

# Fuel Efficient Cars

*It's time for effective mandatory standards*



THE  
GREENS



## Background

***Road transport amounted to 12% of Australia's total carbon dioxide emissions in 2006, and the largest source of these emissions was passenger cars.<sup>1</sup> That means that improving the fuel efficiency of passenger vehicles is vital for tackling the climate crisis.***

More efficient cars would also reduce Australia's vulnerability to higher oil prices as a result of Peak Oil. Australia has become dependent on importing foreign oil and it makes no sense to delay action to reduce our exposure. Shielding consumers from oil price volatility is particularly important for low income earners who are most vulnerable to petrol prices. They are more likely to live in outer suburbs which are poorly serviced by public transport, and generally purchase cars from the second hand market, where there are fewer opportunities to invest in efficient vehicles.

Internationally, a number of states have adopted mandatory standards for vehicle fuel efficiency. For example, Europe is in the process of legislating for a target of 130g CO<sub>2</sub>/km by 2015. Where mandatory schemes have been enacted, they have resulted in more ambitious targets, and have been more effective at reducing emissions.

Despite resistance from the domestic manufacturing industry, improving the fuel efficiency of cars manufactured in Australia would make the industry more financially competitive. As Australians have started to move away from large passenger vehicles, sales of domestically manufactured cars have decreased; domestic sales now depend on fleet purchasing policies. Our largest export market is Saudi Arabia, with 75% of exports sold in the Gulf States where petrol is the cheapest in the world. These trends suggest that if car manufacturing is to continue in Australia, we need to start producing more efficient vehicles.

<sup>1</sup> Department of Climate Change. (2008). National Greenhouse Gas Inventory 2006. Canberra: Commonwealth of Australia.

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## The Greens Initiative

### *Mandatory fuel efficiency standards*

The automotive industry accepted a voluntary target of 222g/CO<sub>2</sub> per kilometre by 2010; this target was met ahead of schedule. However, as the domestic market is increasingly favouring small cars, and technology improvements which bring about efficiency improvements are already occurring, the 2009 Vehicle Fuel Efficiency Report asserted that the improvements represented business as usual trends, not a response to the target.<sup>2</sup> In July last year, COAG requested that the Department of Transport produce a Regulatory Impact Statement into a mandatory scheme for vehicle fuel efficiency. This report was originally to be made public for consultation before the end of March 2010, but has still not been released.

The Greens believe that the current scheme of voluntary standards set by the industry itself is not sufficient to bring about the ambitious fuel efficiency improvements needed. What is needed is an ambitious mandatory scheme which would bring about significant reductions in emissions. The Vehicle Fuel Efficiency Paper referred to the recent King Review, commissioned by the UK Government, which concluded that 30% fuel consumption savings are achievable for the average new light passenger vehicle in the short term (5-10 years), simply by "adopting a small selection of the most cost-effective technologies". This and similar reports concluded that the additional costs of delivering these improvements were moderate, and likely to be fully offset in 3-5 years of vehicle ownership because of lower fuel costs.<sup>3</sup> Trending towards smaller vehicles and switching from petrol to diesel, hybrid or electric technology will result in even greater fuel efficiency gains.

In light of these findings, the Greens call for a standard of 160g CO<sub>2</sub>/km to be adopted for 2015, followed by a target of equivalence with the European standards by 2020. Although yet to be finalised, at this stage it appears likely that the European standard in 2020 will be 95g CO<sub>2</sub>/km.

In order to maximise effectiveness, the scheme would:

- Mandate both short term and long term targets.<sup>4</sup>

<sup>2</sup> Australian Transport Council and the Environment Protection and Heritage Council. (2009). Fuel Efficiency Working Group: Final Report. Canberra: Bureau of Transport and Regional Economics, 13.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid: modeling by BITRE suggests that a combination of short and long term targets will be most effective in improving efficiency.

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- Avoid adopting an attribute-based standard (one in which heavier cars are subject to less stringent standards) as international experience suggests that this may promote the use of heavier vehicles.
- Set a target of at least 160g CO<sub>2</sub>/km by 2015, and equivalence with the EU standard by 2020.

## Supplementary policies

Mandatory fuel efficiency standards should be introduced in conjunction with other policies in order to maximise the effectiveness of the scheme. The Greens would:

### **a) Strengthen government procurement policies**

Corporate and government car fleets form a large proportion of new car sales so they take the lead in setting higher fuel-efficiency standards. Government fleets currently have a far higher proportion of large, inefficient cars than the private fleet. Rather than following, governments should lead in promoting fuel efficiency by adopting procurement policies that exceed the national targets.

### **b) Tie manufacturing subsidies to efficiency standards**

Taxpayers have long subsidised Australian car manufacturers, yet perversely these manufacturers have focused on large vehicles, inappropriate to a society concerned about climate change and oil depletion. Since the Australian vehicle manufacturing industry relies on Government assistance, that assistance should be conditional on substantial improvements in fuel efficient design and performance in compliance with mandatory fuel efficiency standards. Not incremental improvements but bold step changes – like a switch to plug-in hybrid technology.