

To: Department of Infrastructure, Transport, Regional Development, Communications and the Arts

4 March 2024

## **New Vehicle Fuel Efficiency Standards**

We appreciate the opportunity to provide comment on the design of new fuel efficiency standards for Australian vehicles.

Environment Victoria is the leading not-for-profit environmental advocacy organisation in Victoria. With 40 grassroots member groups and over 200,000 individual supporters, we've been representing Victorian communities on environmental matters for over 50 years. Through advocacy, education and empowerment, Environment Victoria seeks significant and enduring solutions that will safeguard the environment and future wellbeing of all Victorians.

### **There is an overwhelmingly strong case for action**

The introduction of fuel efficiency standards is an important project that is long overdue. Fuel efficiency standards have been mandatory in the European Union and the United States since 2009 and the United States has had fuel economy standards since 1975.<sup>1</sup> Australian governments first considered introducing a standard in 2007.<sup>2</sup>

The Department's Consultation Impact Analysis is clear about the contribution of cars to Australia's greenhouse gas emissions. In Victoria, transport accounts for nearly a quarter of all emissions. Road transportation accounts for 91.6% of transport emissions and of that, 67.7% comes from passenger and light commercial vehicles.<sup>3</sup> New vehicle fuel efficiency standards are an essential first step in tackling this significant source of emissions and having any chance of meeting our climate targets.

Fuel is a major driver of cost of living, and many households have no alternative to using a car. Increasingly, Australians are considering purchasing more fuel efficient vehicles in response to cost of living pressures. A 2023 survey by Budget Direct found that 49.3% of respondents would consider a more efficient vehicle in response to higher fuel prices, up from 43.8% in 2022.<sup>4</sup> **People need access to efficient alternatives in order to be able to make this choice.**

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<sup>1</sup> 'A Brief History of US Fuel Efficiency | Union of Concerned Scientists', accessed 29 February 2024, <https://www.ucsusa.org/resources/brief-history-us-fuel-efficiency>; 'Fuel Economy in the European Union – Analysis', IEA, accessed 29 February 2024, <https://www.iea.org/articles/fuel-economy-in-the-european-union>.

<sup>2</sup> Robin Smit, Tanzila Khan, and Zifei Yang, 'How Australian Light-Duty Vehicle CO2 Emissions Compare with the Rest of the World', *International Council on Clean Transportation* (blog), accessed 22 February 2024, <https://theicct.org/publication/australian-ldv-co2-emissions-compare-to-the-rest-of-the-world-feb24/>.

<sup>3</sup> Victorian Government, 'Victorian Greenhouse Gas Emissions Report 2021', 2023, [https://www.climatechange.vic.gov.au/\\_\\_data/assets/pdf\\_file/0036/687825/Victorian-Greenhouse-Gas-Emissions-Report-2021.pdf](https://www.climatechange.vic.gov.au/__data/assets/pdf_file/0036/687825/Victorian-Greenhouse-Gas-Emissions-Report-2021.pdf).

<sup>4</sup> 'Fuel Consumption Survey and Statistics 2023', Budget Direct, accessed 29 February 2024, <https://www.budgetdirect.com.au/car-insurance/research/average-fuel-consumption-australia.html>.

As the Consultation Impact Analysis mentions, Australia has had an industry-led, voluntary new vehicle emissions standard since 2020. However, the use of voluntary standards to stave off mandatory measures goes back far further. The Federal Chamber of Automotive Industries (FCAI) has since 1978 (!) periodically announced voluntary standards.<sup>5</sup> There is evidence that voluntary standards do not improve efficiency above business-as-usual trends, and that sometimes even the voluntary standards are not met by industry.<sup>6</sup> However, one advantage of the existing voluntary regime is that Australia is well prepared to set mandatory standards.

