

Director, Fuel Efficiency Standards
Surface Transport Emissions and Policy Division
Department of Infrastructure, Transport, Regional Development,
Communications and the Arts
Email: cleanercars@infrastructure.gov.au

31 May 2023

Re. The Fuel Efficiency Standard – Consultation Paper 19 April 2023

Dear Director, Fuel Efficiency Standards

The Energy Efficiency Council (EEC) congratulates the Australian Government for progressing long-overdue fuel efficiency standards for light vehicles. The Council supports the rapid introduction of strong fuel efficiency standards.

Fuel efficiency standards will deliver significant reductions in both greenhouse gas emissions and fuel costs, helping households and businesses that are struggling with the cost of living. In 2016, the then Department of Infrastructure and Regional Development estimated that if Australia introduced Corporate Average Fuel Efficiency (CAFE) Standards for light vehicles that were comparable to European standards, it would have saved individual drivers \$600 to \$900 on fuel a year, delivering \$27.5 billion in fuel savings and \$13.9 billion in net benefits to 2040.¹ Each year of delay in introducing fuel efficiency standards has likely cost households and businesses hundreds of millions of dollars.

Given that 85 per cent of all cars sold worldwide are subject to fuel efficiency standards, there are no major impediments to Australia introducing strong fuel efficiency standards, although there are a number of details that need to be resolved to optimise their design.

The Australian Government should implement a trajectory for fuel efficiency standards that is consistent with achieving its targets to reduce greenhouse gas emissions by 43 per cent below 2005 levels by 2030, and to net zero by 2050. In practice, this likely means that Australia's fuel efficiency standards will need to rapidly converge with standards in other major vehicle markets, such as the United States and European Union.

The Energy Efficiency Council advises caution in allowing vehicles that are heavier, larger, or classed as commercial to have *significantly* worse fuel efficiency, as this will create perverse incentives for suppliers to sell larger vehicles. Increasing the number of larger cars on Australian roads will undermine the benefits of fuel efficiency standards for Australia's emissions, while worsening both road damage and road safety.

While the Council does not have a firm recommendation on how to address issues relating to vehicle size, we note that a key element of CAFE standards is that they already allow automotive manufacturers to make trade-offs across the portfolio of vehicles that they sell, and allowing automotive suppliers to trade surplus credits between them can accommodate suppliers that specialise in heavier vehicles while still providing a strong incentive for both overperforming and underperforming suppliers to improve fuel efficiency.

¹ Department of Infrastructure and Regional Development 2016 *Improving the fuel efficiency of new light vehicles – Regulatory Impact Statement*, Commonwealth of Australia, Canberra. These figures relate to Target A in the Regulatory Impact Statement.

If you have any questions relating to this submission, please contact me via rob.murray-leach@eec.org.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Rob Murray-Leach', is centered below the text 'Yours sincerely'.

Rob Murray-Leach
Head of Market Transformation
Energy Efficiency Council