



Fuel Efficiency Standards Consultation: Extra Context

This document is intended to be paired with a submission to the Fuel Efficiency Standards Consultation. You can make a submission using our online tool here. (Due date: Wednesday, 31st May, 2023)

GOVERNMENT DISCUSSION PAPER LINK

If you have any questions about these points, feel free to email our Clean Transport Campaigner Ajaya at ajaya@solarcitizens.org.au (please allow a bit of time for a response, as the team is currently on the road as part of the Electric Ute Roadshow!)

Guiding principles

We have developed a series of principles to help design a FES. We have listed these below, and would appreciate feedback on these principles. The principles we arrive at will be used as part of the design process to help us decide trade-offs between different outcomes, and to help us implement a FES so that it remains true to the original objectives.

Our guiding principles are that a FES must be:

- **Effective** in reducing transport emissions from light vehicles.³ The purpose of a FES is to reduce the average amount of CO₂ emitted by Australia's new light vehicle fleet over time, which is broadly consistent with the FESs in place in major advanced markets.
- **Equitable** so all Australians can access the vehicles they need for work and leisure. The cars that we drive are a critical part of how Australians live and work, and need to be practical. The Australian FES will need to be equitable and not unduly negatively impact any particular group of people or part of Australia.
- **Transparent** and well explained to avoid unintended consequences. The details of an Australian FES will need to be accessible, whilst available in sufficient granularity and predictability to allow industry to make good long-term investment decisions, and not unduly increase red tape.
- **Credible** and **robust** by drawing on expert analysis and experience. We want Australia's FES to be designed with the latest and best analysis available, drawing on the expertise of industry, the environmental community, academia and others.
- **Enable** vehicles with the best emissions and safety technology to be available to Australians. It is important that Australians have access to the best and latest vehicle technology, as good as or better than what is available internationally. We want to avoid increasing the average age of vehicles in the fleet so there are no inadvertent safety impacts.

Principles from the Government Consultation Paper (19th April 2023)

Are these the right guiding principles? Are there other principles that you think we should keep in mind?

Here are the main principles we have been talking about in our campaign of late. Most of them are covered (to an extent) in the points above.

Ambition	• Starting by 1st July 2024 • Catch us up to other major markets ASAP • Put Australia on track to meet the Paris Agreement of limiting global warming to 1.5 degrees.
Integrity	• Rule out all super credits, loopholes and accounting tricks that make Standards weaker than they appear. • Make clear and transparent the true CO2 emissions reduction year on year.
Equity	• Send a strong market signal to manufacturers that they must prioritise low and zero-emissions vehicles that suit regional Australians and trades. • Save Australian motorists money overall by reducing petrol bills, including measures to reduce upfront EV cost and increase charging accessibility.

However, the following points could be stressed further:

Ambition	• We're starting from further behind (over a decade behind the EU) and will need to go hard to catch up with the rest of the world. • At the bare minimum, needs to be in line with the Government's commitment to the Paris Agreement and a 1.5C trajectory
Integrity	• Data transparency – in the control of the public, linked to overall CO2 reductions
Equity	• Cost-of-living and the effects on consumers are not mentioned in the discussion paper. Delaying the benefits of EVs and fuel-efficient vehicles to consumers will mean they are paying more for fuel and maintenance in the short term. • Any FES should reduce spending on fuel for consumers over time
Clean energy	• The energy charging up EVs needs to be clean, so the electrification of our vehicle fleet needs to match the grid becoming renewable

FES Design

Starting emissions level limit and approach (p.18)

What principles should we consider when setting the targets?

- 0g CO₂/km before 2035
- Is stronger than the best Fuel Efficiency Standard's emissions ceiling by 10%, to catch us up and keep us ahead of the pack.

What should Australia's CO₂ FES target be?

