Automotive Industry Alliance

Submission to the National Electric Vehicle Strategy Consultation Paper

October 2022

Submission Participants

("we" or "Automotive Industry Alliance")

- Australian Automotive Aftermarket Association (AAAA)
- Australian Automotive Dealer Association (AADA)
- Federal Chamber of Automotive Industries (FCAI)
- Motor Trades Association of Australia (MTAA)
- State and Territory Motor Trade Associations and Automotive Chamber:
    - Motor Trade Association (SA/NT)
    - Motor Trade Association of WA
    - Motor Trades Association of Queensland
    - Motor Traders' Association of NSW
    - Victorian Automotive Chamber of Commerce
- National Automotive Leasing and Salary Packaging Association (NALSPA)

Contents

Foreword

This submission has been prepared by ten leading automotive organisations in Australia, who share common interests in the NEVS and have come together as an Automotive Industry Alliance to represent those interests in this paper. Between them they contribute $39.53billion towards Australia's GDP and represent 385,000 workers in 72,521 businesses spanning retail, sales, services, repair, aftermarket, leasing, fuelling, dismantling, recycling, and discrete professions from the far corners of the country.

The ten organisations embrace and support Australia's transition to Zero and Low Emission Vehicles (ZLEV). In transitioning to ZLEVs the opportunities and challenges arising, need to be carefully identified and managed. In doing so, the industry bodies received and considered global and domestic research and analysis not from one but several respected global independent sources providing a clearer picture of what will likely be coming down the new electric vehicle pipeline for the next 10+ years.

The goal of the broad research is to reach a supported pathway to better inform policymakers, legislators, regulators, governments, stakeholders and most importantly, Australians. The research and analysis all come to the same conclusion. These conclusions are the foundations of the agreed positions we hold core to helping our nation navigate the electrification journey.

Individual members of the Automotive Industry Alliance will provide submissions which provide additional commentary and detailed analysis on the issues raised in the consultation paper.

Definitions

ACES Report – McKinsey & Company report on **A**utonomous driving, **C**onnected cars, **E**lectrified vehicles, and **S**hared mobility

Electric Vehicle (**EV)**– Battery Electric vehicles.

Fuel Efficiency Standards – Fuel efficiency standards set an average emissions target for vehicle manufacturers, or local distributors, measured in grams of CO2 released per kilometre and averaged across the vehicles they sell

Original Equipment Manufacturer (OEM) - The OEM is the original producer of a vehicle or vehicle components

Zero & Low Emissions Vehicles (ZLEVs) - Zero & Low Emissions Vehicles are defined in this paper as battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs)and hydrogen fuel cell electric vehicles (FCEVs).

1. Executive Summary

The Australian automotive industry embraces the electrification of automobiles in Australia.

We understand and support the important role that the reduction in CO2 emissions of land transport has to the overall goal of net zero emissions in Australia. As a sector we embrace electrification and see the transition providing a range of economic and interconnected opportunities for the overall economy and the automotive industry in particular.

Australia as a right-hand drive market has many nuances in the preferences of Australian consumers to the types, size, and functionality of their vehicles. The transition to zero and low emission vehicles (ZLEV) must be done in an efficient, relatively ambitious, and coordinated manner that provides a fair opportunity for all Australians to access ZLEVs. This transition should be ambitious but achievable.

Australia requires the right ZLEV product ranges to suit the Australian vehicle market. Without the right vehicles, Australian consumers will be poorer for options and government and industry action will face barriers to ZLEV uptake.

Several critical factors are influencing Australia's slower ZLEV uptake compared to other jurisdictions, which are specific to the Australian market landscape. ZLEV price premiums have led to a lack of ZLEV products in the price brackets most consumers can afford to purchase. And while ZLEV prices are expected to decrease over time, the gap to price parity remains for lower-priced vehicles for some time. Unlike computer electronics which according to Moore's law doubles in capacity every two years, lithium-ion battery technology has only increased in capacity 13% year on year since their introduction in 1991.

Further exacerbating this is a lack of right-hand drive ZLEV products in the dual cab and large-SUV product segments, which equates to almost 37%[1] of the vehicles currently sold in Australia. Increased supply of Hybrid and PHEV-type vehicles are expected to improve emission reductions sooner.

Charging infrastructure is also a major issue influencing ZLEV uptake. Whilst significant activity is underway to increase public infrastructure, the global experience is that home charging infrastructure will be more commonly used and could assist ZLEV uptake with more significant support.

The Automotive Industry Alliance have formed collectively agreed positions

For the first time the Australian Automotive industry came together on 26 July 2022 to develop a common policy position to accelerate the decarbonisation of Australia's transport fleet. The complete paper developed at that meeting can be found in Attachment A.

[1] FCAI's VFACTs database – 2021

With the Australian automotive market nuances in mind, the automotive representative bodies have collectively formed many 'Agreed Positions' for critical considerations vital to assisting Australia in reducing emissions and positively contributing to sustainable outcomes. These Agreed Positions will be referenced throughout the response to the Department of Climate Change, Energy, the Environment and Water (DCCEEW)'s National Electric Vehicle Strategy Consultation Paper – they are summarised below:

1. **Targets & Milestones** – We embrace the transition to electrification; with alignment that decarbonisation targets should be our policy focus and consider the entirety of the registered vehicle fleet. A federal government led national policy on CO2 emissions is imperative to ensure no state or territory is left behind as we transition to electrification.
2. **Incentives, Subsidies & Penalties** – We support federally led and appropriately targeted incentives including but not limited to private and public charging, non-financial (e.g., transit lanes) and targeted purchase incentives, which support an orderly, timely and sustainable transition to zero and low-emission vehicles.
3. **Taxation & Tariffs** – Taxation modernisation to reflect and support ZLEV uptake must be federally led (or nationally consistent), non-punitive in nature and encourage a range of zero and low-emission vehicle technologies.
4. **Fuel Standards & Security** – We note that in order to contribute to reducing emissions in Australia in light of a significant legacy fleet for years to come, we would like to see the most advanced fuel options in the market consistent with international fuel standards.
5. **Fleet Management –** We will respect and maintain the integrity of the fleet in Australia by educating the importance of ongoing maintenance while encouraging the transition to electrification.
6. **Education & Awareness** – The automotive sector has a key role to play as the interface with consumers in the transition to ZLEV. We support broader education programs and campaigns regarding the transition to ZLEV with aligned factual data and sensible commentary in support of the Australian electrification transition.

