



# LIGHT VEHICLE EMISSIONS STANDARDS FOR AUSTRALIA

## Statement by the Chair, Mr Bernie Fraser

26 June 2014

Australia could almost double the fuel efficiency of its new vehicle fleet by 2025, save motorists thousands of dollars over the life of their vehicles, and significantly reduce greenhouse gas emissions – all by introducing mandatory emissions standards for light vehicles.

A new report released by the Climate Change Authority today says that improving the efficiency of light vehicles is one of the least costly emissions reduction options available to Australia. Passenger and light commercial vehicles (light vehicles) contribute 10 per cent of Australia's emissions. In its report, *Light vehicle emissions standards for Australia*, the Authority argues that a mandatory standard is the best policy for improving the efficiency of the light vehicle fleet.

Australia is unusual in the developed world in not having mandatory emissions or fuel economy standards. The United States, Canada, the EU, Japan and Korea all have mandatory standards. China and India also have mandatory standards, and both have more efficient passenger vehicle fleets than Australia.

The Authority proposes that the first phase of mandatory standards be introduced with effect from 2018, by which time local manufacture of automobiles is expected to have ceased. The standards would progressively reduce carbon dioxide emissions from new light vehicles to 105g/km in 2025, almost half the current level of 192g/km. This 2025 standard would broadly bring Australia into line with the United States, and still trail the tighter European Union targets by several years.

It is proposed that the targets would be set as an average across the fleet as a whole, rather than be applied to individual vehicles. This fleet-average approach would preserve customer choice in the purchase of light vehicles.

Implementation of a standard to reduce carbon dioxide emissions to 105g/km is estimated to increase the average cost of a new car in 2025 by about \$1500. This, however, would be offset several times by fuel savings of about \$8500 over the life of the vehicle, leaving motorists better off. The proposed standard is projected to avoid 59 million tonnes of greenhouse gas emissions over the period to 2030, equivalent to the current annual emissions of all light vehicles.

The details of the standard would be a matter for the Government of the day to finalise but the Authority has identified some possible best-practice design features, including:

- coverage of new passenger and light commercial vehicles under a single standard
- flexible compliance mechanisms to reduce regulatory costs, including 'banking' and limited 'borrowing' of compliance credits
- using existing testing processes, to minimise regulatory burdens
- financial penalties for non-compliance.

The Authority has also suggested that a review be held in 2021 to consider the operation of the scheme, and to recommend new national average standards for a second phase, which would begin after 2025.

Mr Fraser said that the proposed standard was a win-win for the environment and for motorists. He expressed the hope that the proposal would be embraced by the major political parties and even mark the beginning of a necessary broad political consensus on effective climate change policy.

**Background note**

*The Climate Change Authority is an independent statutory body established in 2012 to provide expert and balanced advice on climate change policy issues (including Australia's emission reductions goals). It comprises members with considerable expertise in relevant disciplines, including climate science and economic policy, and is backed by an experienced and independent secretariat. The Government has introduced a Bill to abolish the Authority; that Bill is still before the Parliament.*