressed by the NVES. As a long-standing policy and advocacy priority, a NVES will positively contribute towards RAC's Vision. Specifically for 2030 we want to see harmful emissions (carbon dioxide, oxides of nitrogen, particulates) from passenger vehicles reduced in line with international benchmarks; wide availability of affordable and popular low emission vehicles; and proactive incentives in place to improve air quality. Our 2030 targets include achieving a 20 per cent reduction in carbon dioxide (CO₂) per kilometre travelled by car and keeping the cost of private motoring at or below the increase in the Perth all groups consumer price index. Almost all (96 per cent) of RAC members believe vehicle emissions negatively impact on climate change and human health.

NVES options and design

The CIA presents a couple of options for an impactful NVES. For example, Option B is modelled to deliver around 369 million tonnes of CO₂ abatement and around \$108 billion in fuel savings to Australians by 2050. Option B would see Australia catch up to the United States' (US) target grams per kilometre of CO₂ by 2028 (68g for passenger and 94g for light commercial vehicles) and match it thereafter. Option C achieves a greater reduction in CO₂ emissions compared with Option B, putting Australia ahead of both the US and European Union by 2030.

Considering the qualifications below, RAC does not present a view on the preferred option. However, RAC does not support the business-as-usual option which would provide minimal (or no) additional CO₂ abatement; reduce access to electric vehicles (EVs) and more efficient ICE vehicles and hybrids; and lack credibility, transparency, and robustness.

RAC also does not have a specific view on the design elements within the NVES (e.g. break points, expiry periods for credits and debits, penalty values), however it is pleasing that additional credits (e.g. for specific technologies) have been excluded as these generally erode the emissions reductions benefits.

Introduction and review

The Australian Government has proposed for the NVES to commence on 1 January 2025. **Having advocated for the introduction of a NVES for many years, RAC is supportive of this and emphasises the Australian Government must commit to introducing an appropriate NVES as a matter of priority.**

To ensure the NVES remains effective in reducing emissions and increasing access to affordable low and zero emission vehicles, RAC submits regular reviews and adjustments will be critical and it is currently not clear from the CIA how frequent these will be. It is pleasing to see the CIA proposes impact evaluations as part of reviewing the NVES which will assess the extent of impact; achievement of the NVES principles; the overall program benefits and outcomes; and identify any positive or negative unintended consequences. In terms of consequences, RAC submits the following will be particularly important to monitor: the purchase price of vehicles; adverse safety and emissions impacts arising from any increase in fleet age should consumers hold onto their vehicles for longer; any increase in kilometres travelled due to increased fuel efficiency; and the decline in fuel excise revenue. The CIA also acknowledges the importance of acquiring manufacturer data to monitor effectiveness. **To increase consumer awareness, accountability and transparency, RAC seeks that the reviews and manufacturer compliance reports be made public. The intended frequency of reviews should also be set and communicated in advance of implementation.**

Qualifications

Based on the level and type of detail within the CIA, it is difficult to be entirely confident in the government's impact assessment. RAC would have liked greater detail on the impact of the options on the supply and cost of different vehicle types as our members may have specific needs and may not be able to substitute their choice of vehicle if prices increase beyond their means. Additionally, and as mentioned in RAC's submission to the Consultation Paper, the experience of other right-hand drive jurisdictions would also have been useful context for the analysis in terms of ambition (e.g. rate of reduction), design and impact on vehicle supply; the CIA has not addressed why the US was chosen as the suitable benchmark.

The CIA cites international evidence that a NVES results in no (or negligible) increase in overall vehicle purchase prices. It refers to the experience of the US and EU, which have implemented different NVES's with different annual rates of CO₂ grams per kilometre reduction. As such, it is difficult to be confident that these outcomes would be transferrable. For example, the EU's target to 2030 of 8.4 per cent per annum for passenger vehicles and 7.9 per cent for light commercial vehicles, and the US's target to 2026 of 8.8 per cent per annum¹. It also refers to New Zealand's (NZ's) recent (2023) standard

¹ Department of Infrastructure, Transport, Regional Development, Communications and the Arts (2023). The Fuel Efficiency Standard – Cleaner, Cheaper to Run Cars for Australia. Accessed at: https://www.infrastructure.gov.au/sites/default/files/documents/consultation_paper_-_australias_fuel_efficiency_standard.pdf

which aims to achieve an ambitious annual rate of reduction of 14-16 per cent per annum to 2027, stating no increase in purchase price. Again, it would have been good to understand the impact on different vehicle types in the NZ context (a right-hand drive country), and it may be too early to tell whether this standard, which only came into effect last year, will have broader price impacts. Modelling undertaken by the Centre for International Economics for the AAA in 2023 found that even a five per cent reduction in the target average annual CO₂ grams per kilometre of new light vehicles to 2030 would have price impacts; Option B is targeting a far more ambitious average annual CO₂ intensity reduction of around 12.2 per cent for passenger vehicles and 12.4 per cent for light commercial vehicles over the target period. Further, various manufacturers have commented publicly about the impact of the proposed NVES. Mazda, as an example, has also claimed that a proportion of the costs to implement the proposed NVES would likely be passed on by manufacturers to consumers². Ensuring that transport remains affordable is a high priority for RAC members, with almost seven in ten saying it is very or extremely important for the government to take action to keep the cost of motoring down. **While RAC welcomes assurance in the CIA of no price impacts on consumers, the Australian Government should effectively monitor the NVES to ensure this occurs in practice.**

On a final note, RAC refers to its 2023 submission to the Consultation Paper which noted it is critical to acknowledge a NVES will only target new vehicles and as such, will only affect the emissions from a small share of the fleet in the near term. Modelling by the Institute for Sensible Transport³ (IST) suggests that there were 20 million vehicles in Australia in 2021, 74 per cent of which were passenger vehicles. Vehicles on average stay in the fleet for 25 years and the IST estimates that approximately 45 per cent of the 2030 fleet will be sold between 2023 and then. The IST notes that even in the most stringent scenario, where all passenger and light commercial vehicles sold between 2023 and 2030 are EVs, and all buses are EVs, it would still not be possible to meet the necessary transport contribution towards Australian Government's 2030 emissions target, based on current vehicle kilometres travelled. While a well-designed NVES will help increase the supply of low and zero emissions vehicles, Australia's transport system must shift from being car and fossil fuel dependent to one that prioritises public transport, cycling and walking as well as the electrification of vehicles (including, for example, trucks and buses) and associated infrastructure.

We trust RAC's submission, which is based on providing Australians with higher levels of access to cleaner and lower cost vehicles, is useful in progressing the introduction of the NVES. In support of our submission please refer to RAC's previous response to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts' [The Fuel Efficiency Standard – Cleaner, Cheaper to Run Cars for Australia - consultation paper](https://rac.com.au/about-rac/advocating-change/reports) at <https://rac.com.au/about-rac/advocating-change/reports>. Our [Federal Budget submission](#) and [Public Policy](#), which outline RAC's priorities and where stands on matters relating to our Vision are also available here.

² Car Expert (2024, February 6). Mazda pumps the brakes on Australian fuel efficiency standards, calls for subsidies. Accessed at: <https://www.carexpert.com.au/car-news/mazda-pumps-the-brakes-on-australian-efficiency-standards-calls-for-subsidies>

³ Institute for Sensible Transport (2022). Transport Emissions in Australia: The Challenges and Opportunities. Accessed at: <https://sensibletransport.org.au/wp-content/uploads/2023/04/Transport-Emissions-in-Australia-2023-04-27.pdf>