



September 2015

Australian Conservation Foundation

Submission to the Environment and Communications Legislation Committee on Motor Vehicle Standards (Cheaper Transport) Bill 2014

Recommendations

- **Support the establishment of a national light vehicle carbon emissions standard through the Motor Vehicle Standards (Cheaper Transport) Bill 2014.**
- **Avoid delay in setting a national light vehicle carbon emission standard.**
- **Maintain fleet averaging and phased targets.**
- **Maintain the proposed threshold for compliance.**
- **Maintain inclusion of a review to ensure Australia's standards keep up with improvements from new technologies.**
- **Encourage State and Federal Governments to develop complementary measures.**

Background

The Australian Conservation Foundation (ACF) is pleased to have the opportunity to provide a submission to the Environment and Communications Legislation Committee on the Motor Vehicles Standards (Cheaper Transport) Bill 2014.

Light vehicle carbon emissions standards offer an opportunity for Australia to reduce greenhouse pollution, improve the quality of our air particularly in urban environments, reduce dependency on imported fossil fuels, and offer savings for vehicle owners.

Emissions

Vehicle fuel efficiency standards need to be assessed within the context of a low carbon future, and what it will require. To address global warming, Australia will need to put more investment into public transport and supportive policies and infrastructure for low and zero emissions vehicles such as plug-in hybrids and electric vehicles (EVs). Where possible, we need to reduce the petroleum fuelled cars on our streets and increase the electrification of our transport sector with the electricity generated by renewable energy.

It is well known that vehicle emissions are full of dangerous climate pollutants. Carbon dioxide, nitrous oxide and methane are greenhouse gases that urgently need to be reduced as part of Australia's role in keeping global warming well below 2 degrees Celcius. Australia has a pollution reduction responsibility as part of the global effort to address climate change, including a 5 per cent emissions reduction target by 2020 and a 26-28 percent reduction target based on 2005 levels by 2030.

While there are numerous policy options available to Australia to reduce greenhouse emissions, light vehicle fuel efficiency standards, and particularly carbon emissions standards, need to be part of the mix for a range of reasons.

The transport sector is responsible for 17 percent of Australia's emissions, with passenger and light commercial vehicles contributing 62 percent of the sector's emissions.¹ That means light vehicle fuel efficiency can play an important role in reducing Australia's carbon emissions.

Australia's vehicle emissions standards currently lag behind most other developed countries. Australia's standards have been in place since the 1970s and improved somewhat over time, but they have not kept up with current technologies or with standards in other parts of the world.²

For example, three-quarters of the light vehicles sold globally are subject to a carbon emissions standard³. In the absence of a similar standard, Australia can be used as a dumping ground for foreign-made vehicles that are too inefficient for other markets. About 1 million new light vehicles are purchased in Australia each year and about 4 percent of Australia's 16 million vehicle fleet is retired each year.⁴ With Australia's vehicle manufacturing ending around 2017, all of the demand for new vehicles will be met with imports.

Health

A further reason for taking strong action to reduce vehicle emissions is that they contain a range of health-impacting pollutants (not captured in under 'greenhouse pollutants') such as carbon monoxide, nitrogen oxides, particulate matter, volatile organic compounds, and benzene. These harmful substances impact our air quality and our health.

As noted in Environmental Justice Australia's report, *Clearing the air: Why Australia urgently needs effective air pollution laws*, the health impacts of air pollution include impaired lung growth in children; increased asthma, coughs and bronchitis; impairment of brain development in babies and small children; low birth weight and adverse birth outcomes; heart attack and stroke; upper respiratory tract irritation and infection; and worsening of existing health problems in people with chronic disease.⁵

Environmental Justice Australia has captured some of the costs associated with air pollution. In 2000, the total economic cost of motor vehicle air pollution-related mortality and morbidity across Australia was approximately \$2.4 billion. In 2005, the NSW Government estimated that air pollution in greater metropolitan Sydney cost between \$1.01 billion and \$8.4 billion every year in 2003 dollars (approximately \$1.28 billion to \$10.67 billion in today's dollars).⁶

Cost

¹ ClimateWorks, *Improving Australia's Light Vehicle Fuel Efficiency, Briefing Paper*, February 2014.

