



4 March 2024

New Vehicle Efficiency Standard Clean Energy Council response to consultation questions

The Clean Energy Council ('the CEC') is the peak body for the renewable energy sector in Australia. We represent and work with more than 1,000 businesses operating in Australia across solar, wind and hydro power, energy storage and renewable hydrogen. Our mission is to accelerate Australia's clean energy transition.

We are strong supporters of the Government's proposed 'New Vehicle Efficiency Standard' and below we set out our responses to the key consultation questions.

1. Please rank the proposed options in order of preference (1st, 2nd, 3rd)

Option B – 1st

Option C – 2nd

Option A – 3rd

2. Briefly what are your reasons for your choice?

The Clean Energy Council (CEC) supports the Federal Government working towards policy objectives that promote electrification as one of the cornerstones in delivering a rapid and just transition to net-zero. The CEC commends the Federal Government on joining the rest of the OECD with the introduction of fuel efficiency standards via the New Vehicle Efficiency Standard.

Australia needs to develop and implement policies capable of delivering emissions reductions consistent with our 43 per cent target by 2030, and net zero emissions by 2050 at the latest.

In Australia, we will need to transition 15 million internal combustion engine vehicles to electric vehicles (EV), and the new standard represents an important foundation policy for accelerating EV uptake.

Only Options B and C are consistent with the Government's emissions reduction objectives, and we see Option B as the minimum floor for policy ambition. It is also technology neutral, recognises diversity in vehicle sizes, allows for the banking and trading of credits, includes a globally-competitive penalty rate to encourage car makers to trade credits, and minimises loopholes through the exclusion of technology credits.

We *do not* support Option A.

The CEC views the 1 January 2025 start date as achievable and reasonable, noting that the car industry has now been on notice for at least a year that the Government intends to develop a 'strong standard' for fuel efficiency.

In addition, we urge the Government to allow the direct acceptance of type-approved low or zero emissions vehicles from major global markets in full volume supply, in order to ensure that we can bring global models to Australia as quickly as possible. We are currently concerned that bespoke Australian standards – which offer no demonstrable increase in safety, and which are not consistent with similar international markets – increase the regulatory burden and cost of importing new models, and act as a handbrake on EV supply.

We would also encourage the Federal and state governments to continue to provide incentives for early movers, and assist low-income households to be among them, ensuring that wherever vehicles are upgraded or replaced, consumers are strongly incentivised to select a more efficient electric vehicle.

Strong communication and public information campaigns will be required to ensure that all consumers are aware of the direction of travel and Australians do not wind up investing in new equipment which will cost them more to run and may depreciate more quickly.

Increased investment will also be required in workforce development and attraction to support the uptake of electric vehicles, the rollout of charging infrastructure, and supply chain development opportunities.

3. Do you support the Government's preferred option (Option B)?

Yes.

4. Do you have any feedback on the analysis approach and key assumptions used?

The CEC is broadly supportive of the approach and key assumptions used in the government's analysis. Once established, we consider that the NVES will be an efficient, technology neutral, market-based mechanism that will provide an incentive for suppliers to increase supply in the EVs available for consumers to lower transport emissions.

5. Briefly, describe how the NVES might impact your organisation

Electrification of transport, homes, business, industry, underpinned by renewable energy and storage, is a key decarbonisation strategy for the Australian economy, and should be expedited wherever possible, noting the energy efficiency benefits it offers consumers.

Modelling undertaken by CSIRO and Dynamic Analysis for a report by Energy Consumers Australia on the best pathway to decarbonise homes and transport ('Stepping up', August 2023), indicated that the suite of actions delivering *'the most bang for buck'* included *'encouraging and enabling a switch to electric vehicles, [which would provide] savings for individual households as well as benefitting all electricity consumers by improving network utilisation and so reducing the delivered price of electricity.'*

The study noted that *'the latest research in Australia suggests that currently electric cars tend to be charged at times when the grid is not stressed and more aligned with solar*

production. Where this occurs, additional electric vehicles increase electricity demand without significantly increasing the size or cost to provide local grid infrastructure – reducing the unit cost of the network.’

As such, we see that the uptake of electric vehicles offers strong benefits to electricity consumers as well as motorists, and the transition should therefore move as quickly as possible, while ensuring that low-income households are not left behind.

6. Who should the regulated entity be?

The CEC agrees with the government’s proposed approach for the regulated entity to be the type approval holder who first enters a particular vehicle onto the Register of Approved Vehicles. This will assist with aligning regulation of the standard with the existing regulatory system for importing vehicles in Australia.

The CEC encourages the government to publish the full results of the standard each year to enable the monitoring and evaluation of the effectiveness of the current regulations and the market more broadly.

Conclusion

The Clean Energy Council encourages the Australian Government to push ahead with the introduction of Option B for the New Vehicle Efficiency Standard on 1 January 2025, noting the strong financial benefits that it will provide to both motorists and electricity consumers, and the urgent need for the government to begin implementing robust policies to drive down transport emissions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Anna Freeman', written in a cursive style.

Anna Freeman
Policy Director – Decarbonisation