- At a minimum, starting at whatever NZ's limit is at the time of "switch on".
- Preferably 10% stronger than New Zealand's limit at the time of "switch on".
 - 2024: a CO₂ limit of at least 120.5g CO₂/km and not exceeding 133.9g (a reduction on the current Australian average of 146.5g between 8.6% and 17.7%)
 - 2025: a CO₂ limit of at least 101.3g CO₂/km and not exceeding 112.6g (a reduction on the current Australian average of 146.5g between 23.1% and 30.8%)
- Australia should aim to catch up with other countries. To do this, we must at bare minimum meet the CO₂ emissions ceiling/target of the country with the lowest ceiling, with a strong preference for beating the ceiling of that country by 10% each year. We call this the "Bunnings principle": if you find a lower emissions ceiling on a Fuel Efficiency Standard, we'll beat it by 10%. YOU'RE WELCOME, DEPARTMENT.
- Whatever FES we decide on, it should get Australia on a trajectory to reach 0g CO₂/km no later than 2035. This is in line with the IEA and CSIRO's modelling.
 - It should be noted that we do not expect the Government to announce the date for 0g CO₂/km publicly.

How quickly should emissions reduce over what timeframe?

- Whatever FES we decide on, it should get Australia on a trajectory to reach 0g CO₂/km no later than 2035. This is in line with the IEA and CSIRO's modelling.

Should the Australian FES start slow with a strong finish, start strong, or be a straight line or take a different approach?

- The FES should only have **one** Standard for all light vehicle classes (cars, light and heavy SUVs, and light commercial vehicles). This "curve" should aim to be a **linear** approach.
 - Should consider where other countries' emissions ceilings are at each review period and adjust accordingly, beating the most stringent ceiling by 10% to remain competitive
 - This is the same approach New Zealand has taken
 - This gives carmakers time to adjust and gives them flexibility for how they meet the CO₂ limit
 - This "one Standard" approach is simple for the Government to administer
 - This Standard should be "switched on" in 2024

- However, if it is decided that there should be different Standards for different vehicle classes:
 - A first CO2 limit curve for cars, and light and heavy SUVs, and a second CO2 limit curve for Light Commercial Vehicles, like utes and delivery vans.
 - Both CO2 limit curves should
 - be the same shape, to prevent category jumping,
 - reach 0g CO2/km no later than 2035, and
 - beat the most stringent countries' targets for each year by 10%, to remain competitive.
 - Context: There is a growing preference for SUVs in the Australian market. A strong target that is applied only to light vehicles is meaningless, as this only makes up a small percentage of the market. SUVs need to be grouped with cars.
 - Context: there aren't as many electric alternatives for LCVs, however the technology is quickly advancing.
 - None of these CO2 limit curves should include multiplier credits (super credits).

Adjustments of limit level (p.18)

How many years ahead should the Government set emissions targets, and with what review mechanism to set limits for the following period?

- Targets should be set 5 years in advance.
 - This gives the industry certainty and sets out what is expected of them in the Australian market.
- The trajectory of the targets should reach 0g CO2/km no later than 2035, though we do not expect the Government to publish this date.
- The Standard should be reviewed every 2 years.
- When a review occurs, the targets should be set 5 years from that date. However, to give the industry certainty, the emissions limit for the following 2 years should not be changed.
- The industry must also be certain that the emissions ceiling will not be raised at any time. Like Australia's Safeguard Mechanism, ambition must only be able to be ratcheted up, meaning that the emissions ceiling can only be lowered.

How should the Government address the risks of the standard being found to be too weak or too strong while it is operating?

- We are more likely to have set a too weak target than too strong – especially considering other nations are constantly reviewing their own Standards. So there should be a ratchet mechanism set, which means we could only increase the strength (lower the limit), not dilute/make weaker (raise the limit).

- More and more technology is coming everyday. Battery technology is becoming more advanced every year, and the Government tends to be conservative when it predicts the pace of change.

Super credits

Multipliers for LZEVs (p.24)

Should an Australian FES include multiplier credits for LZEVs?