² ClimateWorks, *Improving Australia's Light Vehicle Fuel Efficiency, Briefing Paper*, February 2014

³ ClimateWorks, *Improving Australia's Light Vehicle Fuel Efficiency, Briefing Paper*, February 2014

⁴ Climate Change Authority, *Light Vehicle Emissions Standards for Australia, Research Report*, June 2014, Page 23.

⁵ Environmental Justice Australia, *Clearing the air: why Australia urgently needs effective national air pollution laws*.

⁶ Environmental Justice Australia, *Clearing the air: why Australia urgently needs effective national air pollution laws*.

From a cost perspective, fuel efficiency standards offer a low cost means of reducing emissions. ClimateWorks assessed a range of options for achieving low carbon growth in their *Low Carbon Growth Plan for Australia* and found that “reducing emissions from cars and light commercial vehicles through improved fuel efficiency presents the lowest cost opportunity to reduce emissions across our economy and could deliver reductions of 4Mt CO₂e in 2020 and 8.7 Mt CO₂e in 2024, equivalent to taking 2.2 million cars off the road in 2024.”⁷

In addition, greater vehicle fuel efficiency results in lower fuel costs for vehicle owners, which more than counters the higher cost of low emission vehicles. ClimateWorks has estimated that although greater fuel efficiency comes with higher up-front costs when purchasing vehicles (an estimate of \$2500 per vehicle for a 50 percent efficiency gain in 2024), average car owners would recover these additional costs within 3 years through fuel savings. Based on ClimateWorks’ analysis, this results in net annual savings of \$352 for average drivers over a five year period, which is the average length of vehicle ownership.⁸

The Climate Change Authority has similarly found that: “Implementation of a standard to reduce carbon dioxide emissions to 105g/km is estimated to increase the average cost of a new car in 2025 by about \$1500. This, however, would be offset several times by fuel savings of about \$8500 over the life of the vehicle, leaving motorists better off.”⁹

Reducing Energy Security Risk

Australia has limited crude oil available domestically and as a result is increasingly reliant upon imports for transport fuels.¹⁰ That puts Australia at the mercy of fuel imports and increases our energy security risk. Reducing this risk is in the national interest.

With that in mind, and all of the other benefits listed earlier, there is no reason to set standards at less than international best practice. The vehicle technologies that achieve this standard are already available in other markets and could be required in Australia.

Vehicle Carbon Emissions Standards (Clause 4)

The Motor Vehicle Standards (Cheaper Transport) Bill 2014 would set legally binding efficiency standards that a manufacturer or importer of vehicles is required to meet as the average across its fleet of passenger or light commercial vehicles if they sell more than 1000 vehicles.

Fleet averaging and phased targets

Fleet averaging gives importers the ability to shift away from higher emission stock without being penalised due to their current holdings and also allows for consumers choice when purchasing light vehicles (although it should be noted that there should be incentives in place to encourage purchasing of low emissions vehicles and reducing vehicle emissions should be a greater priority than consumer choice.)

⁷ ClimateWorks, *Improving Australia’s Light Vehicle Fuel Efficiency, Briefing Paper*, February 2014.

⁸ ClimateWorks, *Improving Australia’s Light Vehicle Fuel Efficiency, Briefing Paper*, February 2014.

⁹ Climate Change Authority, *Light Vehicle Emissions Standards for Australia, Research Report*, June 2014.

¹⁰ Australian Government Department of Industry, Geoscience Australia, and Bureau of Resources and Energy Economics. *Australian Energy Resource Assessment, 2nd Edition*, 2014.

The combination of fleet averaging and a phased approach to targets provides notice and a period for the adjustment to the higher target to be made (in this case a 6-year period to get to the higher target). The fact that the proposed standards are in line with European Union standards means they are achievable. The provision of a transition period with a lag of four years for the 2020 target and three years for the 2023 target appears to strike a reasonable balance between driving improved fuel efficiency and ensuring that sellers are not unfairly carrying the burden of adjustment.

For the Bill's first target—that 70 percent of a seller's fleet must meet the 2020 target of 130g CO₂ by 2017—to be met, it is critical that this Bill not be delayed. Australia's cars and light commercial vehicles operate at an average fuel efficiency of about 192 gCO₂/km.¹¹ That means sellers will need to be transitioning immediately and planning their purchasing in accordance with these new standards, should they be implemented. It is our strong view that there is no excuse for Australia to delay the process of implementing mandatory light vehicle fuel efficiency standards.

