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Committee Secretary
Senate Environment and Communications Committee
Po Box 6100
Parliament House
Canberra ACT 2600

By email: ec.sen@aph.gov.au

Dear Members of the Committee,

Motor Vehicle Standards (Cheaper Transport) Bill 2014 Inquiry

EDOs of Australia welcome the opportunity to provide comment on the *Motor Vehicle Standards (Cheaper Transport) Bill 2014 (the Bill)*.

We are a network of independent not-for-profit community legal centres specialising in public interest environmental law. EDOs have 30 years' experience advising Australian communities on using the law to protect the environment, including advice, casework, education and law reform.

This submission reflects our role as experts in environmental and planning law and policy. We are not experts in technical emissions standards or the economics of the car industry.

In summary, EDOs of Australia **supports** the Bill's rationale and policy intent to introduce new mandatory carbon pollution standards for light vehicles in Australia. In our view, evidence suggests that these standards would be a cost effective way to contribute to Australia's mitigation challenge by reducing the carbon intensity of our motor vehicle fleet. These standards could be given effect either as a standalone Act or as a new part in the *Motor Vehicle Standards Act 1989* (Cth). We submit that the Committee should also consider increasing the level of penalties, the range of remedies (including civil remedies) and cost recovery options under the Bill. To ensure that they work to their full potential, the standards need to be designed carefully, and operate as a part of a broader set of policies to reduce Australia's carbon emissions.

This submission addresses:

1. *What the Bill does*
2. *The rationale for carbon emission standards*
3. *Environmental and economic benefits of vehicle emission standards*

4. *Australia's light vehicle efficiency compare with other countries*
5. *Legal mechanisms and penalties, and*
6. *Complimentary policies to reduce transports emissions.*

1. **What the Bill does**

In brief we understand that the Bill would:

- phase-in mandatory carbon emission standards for *new* passenger vehicles and light commercial vehicles from 2017 (clause 4) – existing cars are not affected;
- set CO₂ emission standards of 130g/km for 2017-20 and 95g/km for 2021-22;¹
- set escalating penalties for cars sold that exceed carbon emissions standards (clauses 5-6);
- require new vehicle suppliers (i.e. manufacturers or importers²) to submit public annual returns on emissions to the Clean Energy Regulator, with penalties for late returns and other offences (clauses 13-16); and
- require a review of emission standards and government response in 2020-21 (clause 19).

The Bill's rationale and approach generally reflect the Climate Change Authority's 2014 report on *Light Vehicle Emissions Standards for Australia (CCA Report)*.³ The Bill also broadly reflects several recommendations made in our 2011 *Submission on Light Vehicles CO₂ Emissions Standards for Australia* to the Department of Infrastructure and Transport. We attach that submission for your further information (at **Attachment A**).

2. **The rationale for carbon emission standards**

The case for introducing greenhouse emission standards has been building for several years. While Australia has had road vehicle emissions standards in place 'since the 1970s'⁴ to deal with air pollution – and these are incrementally increasing – Australian standards *do not* set limits on greenhouse emissions from carbon dioxide.

The CCA Report builds a strong case for government regulatory intervention and provides a solid foundation for the Bill. In summary:

- light vehicles represent 10 per cent of Australia's greenhouse emissions;

¹ Bill clause 4. i.e. 130 grams (or 95 grams) of carbon dioxide (CO₂) emitted per kilometre travelled.

² See definition of *chargeable vehicles* in clause 3; see also clause 4(2) on importers/manufacturers.

³ Climate Change Authority, *Light Vehicle Emissions Standards for Australia – Research Report* (June 2014), www.climatechangeauthority.gov.au/files/files/Light%20Vehicle%20Report/Lightvehiclesreport.pdf

⁴ See Department of Infrastructure and Regional Development, 'Vehicle Emission Standards', at <https://infrastructure.gov.au/roads/environment/emission/>. These are set under the *MVS Act 1989*.

- these emissions have significant environmental impacts, but there are various barriers to addressing them in other ways (including ‘market failures’ to voluntarily price pollution efficiency, behavioural and organisational barriers⁵);
- carbon emission standards will reduce environmental impacts *and* save motorists money on fuel;
- globally, 70 per cent of cars are sold into markets with emissions standards; and,
- without standards, Australia misses out on the most efficient model variants.

3. Environmental and economic benefits of vehicle emissions standards

The CCA highlighted in its 2014 Report the strong case for imposing legally-binding standards to reduce Australia’s carbon emissions and lower motorists’ fuel bills.