The Automotive Industry Alliance recognises that the NEVs consultation paper is silent on several important issues.

1. Power Generation: sources, load, and distribution (the grid)
2. Price of Electricity in the mid to long term forecast (will Australians save on 'fuel' costs?)
3. Reform and modernisation of automotive taxation
4. Consideration of lifecycle emissions from vehicles
5. Workforce planning and training for ZLEVs
6. Emergency services preparedness for ZLEVs

2. Strategy Framework

2.1 Goals

The government has proposed the following goals in the EV strategy consultation paper. In our view these should be updated:

	Government Position	Our Position
1.	Make EVs more affordable	Improve affordability and accessibility of EVs, suited to Australian conditions and that meet consumer preferences
2.	Expand EV uptake and choice	Expand ZLEV uptake and choice without banning non-EV options to allow an orderly transition
3.	Reduce emissions	Decarbonisation of the light transport sector
4.	Save Australians money on fuel	Save Australians money on operating their vehicles
5.	Increase local manufacturing	Increase local jobs & skills to benefit from **ALL** the new supply chains required

2.2 Objectives

1. Do you agree with the objectives, and do you think they will achieve our proposed goals? Are there other objectives we should consider?

The Automotive Industry Alliance agrees with the high-level objectives stated in the Consultation paper with the following comments.

The Australian automotive industry representative bodies agree that the industry:

1. embrace the transition to electrification
2. agree that decarbonisation targets should be our policy focus (not EV targets), and
3. encourage the Government to always consider the entirety of the registered vehicle fleet.

The goals are complex and ambitious and will require a full suite of policies from government to encourage rapid increase in demand for EVs, increase supply of affordable and accessible EVs to meet demand across all segments, and establish the systems and infrastructure to enable the rapid uptake of EVs.

ZLEVs will bring many social, economic and environmental benefits to Australia, but it is important that the NEVS is appropriate for Australia's circumstances and considers the needs of all Australians regardless of their geography and economic circumstances.

2.3 Actions

2. What are the implications if other countries accelerate EV uptake faster than Australia?

In a supply constrained global market, if other countries accelerate EV uptake faster than Australia, Australia will have more limited supply of EV options. This is in part why we need to focus on decarbonisation rather than just EV uptake. The implications are that the limited supply of EVs are diverted to countries based on where the most profit can be made.

Notwithstanding the attractiveness of the Australian market for the allocation of vehicles there are some realities that need to be considered in relation to ZLEV pricing and availability across vehicle categories.

3. What are suitable indicators to measure if we are on track to achieve our goals and objectives?

The key indicator for measuring the success of a decarbonisation policy is against a Fuel Efficiency standard combined with the measurement of:

- Public, fleet and private charging infrastructure
- Non-financial ZLEV incentives (access to transit lanes, free parking, free charging)
- Mandated government fleet ZLEV procurement targets
- Purchase Incentives
- Implementation of international Fuel Quality Standards.

3. What more can we do to meet our goals and objectives?

3.1 Encourage rapid increase of demand for EVs

4. Are there other measures by governments and industry that could increase affordability and accessibility of EVs to help drive demand?

Targeted complementary measures that operate alongside the fuel efficiency standard and is federally led, including but not limited to private and public charging, non-financial (e.g., transit lanes), mandated government fleet targets and globally competitive targeted purchase incentives.

It is essential to consider that Australia is a right-hand drive market, and right-hand drive vehicles are less than a third of total global vehicle production. It is not a foregone conclusion that an EV model available in other left-hand drive markets, and even those available in other right-hand markets, will necessarily be exported to Australia.

As an industry we support appropriately targeted incentives ideally federally led (otherwise nationally consistent). We also support implementation of mandatory new car Fuel Efficiency Standards which support an orderly, timely and sustainable transition to zero and low emission vehicles, whilst also considering the requirements of the entire fleet to avoid punishing sections of the community for their inability to afford electrification.

Governments of all levels (federal, state & local) need to have a nationally consistent strategy to assist in the procurement of ZLEVs and development of associated infrastructure. Governments can lead the way by having ZLEV first mandates that obligate governments to procure ZLEVs unless there a significant operational issue or obstacle as to why they cannot. Government fleets will provide quality used ZLEV stock in 3-5 years, as well as providing significant public infrastructure to power and provide for more than 200,000 government fleet vehicles throughout all levels of government.

At the minimum, we suggest the following as a starting point for government to increase affordability and accessibility:

1. Nationally aligned registration and stamp duty exemptions
2. Increased purchase incentives to improve accessibility of EVs to all Australians.
3. Government fleet purchasing targets
4. Continuing to recognise the importance of Hybrid vehicles in the transition period to both build confidence and provide lower cost model alternatives in a broader range of vehicle segments to assist with the transition to a low carbon transport future

5. **Over what timeframe should we be incentivising low emission vehicles as we transition to zero emission vehicles?**

Global experience tells us that incentives need to remain in place until vehicles of equal capability are availability at comparable cost to all consumers. As such the market should be monitored at regular intervals and incentives adjusted or removed as determined by the adoption rate, across all vehicle types and socio-economic sectors of the community.

The rate of decarbonisation will be in part be driven by the generosity of the incentives.

6. **What information could help increase demand and is Government or industry best placed to inform Australians about EVs?**

The industry is best placed to inform Australians about EVs. The Automotive Industry has taken the initiative to prepare itself with the necessary skills needed for an electrification transition. Government participation in the education process is essential as the Government has a role to play in explaining any policy it adopts and trying to build confidence in the initiatives it implements.

