



Submission to the Senate Standing Committee on Economics on the COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020

Thank you for the opportunity to comment on this bill.

We would like to explain why there should be no road tax on electric vehicles in Australia, at least until their relative price is well below that of ICE vehicles, and their numbers far greater.

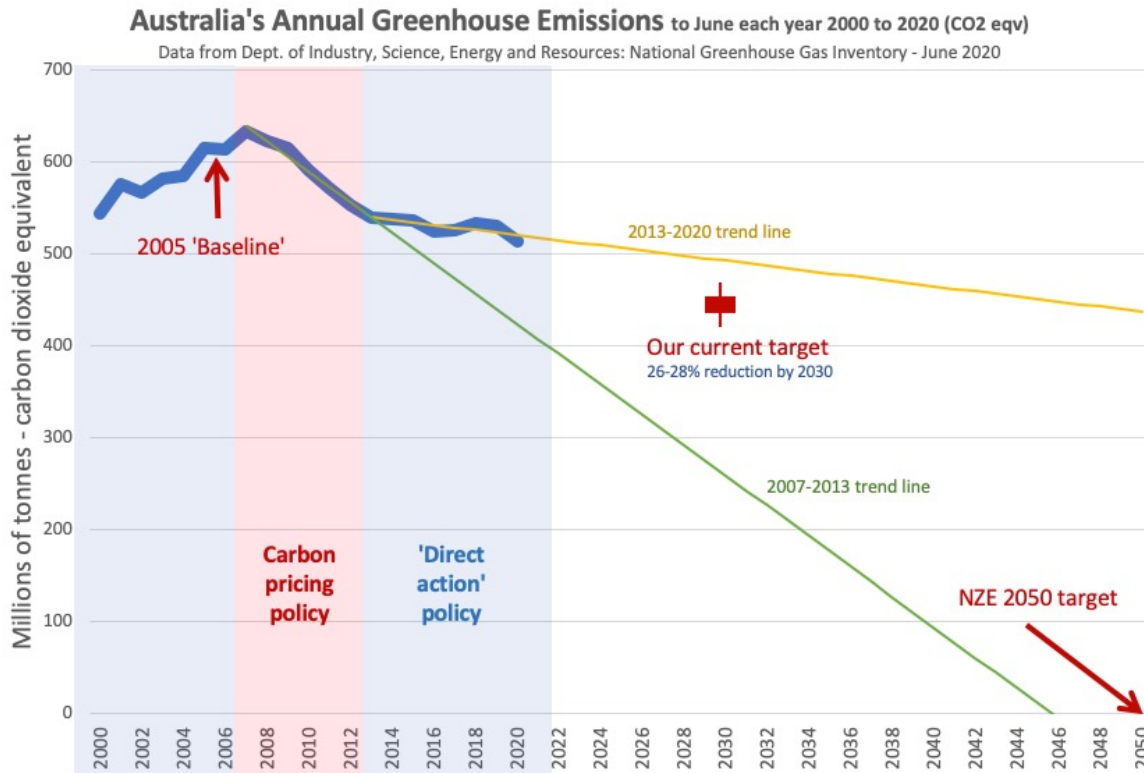
Electric vehicles (EVs) provide too many benefits for Australia not to support their urgent rollout by minimising the cost of ownership to those willing to invest in them.

The cost of EVs is currently higher than traditional internal combustion engine (ICE) vehicles because of the high cost of the very large batteries they need. Battery prices are coming down while their energy density is improving so that vehicles with reasonable range are slowly becoming more affordable. Analysts suggest that by 2025 the cost of electric vehicles will be on par with their equivalent internal combustion engine vehicles. Until we are well past that point we need to encourage the uptake of electric vehicles by minimising the cost of EV ownership in other ways.

The advantages of EVs to Australia:

- They reduce our reliance on imported fuels improving our national fuel security and helping grow our energy stockpile within Australia.
- The very large batteries in EVs (2 to 5 times larger than home batteries) can effectively act as part of our energy infrastructure store.
- Sourcing our energy from within Australia supports more local jobs and improves our trade balance.
- EV's can be charged at times suited to balancing grid demand, thereby assisting in transitioning the grid to support renewable energy generation sources.
- EVs are an essential part of Australia's transition to net zero greenhouse gas emissions, which has to be complete within the next 30 years.
- Registration figures show that the average Australian vehicle stays on the road for just on 20 years. Given that, we need to transition to 100% of all new vehicles being electric (or hydrogen) from 2030 onwards. Currently only 0.4% of new vehicles sold in Australia are electric. This compares with worldwide sales of EVs approaching 5.0%

A far more rapid take-up of electric vehicles is essential if we want to have any chance of meeting our "net zero emissions by 2050" target. Our current status can be seen in the graph below:



With reference to the currently proposed EV tax:

Such a tax would be inconsistent and unfair. Yes it is appropriate to have some form of tax on all vehicles that use public roads and something to replace the fuel levy makes good sense in the longer term, but:

- this has historically been a federal tax not a state one
- It would be inconsistent to tax EVs as much given that the fuel levy applied to LNG vehicles is a tiny amount in comparison. The government deemed many years ago that LNG use should be supported as a more desirable fuel. Electricity, especially when sourced from renewable energy, is a fuel source far more desirable than LNG from health, safety and environmental perspectives.
- Current proposals by individual States to implement a state-based tax on electric vehicles appears to be an attempt at taking the place of the federal fuel levy intended for that purpose.
- If such a tax were to be implemented to cover wear and tare on the road network, then to maintain a level playing field for vehicle expenses, there should also be a tax on vehicles which emit pollutants into the air to pay for medical costs and the long term effects of climate change. The air is a far more vital resource than even our roads to maintain.
- Applying such a tax before EVs become a sizeable portion of road users would not only slow down their vital growth in the market, it would also amount to relatively little income for all the effort.

Other countries are subsidising the uptake of EVs because of the environmental benefits. For instance, the UK, USA, Canada, Japan and members of the EU are subsidising new EVs to the tune of \$5,000-\$10,000AU for each vehicle. Some are also providing free registration and other benefits. Australia would stand as the only country in the world to add an additional tax for EVs instead of encouraging them.