The transport sector accounts for about 16% of Australia’s total greenhouse gas emissions. The majority of these emissions are produced by light vehicles,⁶ so mandatory standards aimed at improving their efficiency will make a meaningful contribution to Australia’s carbon footprint. The CCA estimated that a target (standard) of 105g CO₂/km by 2025 will reduce Australia’s emissions by 59 million tons CO₂ by 2030.⁷

Standards would also lead to significant benefits for Australians that own passenger cars and light commercial vehicles. The CCA estimated that a target of 105g CO₂/km by 2025 could increase the average cost of a new car by \$1,500, but that this would be easily offset by savings in fuel efficiency of \$8,500 over the life of the vehicle.⁸

Importantly, the CCA discovered that stronger standards lead to larger net benefits to the consumer and greater emissions reductions.⁹ In light of this relationship, we support the Bill’s proposal for a target (95g CO₂/km by 2023) that is stronger than that which was proposed by the CCA.

4. Australia’s light vehicle efficiency compared with other countries

Based on CCA figures, in 2013, Australia’s fuel efficiency was at 192 grams CO₂ per kilometre travelled. Although this represents an improvement on previous years, Australia’s vehicle emissions intensity remains well above the standards in many comparable countries:

- The United States had a higher vehicle emissions intensity compared to Australia in 2013, it has set a target of 107g CO₂/km for 2025;

⁵ For example, buyers undervalue efficiency improvements; social costs of pollution aren’t factored in; past voluntary targets were significantly higher than those in the Bill, and some targets were not met.

⁶ CCA Report 2014 p. 5.

⁷ CCA Report 2014 p. 51.

⁸ Calculated on the basis of an assumed average vehicle life of 15 years. CCA Report 2014 p. 47.

⁹ CCA Report 2014 p. 45.

- The European Union has set a 2025 target of 73g CO₂/km (reduced from 127g CO₂/km in 2013) (although we note that light *commercial* vehicles are excluded from EU standards); and
- Japan and China have also legislated standards that require a reduction in aggregate emissions intensity from their motor vehicle fleet.¹⁰

While Australia may benefit from improved standards overseas given it already imports almost all its light vehicles,¹¹ without mandatory standards it is likely that manufacturers will continue to allocate their most efficient model variants to markets with emissions standards.¹² New Australian standards would avert this.

5. *Legal mechanisms and penalties*

The Committee may wish to consider whether emission standards are best given effect in a standalone Bill or as a new Part to the *Motor Vehicle Standards Act 1989*. We understand that Act is under review.¹³ We did not participate in that review, but we note the discussion questions did not focus on environmental standards; and that despite the CCA report, carbon emission standards remain notably absent to date. If this gap in existing legislation persists, targeted standalone legislation may be warranted.

Whichever is the preferred instrument, it must also contain appropriately strengthened compliance, monitoring and enforcement provisions. This Senate inquiry comes at a time of renewed focus on emissions standards in light of the global Volkswagen diesel emissions scandal, reinforcing the need for emissions oversight and auditing. The Committee should consider increasing the level of penalties and the range of remedies available under the relevant instrument to deal with large-scale corporate incidents such as these (unless it is demonstrably clear that consumer laws can do so effectively). This should include civil penalty options and open standing for community enforcement.¹⁴ ‘Cost recovery’ options should also be considered so that regulatory costs are built in to the system, consistent with a *polluter pays* approach.¹⁵

¹⁰ CCA Report 2014 p. 65.

¹¹ CCA Report 2014 p. 64.

¹² CCA Report 2014 p. 32-3.

¹³ See: https://infrastructure.gov.au/vehicles/mv_standards_act/.

¹⁴ See, for example, *Protection of the Environment Operations (POEO) Act 1997* (NSW), Parts 8.3 (Court orders in connection with offences) and 8.4 (Civil proceedings to remedy or restrain breaches).

¹⁵ The *polluter pays principle* is a component of *improved valuation* under the principles of *ecologically sustainable development*. See for example, *Environment Protection and Biodiversity Conservation Act 1999* (Cth), s 3A(e); see further *Protection of the Environment Administration Act 1991* (NSW), s 6(2):

(d) *improved valuation, pricing and incentive mechanisms—namely, that environmental factors should be included in the valuation of assets and services, such as:*

(i) *polluter pays—that is, those who generate pollution and waste should bear the cost of containment, avoidance or abatement, ...*

6. Complimentary policies to reduce transport emissions

National emissions standards for light vehicles are an important step in the right direction, but they form only one part of the policy solution to Australia's climate change mitigation challenge. Other policy measures are needed to encourage motorists to move towards cleaner forms of transport and further reduce the transport sector's significant greenhouse gas emissions. Examples of such policies can be found in our 2011 submission at **Attachment A** and in the 2014 CCA Report.

We hope this submission is of assistance to the Committee. For further information please contact me by email or phone on (02) 9262 6989.

Yours sincerely,
EDOs of Australia

Mr Nari Sahukar
Senior Policy & Law Reform Solicitor
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ATTACHMENT A:

**Australian Network of Environmental Defenders Offices (EDOs of Australia) –
Submission on Light Vehicles CO2 Emissions Standards for Australia**

30 Nov 2011

[\[PDF 164 KB\]](#)