There is an urgent need to ensure public policy discussion on the electrification transition is informed by international and domestic research, analysis, and facts. We need to collectively understand what the net effect on the industry of the transition to ZLEV and other elements will be (i.e., businesses declining and new emerging opportunities).

3.2 Increase supply of affordable and accessible EVs to meet demand across all segments

7. **Are vehicle fuel efficiency standards an effective mechanism to reduce passenger and light commercial fleet emissions**
8. **Would vehicle fuel efficiency standards incentivise global manufacturers to send EVs and lower emission vehicles to Australia?**

The Automotive Industry Alliance members support the development of an Australian Fuel Efficiency standard as one of a range of complementary measures to increase both the supply and demand of EVs and lower emission vehicles to the Australian market.

The development of any standard must be done in partnership with the industry and be based on evidence and insights on future RHD product portfolios provided by the OEMS and other issues identified by industry stakeholders. This approach will ensure that the government can make informed decisions on the structure and stringency of the Fuel Efficiency standard in Australia.

9. **In addition to vehicle fuel efficiency standards for passenger and light commercial vehicles, would vehicle fuel efficiency standards be an appropriate mechanism to increase the supply of heavy vehicle classes to Australia?**

This submission is focussed on the light vehicle market under 3500kg. Specific comments on this question will be provided in individual submissions where appropriate.

10. **What design features should the Government consider in more detail for vehicle fuel efficiency standards, including level of ambition, who they should apply to, commencement date, penalties, and enforcement?**

The structure of the FCAI Voluntary CO2 Standard including separate mass-based limit curve targets should be the template for the development of any fuel efficiency standard and should include:

- An average emissions (grams of CO2 released per kilometre) target for OEMs, averaged across the vehicles they sell
- An appropriate timeframe to adjust to the target
- Applies to all vehicles first supplied to the Australian market, including used car importers
- Separate targets for passenger vehicles/SUVs and light commercial vehicles/large SUVs
- Allow OEMs to trade credits with each other and to transfer credits between their passenger vehicles/SUV and light commercial vehicles/large SUVs fleets
- Super credits for ultra-low emissions vehicles,
- Consideration of off-cycle emissions reductions
- Review mechanism to consider acceleration of targets

The level of ambition and implementation timing can only be discussed once the government provides its positions on the supportive suite of complementary policies to accelerate the transition including:

- Public, fleet and private charging infrastructure
- Non-financial ZLEV incentives (access to transit lanes, free parking, free charging)
- Mandated government fleet ZLEV procurement targets
- Purchase Incentives
- Implementation of international fuel quality standards.

Once the level and extent of those policies settings are known then the OEMs can provide modelling on the consumer impact of Fuel Efficiency standard.

11. What policies and/or industry actions could complement vehicle fuel efficiency standards to help increase supply of EVs to Australia and electrify the Australian fleet?

The experience internationally is that any ambitious Fuel Efficiency standard is combined with very significant and varied suite of policies including

- Public, fleet and private charging infrastructure
- Non-financial ZLEV incentives (access to transit lanes, free parking, free charging)
- Mandated government fleet ZLEV procurement targets
- Purchase Incentives
- Implementation of international fuel quality standards.
- Skills training
- Education and awareness

It is important that the Government does not look to the Fuel Efficiency standard as the only major policy leaver to accelerate the decarbonisation of the light vehicle fleet. Internationally governments around the world have put in place significant measures to increase ZLEV uptake including consumer purchase incentives in California (up to US$12,500), Japan (range from ¥850k to ¥1.45m), and Europe (up to €9500).

The Automotive Industry Alliance can provide further details of current international policy upon request.

12. Do we need different measures to ensure all segments of the road transport sector are able to reduce emissions and, if so, what government and industry measures might well support the uptake of electric bikes, micro-mobility, and motorbikes?

Incentivisation of modal shift change needs to be carefully considered in a holistic whole of economy context. Further comments on this question will be provided in individual submissions where appropriate.

13. How could we best increase the number of affordable second hand EVs?

Given the rates that Government and business refresh their fleet vehicles, governments of all levels (federal, state and local) need to have a nationally consistent strategy to assist in the procurement of ZLEVs and development of associated infrastructure. Governments can lead the way by having ZLEV first mandates that oblige governments to procure ZLEVs. Policies requiring regular turnover of government ZLEV fleets would increase the number of affordable second hand ZLEVs. Government should also incentivise businesses to electrify their fleet. Additionally, the continual incentives and subsidiaries for businesses to install and maintain charging infrastructure.

14. Should the Government consider ways to increase the supply of second hand EVs independently imported to the Australian market? Could the safety and consumer risks of this approach be mitigated?

The Automotive Industry Alliance is fundamentally opposed to the further liberalisation of parallel import legislation especially as it applies to second hand imported EV's which carry considerably higher environmental and consumer risk. In fact, the current legislation allows for the import of vehicles that pass the requirements for fuel efficient vehicles a criteria that will need to be reviewed in light of the NEVs.

The Government's Specialist and Enthusiast Vehicle Scheme required vehicles eligible for importation to have certain features such as high performance, low emissions or accessibility features that are not otherwise provided to the Australian market. There are already concerns that this scheme is being used as a backdoor for non-specialist and enthusiast cars. We believe the current scheme should be restricted and under no circumstances should it be expanded.

Consumer safety is paramount and must take precedence before action is taken to increase the supply of second hand EVs. We do not support 'grey' imports due to the risks surrounding safety and performance from market participants who do not need to abide by traditionally understood/accepted Australian consumer standards. A particular concern we have seen through the current SEV scheme is the lack of spare parts and recall support and completion rates, for example in the case of the Takata airbag recall.

