



# **AUTO RECYCLERS ASSOCIATION OF AUSTRALIA**

**ARAA Submission**

**to the**

**House of Representatives Standing Committee**

**on**

**Climate Change, Energy, Environment and Water**

## **Inquiry into the Transition to Electric Vehicles (EVs)**

**August, 2024**



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# **AUTO RECYCLERS ASSOCIATION OF AUSTRALIA**

This submission addresses the following Terms of Reference of the Committee:

- the establishment of resources, systems and infrastructure required to support transition to EVs, and
- any other relevant matters.

## **1. Introduction**

This submission addresses issues associated with management of Electric Vehicle batteries at the end of life of the host vehicle.

These issues relate particularly to:

- Recovery of batteries from end-of-life electric vehicles;
- Ensuring safe practices for handling, storage and transport of such batteries.

It focusses on changes that need to be made at an operational level to support the transition to EVs. Implementing the recommendations set out below will have an important impact on EV battery recovery in Australia.

There are significant logistical and economic challenges in dealing with the above issues in regional and remote communities across Australia. The proposals presented herein would deliver equal environmental and safety benefits to metropolitan and regional areas.

## **2. ARAA Recommendations**

ARAA submits the following recommendations for consideration by the Committee:

1. That Australia implements regulation of EV batteries mirroring the European EV Battery Regulations and Battery Passport.
2. That traceability of EV batteries through the lifecycle of those batteries be regulated.
3. That vehicle manufacturers implement an Extended Producer Responsibility (EPR) program for end-of-life electric vehicle batteries within a timeframe that coincides with the introduction of EV Battery traceability regulation.
4. That vehicle manufacturers provide EV Battery safety data to the International Dismantling Information System (IDIS) database where such information can be accessed quickly and at no cost by auto recyclers across Australia.
5. That in regard to total loss, abandoned and impounded electric vehicles, Insurers and Government Agencies (e.g. Councils, Police) be required to only sell such vehicles to automotive recyclers who are appropriately Certified.
6. That the Committee notes potential conflict between responsibilities for EV Battery recycling delegated by Environment Ministers to the Battery Stewardship Council of Australia, and those responsibilities that would be expected to rest upon vehicle manufacturers under a EPR program.



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7. That unregulated export of electric vehicle batteries be banned.

Information in support of these recommendations is outlined below.

### **3. Australian Regulation Mirroring the European EV Battery Regulations and Battery Passport**

In the EU, from 18 February 2027 each electric vehicle battery placed on the market or put into service is required to have an electronic record ('battery passport'). The battery passport is to be accessible through a QR code.

The economic operator placing the battery on the market must ensure that the information in the battery passport is accurate, complete and up to date. It is to be based on open standards and be in an interoperable format, transferable through an open interoperable data exchange network.

A battery passport ceases to exist after the battery has been recycled.

The EU regulations also specify extended producer responsibility (EPR) obligations for producers of batteries they make available on the market for the first time within (in our case) Australia.

Producers must pay financial contributions to cover the following costs:

- costs of separate collection of waste batteries and their subsequent transport and treatment (including recycling)
- costs of carrying out compositional surveys of collected mixed municipal waste
- costs of providing information on prevention and management of waste batteries
- costs of data gathering and reporting to the competent authorities

A Producer is defined as any manufacturer, importer or distributor that, irrespective of the selling technique used, including by means of distance contracts, either manufactures batteries under its own name or trademark, or has batteries designed or manufactured and supplies them for the first time under its own name or trademark, or resells under its own name or trademark, batteries, supplies for the first time directly to end-users, whether or not they are private households.

The EU regulations provide the foundation for an internationally consistent framework for EV Battery identification and traceability. It is appropriate they be reflected to the greatest possible extent in Australian regulation.

### **4. Traceability of EV Batteries through their Life Cycle**

#### **a. Traceability of EV Batteries in Registered Vehicles**

Implementing a nationally consistent EV battery traceability regime in Australia will require cooperation between federal and State and Territory governments, but much of the framework for such traceability is already in place.