Although manufacturing is set to cease in Australia 2017¹², there will be a hangover of locally produced vehicles. The phased approach combined with fleet averaging will allow for them to be sold despite the new standard. Fleet averaging will also provide sufficient protection for consumer choice.

The Climate Change Authority (CCA) has also done work on mandatory standards and their analysis resulted in a proposal that also includes a phased approach, takes into account local manufacturing and allows for fleet averaging.¹³ Their work further validates these key elements of the proposed Bill.

Under the CCA's approach the first phase of the new standard would be introduced to take effect from 2018, based on the view that closure of car manufacturing in Australia will occur in 2018.¹⁴ Since it appears to be ceasing earlier, there is justification for moving the start up to 2017.¹⁵

CCA's proposed standards would progressively reduce carbon dioxide emissions from new light vehicles to 105g/km in 2025, almost half the current level of 192g/km.¹⁶ CCA has aligned their proposed standard with the United States, which has merit, but Australia can and should reach higher with a target that aims to meet the European Union standard allowing for a reasonable catch up period. For this reason, ACF favours the Bill's proposed standard and process for ratcheting up to achieve the EU standard.

Recommendations: Avoid delay in setting a national light vehicle carbon emission standard. Maintain fleet averaging and phased targets.

Threshold for compliance

¹¹Climate Change Authority, *Light Vehicle Emissions Standards for Australia, Research Report*, June 2014.

¹² The Associated Press, Toyota will end car manufacturing in Australia by 2017, the closure will spell the end of automotive production in the country, February 10, 2014.

¹³ Climate Change Authority, *Light Vehicle Emissions Standards for Australia, Research Report*, June 2014.

¹⁴ Climate Change Authority, *Light Vehicle Emissions Standards for Australia, Research Report*, June 2014.

¹⁵ The Associated Press, Toyota will end car manufacturing in Australia by 2017, the closure will spell the end of automotive production in the country, February 10, 2014.

¹⁶ Climate Change Authority, *Light Vehicle Emissions Standards for Australia, Research Report*, June 2014.

The Bill proposes that any seller or manufacturer that sells more than 1000 vehicles be required to comply with the new standard. The CCA analysis places the threshold for compliance at 2500 vehicles. ACF supports the lower threshold included in the Bill.

It is worth setting such a threshold while there are manufacturers in Australia but once Australia is reliant upon imported vehicles (post 2017-18), and once a transition period has been provided (e.g., until 2023), the option to phase out this threshold should be considered. The review proposed in 2021 offers an opportunity to revisit this threshold.

Recommendation: Maintain the proposed threshold for compliance.

Review (Clause 19)

A review process and timeframe are necessary to ensure that future mandatory standards beyond 2023 are set and to ensure that Australia maintains best practice standards as technologies and standards in other parts of the world improve. By 2023, it is likely that the make-up of light vehicles in Australia and in the global marketplace will have shifted dramatically toward zero emission vehicles. If fleet averaging remains an option, then these vehicles will offer a much lower fleet average.

Recommendation: Maintain inclusion of a review to ensure Australia's standards keep up with improvements from new technologies.

Complementary measures

This Bill seeks to fill a significant gap in Australia's vehicle standards and is alone a valuable and worthwhile piece of Legislation.

There are additional measures that could accompany this Bill to increase its impact on carbon emissions through consumer behaviour.

Australia has information measures in place such as compulsory fuel consumption labelling that is available online. This information could be made a more essential part of the selling process.

There are measures that can be implemented by State Governments such as preferential registration fees for low and zero emission vehicles and conversion of Government fleets.

In general, more targeted taxes and charges that add a cost penalty to higher emission vehicles should be considered as complementary means of changing consumer demand.

Recommendation: Encourage State and Federal Governments to develop complementary measures.

Summary

ACF strongly supports more stringent vehicle emissions standards, including the proposed CO2 standard. In general, ACF supports the Bill as drafted and would be pleased to see complementary measures adopted to further its impacts.

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The ACF community speaks out for a healthy environment, Australia's special places, climate action and for lasting social and economic change.

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