The current scheme allows low emissions vehicles that have been launched elsewhere in the world to be imported if the product was not launched within three months in Australia. In general, Global Manufacturers do not schedule small volume right hand drive models this early in their global launch programs. If the model is sold through the concessional scheme it jeopardises its successful introduction to the market through official channels.

The issue of used car imports has been considered on several occasions. It was rejected as part of the review of the Motor Vehicles Standards Act; it was rejected again in the Government's response to the review into Australia's Competition Law; it was rejected again in a Government response to the Senate Inquiry into Australia's Future Automotive Industry. On each occasion the Government cited concerns over consumer protection and safety.

The safety and consumer risks are of equal if not greater concern for ZLEVs. ZLEV batteries are contain hazardous materials and understanding the history of the vehicle is very important as is providing the consumer with access to appropriate repair and recall structures that are not in place for vehicles imported independently.

Other considerations for the importation of ZLEVs from other markets include:

- These vehicles will not have the benefit of manufacturer warranty, recall, etc.
- Risks of odometer fraud and flood damage. In particular, recent evidence of effect of saltwater on EVs in Florida hurricane have raised concerns.
- Australia risks being the importer of older EV batteries closer to the end of their lives and will need to have the replacement, recycling and disposal responsibilities.
- Businesses that have invested in the new car supply chain will be disadvantaged.
- OEMs might be discouraged from continuing to be represented in the Australian market.
- Could undermine consumer confidence in ZLEVs due to poor experiences.

15. What actions can governments and industry take to strengthen our competitiveness and innovate across the full lifecycle of the EV value chain?

It is estimated that Australia contains 20% of the world's reserves of critical and rare earth minerals. Critical minerals are vital for the world's economic wellbeing; nickel, manganese, and cobalt, all of which are mined in Australia, are needed to make batteries. During the 1980's and 1990's when demand for these minerals was low and other countries such as China were also producing large quantities, Australia would mine and export the raw materials overseas. As the demand has increased and is set to explode, Australia has reviewed its approach and started to invest in onshore processing and refining of these minerals. The former Australian Government was providing matched funding from the Modern Manufacturing Initiative. Initiatives & subsidiaries like this need to continue to unlock value in Australia's workforce. It also increases Australia's sovereign capability, with China currently the world leader in critical minerals processing including battery production.

The Australian automotive industry is training staff in anticipation of the transition to electrification. Yet, we need greater access to skilled migration to help meet workforce requirements and skill needs in 2030 and beyond. We have a great industry with an incredible future. We are heading into the most significant technological change since moving to the 'horseless carriage'. It is exciting, and we must demonstrate automotive professions are full of promise and opportunity.

16. How can we expand our existing domestic heavy vehicle manufacturing and assembly capability?

The Automotive Industry Alliance has no input regarding this question.

17. Is it viable to extend Australian domestic manufacturing and assembly capability to other vehicle classes?

As Australia is one of the wealthiest countries in the OECD, with a high minimum wage comparatively, manufacturing in Australia will be difficult as other countries, especially in Southeast Asia, have lower labour costs. If Australia was to manufacture or assemble vehicles, government would need to subsidise and incentivise heavily to make the decision economically viable. The cost of ZLEVs would also remain relatively high, which contradicts the first goal of the National Electric Vehicle Strategy.

Australia should focus on parts of the supply chain of a ZLEV that existing industries in Australia can pivot to. Two such examples include the recycling of ZLEV batteries at the end of its lifetime and onshore processing and refining of raw materials that are largely used in the production of batteries, an industry tipped to reach US$20billion by 2027.

3.3 Establish the systems and infrastructure to enable rapid uptake of EVs

18. Are there other proposals that could help drive demand for EVs and provide a revenue source to help fund road infrastructure?

Members of the Automotive Industry Alliance have advocated for a wide-ranging tax reform including a technology neutral Road User Charge (RUC) to replace a range of inefficient Commonwealth, State and Territory taxes. This should be federally led and nationally consistent.

Consideration could be given to a staggered introduction of the RUC to increase the uptake of ZLEVs in the short to medium-term.

19. What more needs to be done nationally to ensure we deliver a nationally comprehensive framework for EVs?

A strategy, framework and a process for ongoing consultation and governance must be established by the Commonwealth Government in consultation with the States and Territory Governments.

20. How can we best make sure all Australians get access to the opportunities and benefits from the transition?

All Australians will benefit from decarbonisation of the economy. Government policy should aim to achieve that decarbonisation in the most efficient and effective manner.

It is key that the policy settings do not create a situation in which consumers who were going to switch to a ZLEV are rewarded at the expense of those who cannot afford to do so.