Road Authorities in each State and Territory currently register the details of all motor vehicles allowed to be driven on Australian roads. They register the current operator (owner) of that vehicle, and record transfer of ownership between persons or businesses. This data is automatically transferred to the national vehicles database (NEVDIS).



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Each State and Territory database contains a field to record the Chassis number of each vehicle. As EVs do not have a chassis number the existing chassis number field can be used to record the Battery Passport number of each EV.

This represents a low cost easy to implement mechanism that would enable traceability of an EV battery from the time a vehicle is imported into Australia until that vehicle is no longer on the road.

In circumstances where a battery is replaced in an Electric Vehicle whilst the vehicle is still registered for road use, the change in battery ID would be notified to the relevant road authority in the same way that a change in engine number is currently notified to road authorities.

### b. Traceability of EV Batteries at Vehicle End-of-Life

#### Insurance Total Loss Vehicles

It is the practice of all Australian vehicle insurers to assume ownership of Total Loss Vehicles (that is insured vehicles where the owner is paid out by the insurer) and to sell those vehicles at auction.

To ensure continuing traceability of the EV Battery there should be a requirement that insurers only sell Total Loss EVs to auto recyclers who are Certified as having the capability to electronically record the transfer of the Battery ID from the previous owner to that business, and electronically record the transfer of the Battery ID from that auto recycler to a licensed EV battery recycler.

#### Abandoned or Impounded Vehicles

Significant numbers of vehicles are abandoned or impounded and end up in the possession of Councils or Police. These vehicles are auctioned or otherwise transferred by those agencies to auto recyclers.

ARAA submits that all government agencies disposing of EVs only dispose of them to auto recyclers who are Certified as having the capability to electronically record the transfer of the Battery ID from the previous owner to that business.

### c. Motor Traders "Police Book"

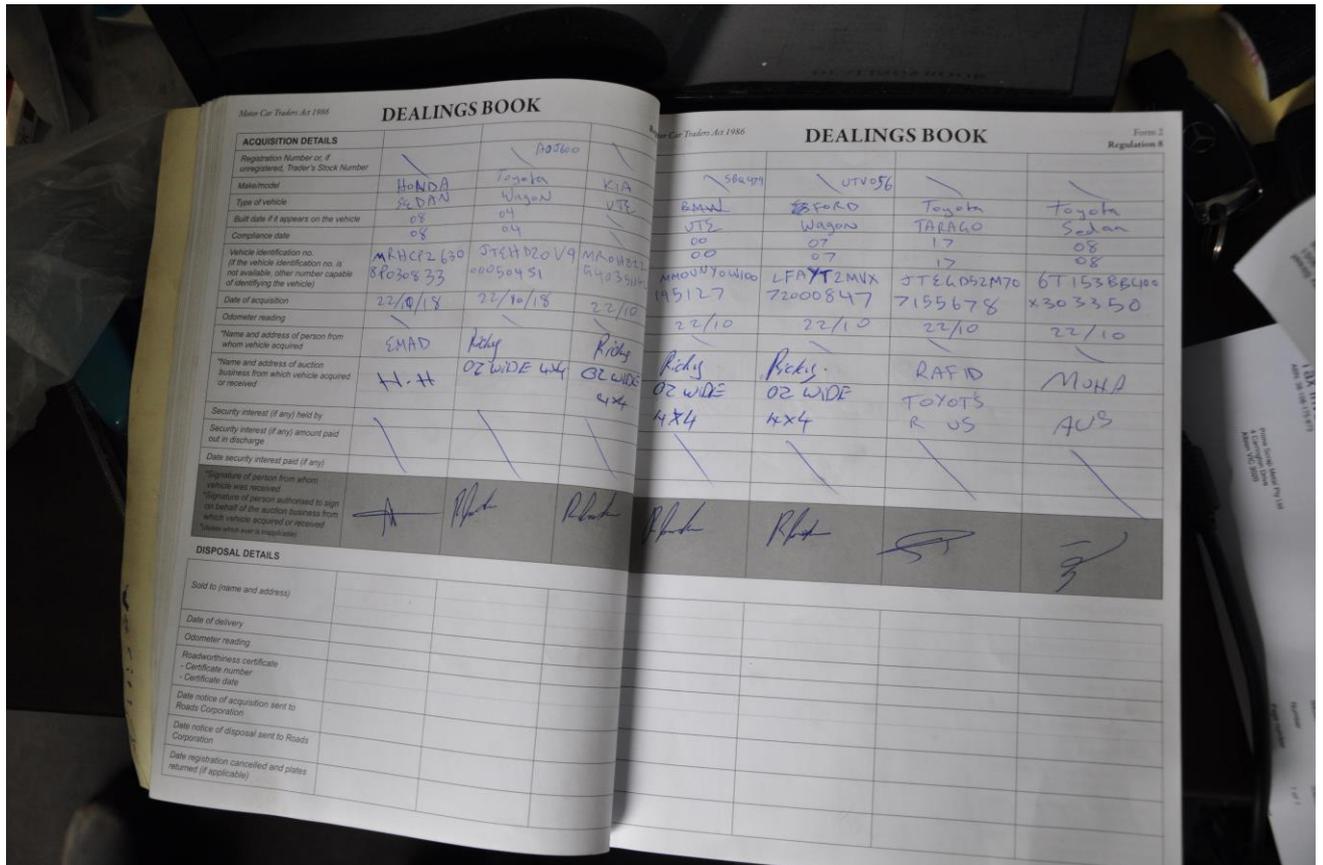
Each State and Territory already requires Licenced Motor Car Traders (LMCTs), Second hand dealers, auto recyclers and scrap metal traders (or similarly defined entities who deal with end-of-life motor vehicles) keep a **Dealings Book** - commonly referred to as a Police Book.

