

## Media Briefing Document

# Accelerating Australia's Clean Energy Transition: Fuel Efficiency Standards

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<b>Subject</b>	Fuel Efficiency Standards debate (FES)

**Transport currently makes up 20% and the fastest growing source of emissions in Australia.** By 2030 is it anticipated to be our largest source of emissions, as the electricity grid decarbonises.

**Meanwhile, demand for electric vehicles in Australia has skyrocketed.** While every Australian state and territory government has now introduced some form of incentive for the purchase of electric vehicles, the lack of fuel efficiency standards in Australia is putting the brakes on the electric vehicle market, holding Australians back from cleaner, more affordable electric transport.

The Federal Government is considering whether to implement strong, or weak, fuel efficiency standards. Currently out for consultation, all signs are pointing to the Federal Government seeking to legislate on fuel efficiency standards before the year is out.

**This important climate decision will make all the difference when it comes to urgently bringing more affordable electric vehicles into Australia is crucial if Australia is to meet its climate targets. This climate policy has the potential to be as contentious as the recent *Safeguard Mechanism* debate, and changes to the petroleum rent resource tax (PRRT).**

Australia has some of the highest per-capita climate emissions in the world, with a large share of these coming from the transport sector. Cars and light commercial vehicles alone make up over 60% of Australia's transport pollution.

Due to the absence of strong, legislated fuel efficiency standards, Australia's domestic vehicle fleet is one of the most polluting and least efficient in the world. Meanwhile, at least 80% of the global car market already have vehicle emissions standards and are seeing more electric vehicles on their roads, leaving Australia behind.

This isn't the first time fuel efficiency standards have been considered by the Federal Government - but it needs to be the last. Had the Government introduced standards in 2015 when the idea was initially put forward, Australians would have saved almost 6 billion dollars in fuel costs since.

**In a climate and cost of living crisis, we need the Government to accelerate on electric vehicles and legislate strong, effective fuel efficiency standards by the end of 2023 at the latest to come into effect by 1 January 2024.**

## **So, what is a “fuel efficiency standard”?**

**A fuel efficiency standard is the first step to opening up the Australian market to more EVs and ensuring that demand for them can be met.**

Fuel efficiency standards are rules that require vehicle manufacturers to reduce the amount of pollution from the vehicles they sell. The standards put a limit on the total average emissions across all cars sold by each manufacturer, incentivising the development and sale of more efficient vehicles, to balance out the sale of more polluting vehicles. Manufacturers are then liable for fines and penalties if their vehicles don't meet the required standards. The standards improve over time, eventually reaching a point where only zero emissions vehicles can be sold.

Other major markets like the UK and EU will see petrol cars phased out by 2030 or 2035. And many major auto manufacturers will stop making petrol cars in similar time frames. The introduction of fuel efficient standards in Australia would push manufacturers to send more EVs to Australia, which will increase the range and affordability of vehicles on offer and help drive rapid investments in electric vehicle infrastructure.

As per the recently signed Clean Energy Transformation Compact with the US indicates, introducing strong standards that catch up with other major markets will be essential to establishing clean energy & electrification bona fides and unlocking major new opportunities in critical mineral processing and battery manufacturing.

**Australia can catch up with the global clean transport transition and make progress towards our global climate commitments by ensuring all new car sales are zero emissions by 2030, or 2035 at the very latest. A strong fuel efficiency standard will give industry the clarity and direction it needs to reach these all-important climate targets.**

## Here's the kicker: As with the *Safeguard Mechanism*, the 'devil will be in the detail'

**When it comes to accelerating Australia's electric transport options, the gap between 'strong' and 'weak' fuel efficiency standards will make *all the difference*.**

*Strong* fuel efficiency standards would mean more electric vehicles across Australia, sooner. It would mark another all-important step in tackling the climate crisis, bringing about real cuts to pollution and cleaner, quieter cities for us all to enjoy. Strong standards would help bring Australia up to speed with the rest of the world and accelerate the switch to affordable transport options, powered by homegrown wind and solar.

*Weakened* fuel efficiency standards would allow big car manufacturers to use dodgy accounting tricks, offsets or loopholes to buy their way out of real climate action - all while seeing Australia continue as a dumping ground for the world's most polluting cars. Despite rapidly accelerating demand for renewable-powered transport, Australians will be kept waiting for years for more affordable options - all having to rely on dirty, expensive imported petrol and oil that's wrecking our climate.

**Key tests: What features are needed to ensure Australia has a strong standard?**

**Catch-up to major markets like the EU, US and New Zealand.** Targets which catch Australia up to major markets like the EU, US and New Zealand are essential to ensuring ongoing supply of the latest models of electric and low emission vehicles. If Australia introduces a standard which lags the rest of the world indefinitely, we will remain at the back of the queue for electric vehicle supply.

**Ensure Australia meets its climate targets by setting a trajectory towards zero.** Analysis from the International Energy Agency shows that no new combustion vehicles can be sold past 2035 if Australia - and indeed the world - is to achieve net zero by 2050. The FES must put Australia on the trajectory towards 100% zero emissions vehicles by 2030 or 2035 at the latest.

**No Loopholes.** The experience of designing a FES in other markets has shown that where flexibilities like 'super credits' or 'credits for eco-innovations' are included in the scheme, it results in fewer low and zero emissions vehicles on the road, reduced costs savings, and reduced emissions reduction.. Australia should follow the lead of countries like New Zealand in ruling out the use of super credits or other loopholes, which increase complexity and undermine emissions reductions.

**Transparent Reporting and Public Control of Data.** Currently all data surrounding vehicle emissions and sales is controlled by the automotive industry group, the Federal Chamber of Automotive Industries. The federal government should be responsible for gathering and publicly reporting this data.

**Ensure Equity and Access to Mobility.** A well designed FES should send a strong market signal to manufacturers that they must prioritise low and zero emissions that are affordable and accessible to all Australian motorists. These scheme should also be accompanied by complementary measures that target additional support to lower income households.