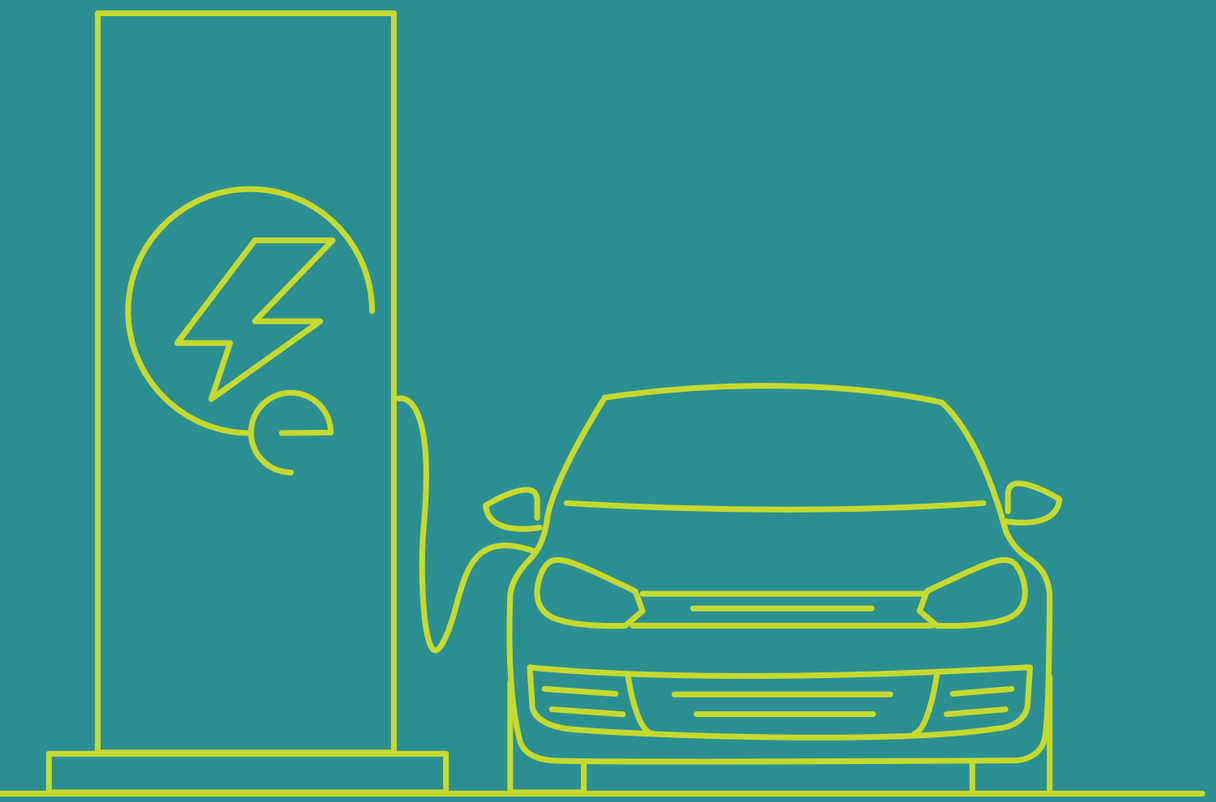
APPENDIX A

Mobility inspired by sustainability

The Automotive Industry's agreed positions to achieve the orderly transition to the electrification of Australia's future mobility and transport.


“The automotive industry has never moved this fast ever before...
...And it is only going to get faster”

The Automotive Industry's agreed positions to achieve the orderly transition to the electrification of Australia's future mobility and transport.



Foreword

On 26 July 2022, the Motor Trades Association of Australia (MTAA) facilitated a historical summit in Canberra of ten automotive organisations representing 385,000 Australians working in 72,521 businesses in automotive retail, sales, service, repair, aftermarket, leasing, fueling, dismantling, recycling and discrete professions, from Cape York to South East Cape and Steep Point to Cape Byron.

As we all embrace the transition to electric vehicles, the automotive industry's contribution of $39.35billion towards Australia's GDP and the nation's reliance on land transport is at risk if the challenges posed by the transition are not adequately identified and met.

With these challenges front of mind, the:

- **Australian Automotive Aftermarket Association (AAAA)**
- **Australian Automotive Dealers Association (AADA)**
- **Federal Chamber of Automotive Industries (FCAI)**
- **Motor Trades Association of Australia and State and Territory Motor Trade Associations and Automotive Chamber of Commerce members, and the**
- **National Automotive Leasing and Salary Packaging Association,**

united to discuss, understand, consider and decide the steps necessary to achieve an orderly, timely transition of the national light vehicle and commercial fleet.

The summit's goal was to reach a supported pathway to better inform policymakers, legislators, regulators, governments, stakeholders and most importantly, Australians.

The industry bodies received and considered global and domestic research and analysis not from one but several respected global independent sources providing a clearer picture of what will likely be coming down the new electric vehicle pipeline for the next 10+ years.

Research and analysis all come to the same conclusion. These conclusions are the foundations of agreed positions we hold core to helping our nation navigate the electrification journey.

Executive summary

The Australian automotive industry embraces the electrification of automobiles in Australia.

Through collective research, we have identified nuances of the Australian vehicle market and consumer preferences that need to be considered and addressed to enable an orderly transition to zero and low emission vehicles (ZLEV) provide every Australian with a fair opportunity to participate in this transition.

Without the right electric vehicle products to suit Australia's consumer preferences, it may be challenging to increase ZLEV uptake significantly. Policy needs to consider this to enable an orderly transition to electrification.

Several critical factors are influencing Australia's slower ZLEV uptake compared to other jurisdictions, which are specific to the Australian market landscape.

EV price premiums have led to a lack of EV products in the price brackets consumers want to purchase. And while EV prices are expected to decrease over time, the gap to price parity remains for lower-priced vehicles for some time.

Further exacerbating this is a lack of right-hand drive ZLEV products in the dual cab and large-SUV product segments, which equates to almost 60% of the vehicles currently sold in Australia. Increased Hybrid and PHEV-type vehicles are expected to improve emission reductions sooner.

Charging infrastructure is also a major issue impacting ZLEV uptake. Whilst significant activity is underway to increase public infrastructure, it is likely that home charging infrastructure will be more commonly used and could assist ZLEV uptake with more significant support.

With the Australian automotive market nuances in mind, the automotive representative bodies have collectively formed many 'Agreed Positions' for critical considerations vital to assisting Australia in reducing emissions and positively contributing to sustainable outcomes.

Seven key agreed considerations the automotive industry believes should be included in a national EV strategic plan:

01 Targets & Milestones

We embrace the transition to electrification; with alignment that CO2 targets should be our policy focus to consider the entirety of the registered vehicle fleet. A federal government policy is imperative to ensure no state or territory is left behind as we transition to electrification.

02 Incentives, Subsidies & Penalties

We support federally led and appropriately targeted incentives including but not limited to private and public charging, non-financial (e.g., transit lanes) and targeted purchase incentives and agree on implementing mandatory new car CO2 regulations, which support an orderly, timely and sustainable transition to zero and low-emission vehicles.

03 Jobs & Skills

We are well placed to activate the required human capital elements of this transition. We have taken the initiative to prepare the industry with the necessary skills and capability needed for an electrification transition. We have identified that trained automotive technicians are best placed to service an electric vehicle.