Each business across Australia who deals with end-of-life motor vehicles must keep such a book (and in almost every case does). They are required to record basic details of all transactions relating to vehicles.

In a significant proportion of cases however these are paper-based books. A sample is show below:



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These paper-based records provide no effective basis for traceability or accountability of vehicles handled by the business.

Searching is tedious and accuracy is reliant on legible handwriting and accurate VIN number recording (both of which are fraught). Handwritten records do not in practice facilitate traceability and accountability of ELV Parts.

Leveraging regulations that already exist, ARAA recommends that each State and Territory require their Motor Vehicle Dealings Books to be maintained in an electronic form that can be submitted electronically on request to the relevant authority.

#### d. Transfer of an End-of-Life EV from Public to an Auto Recycler

The final link in the EV Battery traceability chain is to record the transfer of ownership of an EV from a member of the public to an auto recycler. In the majority of cases the vehicle being transferred is not registered for road use (the registration has lapsed).

It is submitted that if the steps recommended above to ensure traceability of EV batteries are implemented, there would be very few auto recyclers who are not Certified as EV Recyclers.

It would in effect be uneconomic for an uncertified business to commercially deal with an EV battery. Certified businesses would be required as part of their Certification to maintain an electronic register of vehicle purchases and prescribed parts sales.



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### 5. Extended Producer Responsibility for EV Batteries

The federal government has provided \$1 million in funding for Australian vehicle manufacturers (OEMs) to investigate establishing a Product Stewardship Scheme for End-of-Life Vehicles.

This \$1 million grant was provided to vehicle manufacturers, through their representative body the Federated Chamber of Automotive Industries (FCAI), in April, 2022.

It would be expected that a critical element of such a scheme would be to assist OEMs in meeting their obligations in regard to management of batteries from end-of-life EVs. This would include ensuring systems are in place to manage the traceability of such batteries.

It is of deep concern that after two and a half years there has been little tangible progress in the establishment and operation of such a scheme.

Committee members will be aware of a number of submissions to the Inquiry that have raised concerns about the slow pace of preparation in Australia for the transition to EVs. They have highlighted the need for urgent action.

A significant barrier to progress in regard to management of end-of-life EV batteries appears to be that FCAI (along with the Motor Trades Association of Australia) advocated for a Product Stewardship Scheme model that is inconsistent with the model adopted by almost all Product Stewardship schemes so far established in Australia.

