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Vehicle Emissions Working Group
Department of Infrastructure and Regional Development
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Director, Fuel Quality Standards Section
Environmental Standards Division
Department of the Environment and Energy
GPO Box 787
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By email: vemissions@infrastructure.gov.au; fuel.policy@environment.gov.au

Dear Directors,

**Submission on Better Fuel for Cleaner Air; Improving light vehicle efficiency;
and Improving noxious emissions standards for light and heavy vehicles**

EDOs of Australia welcomes the opportunity to comment on these three interlinked proposals to improve harmful emissions from the transport sector. These are important components of cohesive policies for improving air quality and reducing greenhouse emissions in Australia.

We are a network of independent, not-for-profit community legal centres specialising in public interest environmental law. EDOs have over 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 have made submissions supporting vehicle emissions standards over several years – to the Department of Infrastructure in 2011; to a Senate Inquiry on the Motor Vehicle Standards (Cheaper Transport) Bill 2014 (a Private Member's Bill); and a submission to inform priorities for the National Clean Air Agreement (2015).¹

This submission addresses three Australian Government policy proposals together:

1. **Better Fuel for Cleaner Air** Discussion Paper (Dept of Environment & Energy);
2. **Improving the efficiency of new light vehicles**, Draft Regulatory Impact Statement (RIS) (Dept of Infrastructure and Regional Development);
3. **Vehicle emissions standards for cleaner air**, Draft RIS (Dept of Infrastructure and Regional Development); and in addition to these policies –
4. Complementary measures and federal-state coordination on planning.

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In summary, we continue to support the adoption of stringent vehicle emission and fuel quality standards. Our key recommendations are as follows:

- i. **Fuel quality standards:** EDOs of Australia supports new standards as in **Option D** of the Department of Environment & Energy's Discussion Paper.
- ii. **Light vehicle efficiency (greenhouse gas):** Of the options presented in the Draft RIS, **Target A** should be supported at a minimum (105g CO₂/km by 2025). The final RIS should also consider two further options – one that commences earlier than 2020; and one with more stringent CO₂ emissions standards than Target A.
- iii. In parallel, Government should also consider options to mandate greenhouse efficiency standards for *heavy* vehicles (not addressed in the draft RIS).
- iv. **Noxious emissions standards:** Of the options presented in this Draft RIS, we support **Option 6** – that is, adopting Euro 6d and Euro VI standards for light and heavy vehicles (respectively), including mandatory real-world testing. This option modelled the highest health and highest environmental benefits.
- v. **Other regulatory and policy measures:** are needed at federal, state and local government levels. In particular – to assess and plan for sustainable settlements and transport options (public transport, walkable communities); to encourage motorists and industry to move towards cleaner transport (including electric vehicles); and to reduce the transport sector's significant and growing greenhouse emissions. The Fuel Tax Credit Scheme for diesel should also be independently reviewed to reduce its scope and eligibility, and ultimately phase it out on environmental, health and budgetary grounds.
- vi. **Future reviews to ensure continuous improvement:** Legislation and policy should require further review of these standards, beginning well before 2025.

The Australian community deserves the environmental, public health and cost-of-living benefits of these improved standards. As the Government recognises, maintaining Australia's air quality will be a challenge in light of urbanisation, population and industrial growth.

We are concerned that improvements have already been subject to delay, despite previous departmental RIS processes and expert reports. Meanwhile other jurisdictions including in Europe, the US and Asia have continued to improve emissions standards. Further delays or lengthy implementation periods would mean Australians continue to miss out on the benefits of stringent standards, and will only increase the regulatory need, given the urgency of climate change policy responses.

There are significant co-benefits for public health and climate change mitigation by addressing air quality and climate policy together.ⁱⁱ It is equally important to consider transport emissions holistically, by engaging with federal and state urban planning, infrastructure and environmental agencies, to build-in pollution and climate change considerations as early as possible when evaluating transport infrastructure options.

1. Fuel Quality Standards – *Better Fuel for Cleaner Air Discussion Paper*

EDOs of Australia supports new fuel quality standards such as those outlined in ‘**Option D**’ of the Department of Environment and Energy’s Discussion Paper. Of the five options outlined, Option D appears to provide for:

- the best health and environmental benefits (e.g. lowering sulfur content from 150 to 10 parts per million (**ppm**), and lowering greenhouse gas emissions);
- improved technology adoption (such as high-efficiency engines);
- timely improvement (noting Australia lags behind all other OECD nations) and
- fuel quality standards that are more consistent with international jurisdictions as they adopt cleaner fuels.

The Department of Environment and Energy should consider how to minimise the risk that adopted limits on additives do not shift reliance to polluting substitutes (Discussion Paper p 26). This should include regulatory options to prohibit substitutes that pose potentially significant risks to health or environment.

The Discussion Paper (pp 17-18) notes that ethanol use can improve octane levels but at the same time increase the frequency of needing to refuel. Further information is needed to understand the impact of this for consumers and the environment.

The Department should also consider how to minimise adverse environmental consequences such as ‘leakage’ of greenhouse gas emissions etc. For example, if refinery processes to reduce fuel sulfur content increase greenhouse gas emissions (Discussion Paper p 36), how could these emissions be accounted for and offset?