04 Taxation & Tariffs

Taxation reform must be federally led (or nationally consistent), non-punitive in nature and encourage a range of zero and low-emission vehicle technologies.

05 Fuel Standards & Security

We note that in order to contribute to reducing emissions in Australia in light of a significant legacy fleet for years to come, we would like to see the most advanced fuel options in the market consistent with international fuel standards.

06 Fleet Management

We will respect and maintain the integrity of the fleet in Australia by educating the importance of ongoing maintenance while encouraging the transition to electrification.

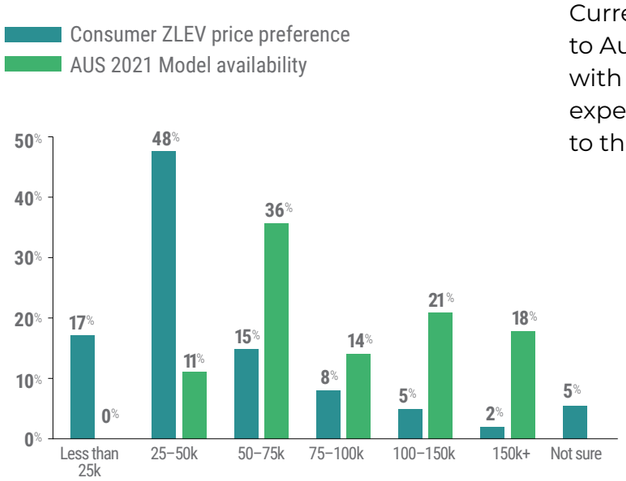
07 Education & Awareness

We support broader education programs and campaigns regarding the transition to ZLEV with aligned factual data and sensible commentary in support of the Australian electrification transition.

ZLEV
An Australian Context

The Australian automotive industry, through it's associations and their members, are very aware of the growing interest amongst consumers around zero and low emission vehicles (ZLEV) and in particular, battery electric vehicles. Through research undertaken by the various associations collectively we have identified a number of key considerations for policy makers to support Australia's targeted emissions reduction.

Importantly, this research looks at our ambitions regarding the uptake of ZLEVs in Australia compared to other global markets and considers this in an Australian context; including the nuances of this market that need to be addressed to enable our electrification ambitions to be achieved.



Consumer ZLEV price point preference

Source: Submissions to the Australian Government on the Future Fuels Strategy discussion paper, Electric Vehicle Council, 2021

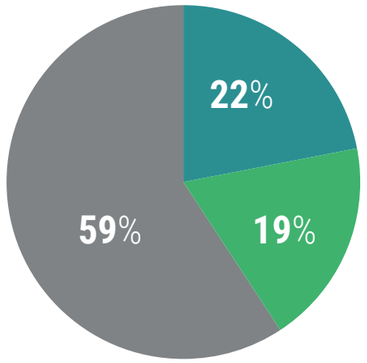
Whilst consumer sentiment and interest in ZLEVs is increasing in Australia, the lack of available product aligning to consumer affordability and preferences appears to present, now and in to the future, a significant barrier to uptake.

At present, there is a lack of vehicle supply of all fuel types (due mainly to COVID-related impacts) that is seeing demand for new vehicles outstripping supply, a factor that appears to be even greater when considering electric and hybrid vehicles, which are in extremely short supply to Australia. However, there are further product availability factors holding back ZLEV uptake.

ZLEV price premiums impacting availability of vehicles under $50,000

Currently, the ZLEV products available to Australian consumers does not align with their price, functionality and brand expectations. These factors are specific to the Australian market.

ZLEVs currently available in Australia mostly sit outside of the price brackets that Australian consumers are looking at when considering a ZLEV. Sixty-five percent of Australians interested in ZLEVs are wanting to purchase for under $50,000. However, 88% of the available ZLEVs sit outside of that price bracket, significantly restricting purchase potential.



Segment % NV Sold (June 2022)

Source: VFACTS June 2022

Lack of ZLEV product availability in popular Australian segments

In addition to the lack of ZLEV product available under $50,000, there is a lack of available ZLEV products in the most popular vehicle segments. For the year-to-date ended June 2022, almost 80% of vehicles purchased in Australia were SUV and dual cab utes, with most of the SUVs purchased being larger vehicles.

In fact, 59% of vehicles sold in Australia in the first half of 2022 are dual cabs or larger SUVs, with only 22% of sales being Passenger Vehicles. This segment make-up differs greatly to many other global markets.

Currently there are no electric dual cab utes or larger SUVs (under $150,000) available in Australia and the level of expansion into these segments globally is very limited at present for right-hand drive markets.

Accordingly, ZLEV sales are only able to penetrate with any significance into the Passenger Vehicle segment, where they currently make up 6.2% of passenger vehicle sales. For SUVs, only 1.1% of sales are ZLEV, and are all coming from either light or small SUV sales. For the vast majority of consumers, there is currently not a ZLEV alternative in their preferred vehicle type or price bracket.

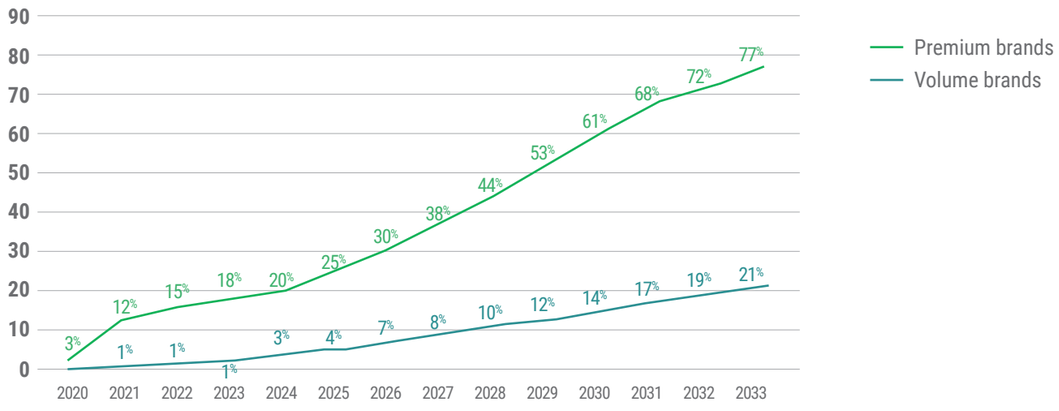
ZLEV product gaps likely to continue

Detailed research has identified that these issues of the lack of product availability to suit Australian consumer preferences are set to continue towards 2030.