The FCAI and MTAA influenced the consultant engaged to undertake an industry study to recommend a Co-Regulatory Product Stewardship Scheme rather than a Voluntary Scheme (which could be implemented much more quickly and at less cost).

The FCAI engaged Deloitte to undertake this industry study. Deloitte prepared a report that clearly evidenced their preference for initial introduction of a Voluntary Scheme. But they were told by FCAI and MTAA not to investigate or recommend this. Their Report notes:

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#### **Recommended approach to establishing a co-regulatory scheme**

There are multiple pathways to drive the development and establishment of a co-regulated scheme, including the establishment of an initial voluntary, industry-led scheme before transitioning towards a co-regulatory regime. ***However, upon engagement with industry stakeholders and consultation with FCAI and MTAA leadership, it was made clear that the implementation of an initial voluntary scheme prior to the establishing of a co-regulatory scheme would significantly delay*** the achievement of the key outcomes.

Deloitte did not do any financial modelling or analysis of timeframes associated with a Voluntary Product Stewardship Scheme because they were told by FCAI and MTAA leadership that such an approach would “delay the achievement of key outcomes”. But there is no discussion in the Deloitte Report as what “key outcomes” would be delayed, or how a Voluntary Scheme would delay their achievement.



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We note that in arriving at their conclusions and developing their proposals Deloitte did not engage with the sector of the auto recycling industry that processes most ELVs in Australia.

The Deloitte research was funded by \$1 million of public funds, and it was conducted on the eve of major regulatory changes being implemented by the EU that will significantly impact the future management of EV batteries.

The Deloitte recommendations however appear not to reflect the need for steps to be taken in the immediate future to prepare Australia for the transition to EVs.

ARAA submits that the Committee recommend further consideration be given to implementing a Voluntary Product Scheme for ELVs so as to ensure an effective Extended Producer Responsibility (EPR) regime for managing end-of-life electric vehicle batteries is operational within a timeframe that coincides with the introduction of EV Battery traceability regulation.

### **6. Vehicle manufacturers to provide EV Battery safety data to the International Dismantling Information System (IDIS) database**

The IDIS system is an advanced and comprehensive information system for dismantling of End-of-Life Vehicles (ELV). It contains safe handling information for all vehicle brands with a focus on airbag deployment and handling and treatment of high voltage batteries.

It operates throughout the EU, the UK, China, Japan and Korea. Each vehicle importer (OEM) who operates in Australia provides information to IDIS relevant to the models they supply in each of the above markets.

This essential safety information is available to auto recyclers at no cost through a single centralized source.

However the Australian subsidiaries of those multinational OEMs do not subscribe to IDIS. They do not make EV battery safety instructions available to Australian auto recyclers through a single portal and at no cost.

Safety instructions issued by OEMs in regard to every EV model they supply in Australia clearly state that a must dismantler consult the OEM instructions specific to that model before handling the EV Battery.

A typical auto recycler may receive between 10 and 50 vehicles per week at their business. These will comprise a multitude of makes and models. It is frankly not practical for the recycler to look up multiple OEM websites, and navigate through a range of models in each, to find instructions specific to a vehicle they are about to dismantle.

ARAA submits that the Committee recommends Australian OEMs submit EV safety information for each model they release in Australia to the IDIS system.



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### **7. Clarifying Accountability for EV Battery Stewardship between Battery Stewardship program and ELV Stewardship Program**

A meeting of Environment Ministers in 2018 determined that electric vehicle batteries and battery energy storage systems stewardship would fall within the mandate of the Battery Stewardship Council (BSC).

This decision was made in the absence of an alternate Product Stewardship being available to undertake the stewardship electric vehicle batteries.

The EU Battery Regulations place responsibility for EV battery stewardship on the “Producers” of those batteries. As previously noted, in regard to EV batteries, “Producers” means manufacturers or retailers of the vehicles containing those batteries.