If so, what level should the multipliers be, should they apply equally to both classes of vehicle (if adopted) and for how long should they apply?

- No, an Australian FES should not include multiplier credits for light and zero emissions vehicles.
- Super credits are dodgy accounting that makes no real-world emissions reduction.
- As the Government notes:
 - super credits are for “innovative technologies” – Hybrids, plug-in hybrids and to an extent EVs are no longer “innovative technologies” so shouldn’t have multipliers applied to vehicle classes as such.
 - “Super credits have been a feature of FESs in many markets” because they started decades before Australia when these technologies were “innovative”. This is no longer the case – they are the new status quo.
 - Most super credits will be phased out by 2024 in the US – this is the same time we will likely be starting our own scheme.
 - New Zealand’s scheme does not include super credits, because they recognised the country already started at least 4 years behind many other schemes, and made a decision about simplicity, elegance and transparency.
- If super credits are included (which again, they should not be) then they:
 - Should only be for:
 - Truly “innovative technologies” as proposed by the discussion paper, such as BEVs under the \$40,000 AUD mark (only 8 of these exist in Europe), and BEV utes which are still in their infancy globally, or
 - Vehicles with a significant portion of their componentry made within Australia, to stimulate local manufacturing on the EV value chain.
 - Should be capped.
 - Should apply at a rate of less than 1.5 per vehicle
 - Should decrease multiplier rate each year (e.g. 1.4, 1.3, 1.2), phasing out entirely after 3 years.
 - Must have transparency regarding the portion of emissions abatement that this is making up for each automaker, and be reported on publicly.

Other questions

We have intentionally selected three of the most important components for you to focus on in your submission. You are more than welcome to submit a more detailed response to a wider selection of the questions here.

Here are some other questions you might consider answering, and context that might be useful:

Credit banking, transferring and pooling (p.22)

To what extent should the Australian FES allow credit banking, transferring and/or pooling?

- Credits should be able to be banked for up to X years, transferred to different FESs (if we should decide to do more than one FES, which reiterating, we should not), and pooling between auto makers is acceptable.
- General principle with credits: the more credits or other concessions that are part of the scheme, the more stringent yearly emissions ceilings/targets are required (and vice versa).
- If it is decided that we take a “slower start” approach (which we should not – a single, straight line should be used), then credits would need to be capped, and expire sooner too to prevent banking too many credits
- If it is noticed that auto makers are intentionally not beating the targets (because they can easily meet them) then a review mechanism would then be useful.

Off-cycle credits (p.24)

Should an Australian FES include off-cycle credits for specified technologies?

- No, we should not have off-cycle credits available for the specified technologies.
- However, if it is decided that we should have them, then:
 - The data should be based on an Australian driving context,
 - the baseline should be set at a stretch for automakers, and
 - The credits should be phased out after 3 years, reducing in rate each year until that point.

Penalties for each gram per kilometre (p.27)

What should the penalties per gram be? Would penalties of AUD\$100 per gram provide a good balance between objectives? What is the case for higher penalties?

- The price should be as high as other markets like the EU. This should close the gap between us and other countries, and disincentivise car makers sending EVs elsewhere.
- The penalty price is an incentive in itself. A high penalty price means that LZEVs generate more valuable credits.

Information that suppliers will need to keep and supply (p.28)

The Government is keen to ensure any regulatory administrative costs are kept to a minimum while ensuring that outcomes are robust. What should the department keep in mind in designing the system for suppliers to provide information and in relation to record keeping obligations?

What should the reporting obligations be? What information should be published and how regularly?

- Data collection should be free, reliable, transparent, and granular.
- Weekly, as is done in New Zealand. It's easier on auto makers if we standardise with what's being done in other nations.
- Quantity, emissions, and specs seems fine, however:
 - Super credits: if there are inclusions of any super credits (which we believe there should not be), then these should have to be reported on – how many were used and what the impact on the automakers' emissions average was.