Whilst the availability of ZLEVs from premium brands in higher price brackets is forecast to climb significantly, it is likely that there will be a continued lack of lower priced ZLEVs from volume brands, impacting ZLEV uptake overall.

Furthermore, detailed analysis into the future production plans by fuel type across the globe identifies a lack of ZLEV dual cabs planned to be produced in Japan and South East Asia, both key supply areas for right-hand drive dual cabs sold in Australia. With dual cabs currently 27% of the Australian market, minimal ZLEV product in this segment will significantly impact uptake.

Similarly, the slower growth in production of electric SUVs in Japan and South East Asia also impacts the forecast of electric large SUVs in Australia, with the majority of such vehicles sold in Australia sourced from these regions.



Top line results (OEM strategies) Premium vs Volume

Home charging a potential opportunity

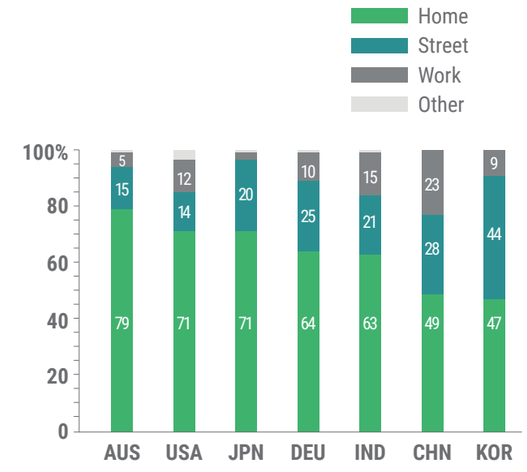
A lack of charging infrastructure has consistently been identified as a key concern for Australian consumers in transitioning to ZLEVs. Discussions to date have been dominated by a focus on public charging infrastructure to ease these concerns, with little discussion around supporting consumers and employers to install home and workplace charging infrastructure. This is despite many global jurisdictions with higher ZLEV uptake providing incentives to encourage home and workplace charging infrastructure.

Research shows that 79% of Australian consumers expect to charge at home, and that overseas 75-80% of ZLEV charging is done at home. With new electric vehicle range being closer to 400km, greater availability of home charging could have significant potential to see charging infrastructure reduce as an issue for many Australian consumers, particularly the majority in metro areas.

Despite this penchant for home charging, at present, there is no federal or state government support towards the cost of adding personal home charging infrastructure or business charging infrastructure.

Hybird / ICE vehicles to still be prevalent on Australian roads in 2030

Even with increased popularity and sales of new ZLEV vehicles, it is expected that Hybrid and Internal Combustion Engine (ICE) vehicles will still be the most common types on Australian roads in 2030. Scenarios developed suggest that with a ZLEV market share of 23% by 2030, Hybrid / ICE vehicles will make up approximately 19 million of the vehicles in circulation, with ZLEVs at approximately 1.1 million vehicles.



Location people expect to charge their ZLEV most often (%)

Source: Global Automotive Consumer Study, Deloitte Australia, 2021

Key Considerations

01 Targets & Milestones

02 Incentives, Subsidies & Penalties

03 Jobs & Skills

04 Taxation & Tariffs

05 Fuel Standards & Security

06 Fleet Management

07 Education & Awareness

01

Targets & Milestones

Australian automotive industry representative bodies embrace the transition to electrification, agree that CO2 reduction targets should be our policy focus (not EV targets), and we must always consider the entirety of the registered vehicle fleet. Australia is a small right-hand drive vehicle market globally, situated at the end of a long and complex supply chain. These factors must be considered when developing a vehicle emissions policy that is fit for purpose.

A federal government policy is imperative to ensure no state or territory is left behind as we transition to electrification.

Labor pledged

75%

electric cars in government fleet by 2025

Thedriven.io

In 2021, Australian ZLEV market share of total vehicles sold is

2%

VFACTS

The VIC, NSW, QLD & SA targets for ZLEV new vehicle sales share is

50%

by 2030

Energy.vic.gov.au; environment.nsw.gov.au; Energymining.sa.gov.au; Qld.gov.au

Agreed Positions

01 We embrace electrification

02 We agree on CO2 targets as opposed to EV targets

03 We are unified, to support government to move forward

04 We consider both new and existing vehicles – the entirety of the registered vehicle fleet

05 We have a responsibility to keep well maintained ICE vehicles – and to continue investing in this technology

06 We oppose ICE bans – lack of fact-based achievability and potential negative consumer impacts (on those most vulnerable)

07 Federal Government led targets and milestones – must engage with all Australians and their needs and take into account an Australian context

02

Incentives, Subsidies & Penalties

Targeted incentives should be federally led, including but not limited to private and public charging, non-financial (e.g., transit lanes), mandated government fleet targets and targeted purchase incentives.

It is essential to consider that Australia is a right-hand drive market, and less than a third of global total vehicle production is for right-hand drive markets. It is not a foregone conclusion that an EV model available in other left-hand drive markets, and even those available in larger right-hand markets, will necessarily be exported to Australia.