There is potential for difficulties to arise in determining accountability for various aspects of the EV Battery lifecycle, and particularly relating to the funding of battery recovery operations.

A Product Stewardship Scheme for End-of-Life motor vehicles may need to be funded by an ACCC endorsed levy applied to vehicle imports.

Such funding will need to cover costs associated with oversighting end-of-life vehicle processing including recovery and recycling of oils, fluids, and other materials. Recovery of batteries will make up a significant proportion of the ELV processing costs.

If both an ELV Product Stewardship scheme and a Battery Product Stewardship scheme are making claims upon the funds able to be levied to support battery recovery, there is a risk of duplication of effort and systems and additional costs being incurred in the recovery process.

ARAA believes it is important that the Committee be aware of this potential. Auto recyclers should not be required to deal with two different systems to account for the products they remove and recycle from end-of-life vehicles.

The Committee may wish to recommend that the 2018 decision of Environment Ministers mandating stewardship of EV Batteries to the BSC be reviewed in the context of a Product Stewardship scheme for End-of-Life Vehicles being established, and EPR responsibility for EV batteries being clarified.

### **8. Restricting the Export of Electric Vehicle Batteries**

The National Motor Vehicle Theft Reduction Council reported in late 2021 that the rate of exportation of vehicle parts and accessories from Victoria has been on a steady increase during the past decade, with a total value of \$71M in 2019-20, being Victoria’s third highest export. This same situation applies in New South Wales and Queensland, and to a lesser extent in other States

End-of-life vehicles and vehicle components are being exported in significant numbers to the United Arab Emirates (UAE), Egypt and Malaysia. These are longstanding centres for automotive trade due to the absence of taxes or import/export duties along with geographical accessibility to buyers around the globe.



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ARAA believes it is likely that the international market for Electric Vehicle components, and particularly EV batteries, will be at least as strong as the market for ICE Vehicle components, and it may be greater.

If export of separated Electric Vehicle Batteries is allowed, this will be a significant source of leakage in terms of traceability and environmentally competent recycling of such batteries.

Australia is a signatory to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. The Basel Convention is a global control system for importing and exporting hazardous waste. Under this Convention the export of motor vehicle components containing hazardous wastes is not permitted.

If export of EV Batteries is to be controlled, this would probably require such batteries being declared Hazardous Waste, which would then provide a platform to control such export.

This in conjunction with the traceability measures proposed above would significantly limit the numbers of EV Batteries being exported.

It is recommended the Committee refer this issue for further consideration within the Department.

### **9. Automotive Recycling Industry Metrics**

#### Industry Metrics:

Industry Revenue -	\$1.25 billion
Number of Establishments –	1800
Employment –	4500 persons
Number of Vehicles Scrapped:	840,000 units
Scrapage Growth Rate (over past 5 years):	4% per annum

#### Industry Concentration:

Industry is very fragmented (vast majority of businesses are owner operated);  
Industry concentration is low due to ease of entry

#### Products & Services of the Australian Auto Recycling Industry:

Used Parts Dealing:	50% of industry revenue
Motor Vehicle Export & Scrapping:	40% of industry revenue
Importing New & Used Car Parts	5% of industry revenue
Service, Repair and Installation	5% of industry revenue

#### Geographic spread of businesses:

Victoria:	29%
New South Wales:	28%
Queensland:	19%
Western Australia:	10%
South Australia:	10%
Tas, NT, ACT:	4%



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### **10. The Auto Recyclers Association of Australia Limited (ARAA)**

The Auto Recyclers Association of Australia Limited (ARAA) was formed in 2010 for the purpose of providing national representation for the auto recycling industry.

The motivation for establishing ARAA was to create an industry regulated national Certificated Automotive Recycler (CAR) program. This program would recognise (and badge) businesses who met internationally accepted auto recycling standards in terms of compliance with environmental, workplace health and safety and consumer (customer service) regulations.

This industry regulated Certification program was required to ensure integrity of the Cleaner Car Rebate Scheme (CCRS) - colloquially termed the “Cash for Clunkers” scheme - proposed by the Federal Government in 2010.