The greenhouse gas emissions of passenger and light commercial vehicles in Australia are significantly worse than the EU, USA, China and Japan, and the gap is getting bigger.<sup>7</sup> The efficiency gap for passenger vehicles grew from 20% in 2016 to 48% in 2021; for light commercials, it grew from 17% in 2009 to 27% in 2021.<sup>8</sup> **Australians are paying more, and our national greenhouse emissions are going up, for no benefit.**

This highlights a fallacy of the consumer choice argument. **Failure to regulate industries like this only narrows Australia's options for getting to zero emissions.** Opposition to mandatory fuel efficiency standards is about preserving the industry's free ticket to do what they want, to the detriment of everything else.

We urge the Department to reject the FCAI's claims about price increases that will result from the proposed standards—these are self-serving claims that contradict their own advice.<sup>9</sup>

#### **Environment Victoria's preferred model**

**We recommend that Option C is adopted.** While we recognise that Option B will be somewhat effective, the assumptions behind climate and health benefits have been underestimated. A social cost of carbon (SCC) of \$60 per tonne and 3% inflation rate has been assumed. However, this is lower than the US SCC of USD\$51 (A\$78) and much lower than other recent credible estimates of \$A275.<sup>10</sup> In lieu of the development of a target-consistent approach to carbon valuation, Australian jurisdictions are using the average EU Emissions Trading Scheme spot price, which is at least A\$123.<sup>11</sup>

The health benefits of stronger standards are also underestimated. The derived estimates used in the Department's earlier discussion paper did not include the health effects of nitrogen dioxide pollution, nor does it account for differences in Australia's fleet, vehicle emissions factors, urbanisation and underlying population health.<sup>12</sup> It has been estimated—by experts who authored

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<sup>5</sup> Smit, Khan, and Yang, 'How Australian Light-Duty Vehicle CO2 Emissions Compare with the Rest of the World'.

<sup>6</sup> Smit, Khan, and Yang.

<sup>7</sup> Smit, Khan, and Yang.

<sup>8</sup> Smit, Khan, and Yang.

<sup>9</sup> Nick O'Malley, 'Internal Documents Suggest Car Lobby Is Over-Egging Price Hikes', The Age, 21 February 2024, <https://www.theage.com.au/environment/climate-change/internal-documents-suggest-car-lobby-is-over-egging-price-hikes-20240221-p5f6mf.html>.

<sup>10</sup> Richard Norman et al., 'Australia Finally Has New Climate Laws. Now, Let's Properly Consider the Astounding Social Cost of Carbon', The Conversation, 8 September 2022, <http://theconversation.com/australia-finally-has-new-climate-laws-now-lets-properly-consider-the-astounding-social-cost-of-carbon-190050>.

<sup>11</sup> Infrastructure Victoria, 'Opportunities to Reduce Greenhouse Gas Emissions of Infrastructure' (Infrastructure Victoria, September 2023).

<sup>12</sup> Clare Walter, 'How Is Health Factored into Fuel Efficiency Standards?' (University of Melbourne, 2023), <https://rest.neptune-prod.its.unimelb.edu.au/server/api/core/bitstreams/f730b3e3-8a5e-4e96-b626-d4476a535099/content>.

the original research relied on by the Department—that deaths caused by vehicle emissions have been underestimated by a factor of ten.<sup>13</sup>

**We recommend that the mandatory targets are brought forward one year.** Given that there are already systems in place to track performance against voluntary standards, there is no reason that the targets for 2025 should be aligned with business-as-usual. Given the decades of delay that have already occurred, it is imperative that new vehicle fuel efficiency is not pushed back to 2026.

**We agree with the vehicle categories proposed for Options B and C.** Sports utility vehicles and four-wheel drives should fall in the same category as passenger vehicles. Evidence from the US has shown that categorising these vehicles with light commercials promotes the sales of heavy vehicles over compact options and compromises the intentions of the standards.<sup>14</sup>

Finally, we support measures in the new regulations to require publication of performance data and a legislated review process with involvement of the Climate Change Authority to ensure that the standards are operating as intended and in line with Australia’s climate change commitments.

We congratulate the Department for the progress that has been achieved to date, and look forward to positive outcomes for people and the environment.

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<sup>13</sup> Walter.

<sup>14</sup> Smit, Khan, and Yang, ‘How Australian Light-Duty Vehicle CO2 Emissions Compare with the Rest of the World’.