

Question on notice no. 250

Portfolio question number: SQ24-000301

2023-24 Additional estimates

Environment and Communications Committee, Climate Change, Energy, the Environment and Water Portfolio

Senator Bridget McKenzie: asked the Department of Climate Change, Energy, the Environment and Water on 23 February 2024—

- (1. What assumptions for revenue has the department considered over the forward estimates and period to 2029-30 for the implementation of the vehicle efficiency standards and the government's preferred model?
2. What modelling has the Department undertaken on the potential value of credits to be purchased from

(a) Tesla and

(b) auto manufacturers located in China, as a result of the proposal to allow trading of credits by manufacturers producing a vehicle mix with excess of debits under the Government's NVES? Please provide the estimated value.

3. Do we have any Australian data on scrappage rates?

4. What assurance can the Department provide that this scheme will not increase the price of cars, particular the types of cars that Australians love to drive: i.e. the Ford Rangers, Toyota HiLux and the Isuzu D-Max?

5. What assurance can the Department provide that the most popular types of cars currently purchased, specifically the Ford Ranger, Toyota Hi-lux and Isuzu D-Max, will not be withdrawn from the Australian market or have supplies to the Australian market limited over the period to 2030 as a result of implementation of the NVES?

6. The Government claims the NVES is a US-style scheme. Isn't it correct that the US system, the Corporate Average Fuel Economy, is based on measuring gallons per mile, not carbon emissions or carbon efficiency? If so, how is the United States' model relevant to the Government's proposed NVES family car carbon tax?

Answer —

Please see the attached answer.

Environment and Communications
Answers to questions on notice
Climate Change, Energy, the Environment and Water Portfolio

Question No: SQ24-000301
Hearing: Additional Estimates
Outcome: Outcome 1
Division/Agency: Emissions Reduction Division
Topic: Fuel Efficiency standards
Question Date: 23 February 2024
Question Type: Written

Senator McKenzie asked:

1. What assumptions for revenue has the department considered over the forward estimates and period to 2029-30 for the implementation of the vehicle efficiency standards and the government's preferred model?
2. What modelling has the Department undertaken on the potential value of credits to be purchased from a) Tesla and b) auto manufacturers located in China, as a result of the proposal to allow trading of credits by manufacturers producing a vehicle mix with excess of debits under the Government's NVES? Please provide the estimated value.
3. Do we have any Australian data on scrappage rates?
4. What assurance can the Department provide that this scheme will not increase the price of cars, particular the types of cars that Australians love to drive: i.e. the Ford Rangers, Toyota HiLux and the Isuzu D-Max?
5. What assurance can the Department provide that the most popular types of cars currently purchased, specifically the Ford Ranger, Toyota Hi-lux and Isuzu D-Max, will not be withdrawn from the Australian market or have supplies to the Australian market limited over the period to 2030 as a result of implementation of the NVES?
6. The Government claims the NVES is a US-style scheme. Isn't it correct that the US system, the Corporate Average Fuel Economy, is based on measuring gallons per mile, not carbon emissions or carbon efficiency? If so, how is the United States' model relevant to the Government's proposed NVES family car carbon tax?

Answer:

1. The Australian Government expects that few, if any penalties, will be paid under the Government's proposed approach to a New Vehicle Efficiency Standard. Vehicle manufacturers are expected to be able to meet an Australian New Vehicle Efficiency Standard, as they generally do in the vast majority of advanced economies with efficiency standards in place.
2. On 12 February 2024, the Government claimed public interest immunity over certain documents, including the New Vehicle Efficiency Standard modelling.

The Department of Climate Change, Energy, the Environment and Water understands that the Government's claim is based on the connection between the modelling and the Cabinet process, and due to future market sensitivities relating to the credit trading mechanism central to the operation of the New Vehicle Efficiency Standard.

The department promotes and is supportive of the position that premature disclosure of Cabinet material risks harm through a weakening of the formal process of confidentiality of policy proposals for consideration by Cabinet, draft and final Cabinet documents, briefing and record keeping of Cabinet.

Premature disclosure would therefore impact negatively on decision-making and policy development and ultimately Australia's national interest.

Further, providing government forecasts of credit volumes in a standalone credit trading system could be a signal to the market, creating the risk of flow-on effects for the effectiveness of the Standard.

Consistent with long-standing practice and with the Government's claim, the Department is unable to table the modelling.

3. The department published vehicle survival curves in Figure 2 of its methodology workbook for *Australia's Emissions Projections 2023*¹. These survival curves display the mathematical relationship between vehicle age and the proportion of the vehicle fleet that is retired.
4. There is no evidence to suggest that a New Vehicle Efficiency Standard will increase vehicle prices. In jurisdictions that have had a New Vehicle Efficiency Standard in place for some time (around 50 years in the case of the US and Canada), real-world evidence has not shown an increase in car prices for consumers.

Instead, a New Vehicle Efficiency Standard encourages suppliers to import more fuel-efficient vehicles, be they petrol, diesel or electric. This saves drivers money on fuel, and ensures that a greater number of more fuel-efficient, low and zero emission vehicles will become available in the second-hand vehicle market in coming years.

5. Global manufacturers including Ford, Toyota and Isuzu invest in improving their average fleet efficiency to meet tightening standards in major markets, including the United States, the European Union, the United Kingdom and China.

Australian consumers can already buy 4x4 versions and 4x2 versions of popular utes including Ford Rangers, Toyota HiLux and the Isuzu D-Max, which meet the proposed 2025 targets for those vehicles under the Government's proposed New Vehicle Efficiency Standard. In addition, several popular utes are due to be upgraded by 2025. This includes Toyota Hilux, and Mitsubishi Triton. Ford is advertising the launch of a plug-in hybrid Ranger in 2025. Isuzu still sells its D-Max in the UK, which already has rigorous efficiency standards in place.

6. The Government has designed a New Vehicle Efficiency Standard that is comparable to international standards but suitable for Australian conditions. The unit in which the standard is expressed has little relevance to the design of a standard as US gallons of fuel per mile can be converted into metric units of grams of CO₂ per km.

¹ <https://www.dcceew.gov.au/sites/default/files/documents/australias-emissions-projections-2023-methodology.pdf>, accessed 6 March 2024.