59%

of Australian sold vehicles are large SUV or dual cab; little ZLEV options available

VFACTS

79%

of Australians expect to charge their ZLEV at home

Deloitte global automotive consumer study 2021

65%

of consumers want an ZLEV under $50K – currently 89% are over $50K

2021 Electric Vehicle Council Future Fuel Strategy Submission

Agreed Positions

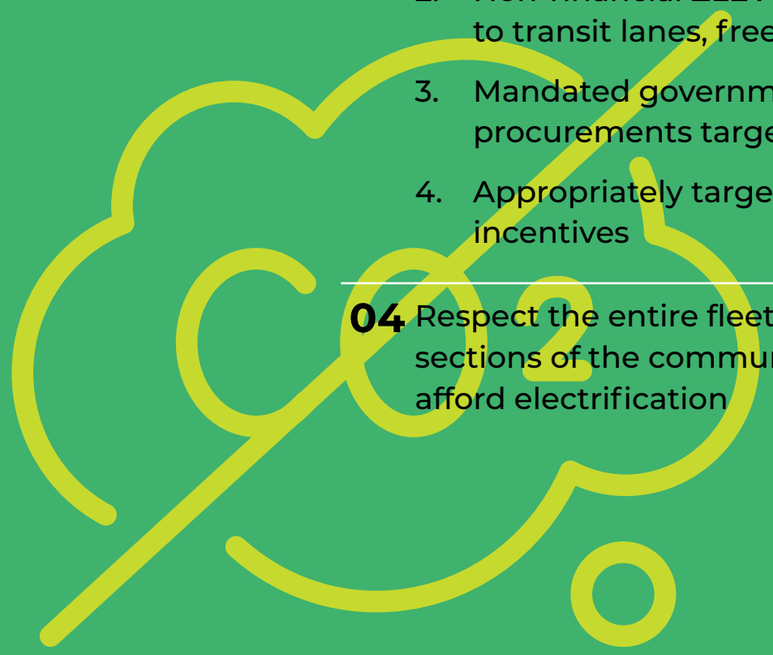
01 As an industry we support appropriately targeted incentives ideally federally led (otherwise nationally consistent)

02 Implement mandatory new car CO2 regulations which support an orderly, timely and sustainable transition to zero and low-emission vehicles.

03 We seek ZLEV policy, including obtaining incentives in the following order of prioritisation:

1. Support Fleet and Private Charging, Public charging and hydrogen fuelling
2. Non-financial ZLEV Incentives (access to transit lanes, free parking, free charging)
3. Mandated government fleet ZLEV procurements targets
4. Appropriately targeted purchase incentives

04 Respect the entire fleet to avoid punishing sections of the community for their inability to afford electrification



03

Jobs & Skills

The Australian automotive industry is training staff in anticipation of the transition to electrification. Yet, we need greater access to skilled migration to help meet workforce requirements and skill needs in 2030 and beyond.

We have a great industry with an incredible future. We are heading into the most significant technological change since moving to the ‘horseless carriage’. It is exciting, and we must demonstrate automotive professions are full of promise and opportunity.

Currently 500 qualified ZLEV technicians servicing

25,000

electric vehicles

Via VACC

Australia’s automotive sector is facing a shortage of

38,000

skilled professionals

MTAA Automotive Directions

Australia predicted to be

6000

technicians short by 2030 - based on growing fleet

Via VACC

Agreed Positions*

(*Subject to separate considerations)

01 The Automotive Industry has taken the initiative to prepare itself with the necessary skills needed for an electrification transition – We are ready!

02 ZLEV work is a job for a trained automotive technician – and will be best placed to service an electric vehicle

03 Technician roles are becoming more attractive but the talent pipeline still needs to be supported by an Improved Federal migration policy

04 We need greater access to an improved skilled migration to assist the industry in moving forward

04

Taxation & Tariffs

Taxation reform must be federally led (or nationally consistent), non-punitive in nature, and encourage a range of zero and low-emission vehicle technologies.

Agreed Positions

01 ZLEV Taxation Reform must be federally led (or nationally consistent) (i.e. Road User Charge)

02 Taxation Reform must be aligned to the orderly transition to electrification

03 Taxation reform should not be punitive in nature and should encourage a range of zero and low-emission vehicle technologies.

05

Fuel Standards & Security

To contribute to reducing emissions in Australia, we would like to see the most advanced fuel options in the market that are consistent with the International Fuel Standards.

Clear and consistent policy direction on a national scale is critical for manufacturers to prioritise new zero and low-emission powertrains for the Australian marketplace.

43%

of Australians support a dual strategy of greater use of ZLEVs/ hybrids

JWS Consumer Research via FCAI

Global strategies predict BEV shares to grow to

18%

by 2030

S&P global through FCAI

Global strategies predict ICE share to drop to

59%

by 2025, and 22% by 2030

S&P global through FCAI

Agreed Positions

01 We are fully aware of the significant legacy fleet for many years to come

02 We want the most advanced fuel options in the market available in Australia, in order to contribute to reducing emissions in the Australian electrification transition

03 Consistency with the International Fuel Standards is the objective

06

Ongoing Fleet Management

We will continue to recognise and support the integrity of the entire fleet while encouraging the transition to electrification. We must remain focused on the issue of disposing of old cars that already exist. Each year in Australia, approximately one million new vehicles are bought, and approximately 700,000 are retired.

At the same time, there are numerous technologies out in the marketplace that can contribute to the delivery of low-emission outcomes.

Agreed Positions

01 We have a realistic understanding of the transition to electrification and the vital role of ICE vehicles in the future

02 We respect and will support the integrity of the entire fleet (ICE, Hybrid, EV etc.) and will continue to support the skills required

03 We will have a national focus on end-of-life re-use and recycle schemes for the national fleet

04 Maintaining the integrity of the entire car fleet through educating the importance of ongoing maintenance is imperative

07

Education & Awareness

There is an urgent need to ensure public policy discussion on the electrification transition is informed by international and domestic research, analysis, and facts.

We need to collectively understand what the net effect on the industry of the transition to ZLEV and other elements will be (i.e., businesses declining and new emerging opportunities).

Agreed Positions

01 We support a broader education program / campaign on the transition to ZLEV

02 We will provide aligned, factual and real data in support of the Australian electrification transition