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Fuel Efficiency Standard for Australia– Consultation Paper

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts' (the 'Department') consultation on a *Fuel Efficiency Standard for Australia.*

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The AEC supports the Government's decision to implement a Fuel Efficiency Standard on light duty vehicles as part of a broader National Electric Vehicle Strategy. This policy is consistent with the Government's intent to ensure a whole-of-economy approach to decarbonisation, as evidenced through other emissions reduction policies like the Safeguard Mechanism reforms. Pushing action in other sectors is needed if Australia is to meet its carbon targets.

Right now, the electricity sector is doing almost all the heavy lifting to drive Australia's emissions reductions. The Federal Government's *Australia Emissions Projections 2022* highlight the current and future decarbonisation trajectory of each sector.[1] As the table on the next page shows, the Government expects almost all emissions reductions between now and 2030 to come through the electricity sector, which is projected to fall by about 60 percent on 2005 levels by 2030. Despite the enormity of this effort, the estimate may even be conservative given previous forecasts have been revised upwards.[2]

Other sectors, notably stationary and transport emissions, are projected to grow. While the Safeguard Mechanism reforms should help reduce stationary emissions over time, there is currently no cohesive federal policy to address transport emissions. This is despite the transport sector being responsible for about one-fifth of Australia's total greenhouse gas emissions, with 62 percent of this coming from light duty vehicles.

The best way to reduce light duty vehicle emissions is through electrification (i.e., EV uptake). Research shows that 'EVs produce lower emissions per kilometre than equivalent ICE cars even at the current

[1] Department of Climate Change, Energy, Environment, and Water, 'Australia's Emissions Projections 2022', December 2022, https://www.dcceew.gov.au/sites/default/files/documents/australias-emissions-projections-2022.pdf.

[2] For example, emissions from the electricity sector in 2020 projections were forecasted to be 111 million tonnes in 2030. This has now been revised down to 79 million tonnes.

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emissions intensity of both the National Electricity Market (NEM) and Western Australia's Wholesale Electricity Market (WEM). Progressive decarbonisation of these electricity systems mean that the emissions reductions will only grow as Australians switch to EVs'.

Table 1: Emissions projections to 2035 in the baseline scenario, by sector, Mt CO_2-e

Sector	National Greenhouse Gas Inventory		Projection	
	2005	2020	2030	2035
Electricity	197	172	79	66
Stationary energy	82	101	101	94
Transport	82	93	103	99
Fugitives	43	53	55	55
Agriculture	86	73	79	78
Industrial processes and product use	30	32	28	25
Waste	16	13	11	10
Land use, land-use change and forestry	85	-39	-33	-44
Total	**621**	**498**	**422**	**383**

Electrification is already a demonstrably lower emissions option for transport, and this will only compound as the electricity sector continues its decarbonisation. This will be well supported by the increased use of biofuels, which are already starting to play a role in transport decarbonisation in other jurisdictions.

The AEC considers a Fuel Efficiency Standard to be the most economically efficient policy mechanism for decarbonising the transport sector. While we do not have strong views on the appropriate standard, previous modelling by the Ministerial Forum on Vehicle Emissions found that 'the stronger the standard, the higher the economic benefit to the economy'.[3] Given that Australia is already behind compared to other developed countries, especially when measured by new vehicle CO_2 intensity, virtually any reasonable standard will be perceived as initially strong. But this is a reason for, not against, an expedient introduction, especially as major manufacturers should already have experience with a FES through trading in other jurisdictions.

As it is important that EV policy is not developed in isolation of home energy system integration, the AEC believes that the FES would benefit from a sixth principle – "Coordinated". EVs will form a fundamental part of an energy customer's profile with electricity retailers playing an important coordinating role through the supply and installation of home chargers and providing incentives for off-peak charging to reduce peak demand on the electricity grid. Retailers are already developing innovative products and services to better integrate customers' energy resources. These approaches should help customers lower their costs further by incentivising EV charging when wholesale prices are low, which typically correlates to high renewables penetration. This has both economic and environmental benefits.

[3] The Senate, 'Select Committee on Electric Vehicles', Report, January 2019, p96.

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The electricity sector is ready to support greater EV uptake following the implementation of a Fuel Efficiency Standard and looks forward to working with the Government to ensure this is done in a coordinated and efficient manner for customers.

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