In the end the CCRS did not proceed, but the national Certificated Automotive Recycler (CAR) program established by ARAA at the time remained operational.

#### **ARAA International Collaborations**

ARAA has in place close international collaborations with the auto recycling associations in Japan, Korea, Malaysia and India. It also has connections with the auto recycling industry in China. These collaborations enable information sharing on evolving regulations and industry practices in those countries.

### **11. ARAA Programs**

#### **a. NADI Buy-back Vehicles Recovery and Destruction Program**

ARAA provided buy-back vehicle services which included collection, traceability and evidence of destruction for 7076 vehicles for the following manufacturers:

- BMW
- Ford
- Honda
- Mazda
- Mitsubishi
- Toyota

Collections were from every State & Territory capital city, from almost all regional centres through each State and Territory and from some of the most remote areas of Australia.

This involved engaging with Towing operators, Scrap yards, Council tips as well as auto recycler businesses in every corner of Australia.

Examples of remote recoveries included Flinders Island (off Tasmania), Jingellic (Snowy Mountains), Bourke (NSW), Lord Howe Island (Queensland), Thursday Island (North Queensland), Howitt (Cape York), Katherine (NT), Kununurra (WA), Broome (WA), Esperance (WA), Streaky Bay (SA).



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### **b. Salvage Takata Airbags Recovery Program**

Over a period of five years from 2018 to 2023 ARAA provided collection, traceability and evidence of destruction for some 25,000 Affected Takata Airbags and 85,000 Certificates of Destruction for the following manufacturers:

- BMW
- Chrysler
- Ford
- Holden
- Honda
- Mazda
- Mercedes Benz
- Mitsubishi
- Nissan
- Subaru
- Toyota

ARAA has worked closely with Manheim (Cox Automotive) and Pickles and assisted them in clearing many thousands of Affected Takata Airbags in auction yards in each State and Territory and many regional centres.

### **c. Salvage Takata Airbags Recovery Program**

ARAA's Regional Australia recovery program covered the regional areas of each State and Territory. The following maps show the locations visited by our Field Technicians:

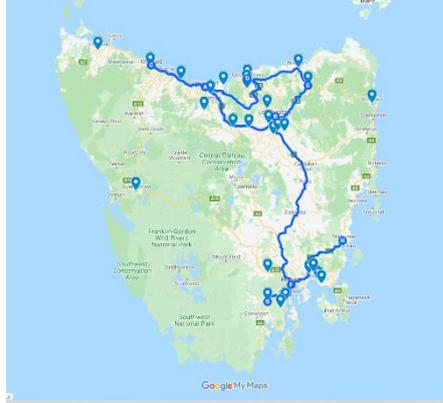


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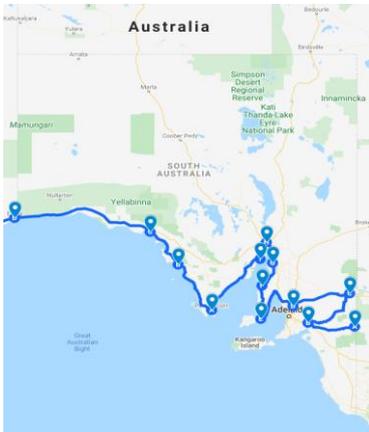
Victoria



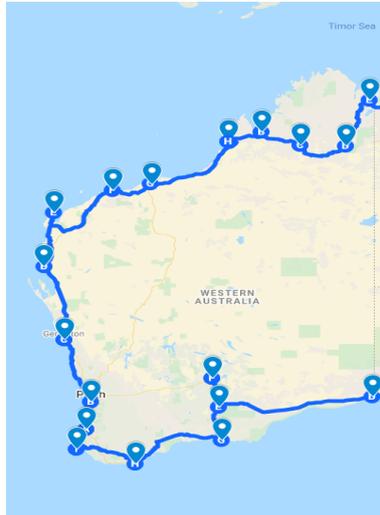
Tasmania



South Australia



Western Australia



SA, NT and Queensland



NSW