We support considering the equitable distribution of impacts in the RIS process (Discussion Paper p 32). This should include how to avoid unfair disadvantages to low-income families, people living in rural and remote areas, and Aboriginal and Torres Strait Islander peoples, where polluting fuels are modified or phased-out to improve long-term health and environmental outcomes.

Broader context – Fuel Tax Credit Scheme and other policy measures

The Department should also consider the broader fuel policy context, to ensure other government programs are coordinated to achieve, and do not hinder, desired health and environmental policy outcomes. For example, while on-road users pay diesel tax, off-road diesel users receive diesel tax refunds.ⁱⁱⁱ This incentivises pollution and sends conflicting messages about behavioural change away from polluting fuels. It is also inconsistent with the *polluter pays* principle and OECD best practice.^{iv}

As part of broader policy measures, **we recommend** the Fuel Tax Credit Scheme for diesel be independently reviewed, with a view to reducing its scope and eligibility, and ultimately phasing it out on environmental, health and budgetary grounds.^v

2. Improving the efficiency of new light vehicles, Draft RIS (CO₂ emissions)

EDOs of Australia have consistently supported light vehicle emissions standards.^{vi} Evidence shows that new mandatory carbon pollution standards are a cost effective way to contribute to Australia's mitigation challenge by reducing the carbon intensity of our motor vehicle fleet. In parallel, the Government should also consider options to mandate *heavy vehicle* efficiency standards, although this RIS does not address this.

To ensure light vehicle emission standards work to their full potential, they need to be carefully designed, backed by enforcement, and operate as a part of a broader set of regulatory measures, policies and incentives to reduce greenhouse emissions.

While Australia's air quality is high by global standards, in part due to sound pollution laws and regulatory institutions, it is under pressure from population, urbanisation and industrial growth. Many Australians would be surprised at Australia's low ranking on vehicle emissions standards. This needs to change.

2014 Climate Change Authority review

In 2014, the Climate Change Authority (**CCA**) reviewed international practices and recommended Australia introduce a light vehicle emission standard under the *Motor Vehicle Standards Act*.^{vii} The CCA noted that standards could apply from 2018 and decrease to 105g CO₂ per km by 2025.^{viii} Economic analysis showed consumer fuel savings would more than offset higher upfront cost of buying vehicles and do so fairly quickly.

Options in Draft RIS

Further benefit-cost analyses in the Draft RIS (2016) reinforce the CCA's findings. The draft RIS for light vehicle efficiency standards assesses the likely costs and benefits of three options to reduce emissions, for implementation between 2020-25.

Of the options presented in the Draft RIS, we **recommend Target A** should be supported at a minimum. That is, 105 grams CO₂ per kilometre (gCO₂/km) by 2025. Target A provides both the greatest emissions savings and the greatest fuel savings for vehicle owners (passenger and light commercial vehicles) (Draft RIS p 6). On both these measures, modelled benefits from Target A were more than 2.5 times the benefits of Target C for example (the least stringent standard at 135 gCO₂/km).

All 3 options modelled showed a 'negative cost' for avoiding emissions. In other words, as the draft RIS notes (p 6), Australia saves around \$50 per ton of emissions avoided, based on fuel savings and environmental benefits. This is very significant because emissions saved with a 'negative cost' reduces overall abatement costs.

We also **recommend** the final RIS consider further options for early commencement of standards (e.g. 2019) and a more stringent standard than Target A (95g CO₂/km).

Motor Vehicle Standards (Cheaper Transport) Bill 2014

EDOAs previously commented to a Senate Inquiry on the Motor Vehicle Standards (Cheaper Transport) Bill 2014. This Private Member's Bill proposed to:

- phase-in mandatory carbon emission standards for new passenger vehicles and light commercial vehicles from 2017;
- set CO₂ emission standards of 130g/km for 2017-20 and 95g/km for 2021-22;
- set escalating penalties for cars sold that exceed carbon emissions standards;
- require new vehicle suppliers (i.e. manufacturers or importers) to submit public annual returns on emissions to the Clean Energy Regulator, with penalties for late returns and other offences; and
- require a review of emission standards and government response in 2020-21.

The Bill's rationale and approach broadly reflected the Climate Change Authority's report on *Light Vehicle Emissions Standards for Australia* (June 2014).^{ix} However, the Bill proposed more stringent final standards and implementation timeframes – options that should be considered, with necessary adjustments, in a revised RIS.

3. Vehicle emissions standards for cleaner air (reducing noxious emissions from light and heavy vehicles)

Of the options presented in the Draft RIS on noxious emissions standards, we support Option 6 – that is, adopting Euro 6d and Euro VI standards (for light and heavy vehicles respectively) and including mandatory real-world testing. The modelling for Option 6 estimates the highest health *and* environmental benefits, combining the net benefit of Option 5 (light vehicle standards) and Option 6 (heavy vehicle standards). This amounts to net benefits of \$675m between 2016 and 2040.

For light vehicles, we understand the key changes under Euro 6d include a 55% reduction in NO_x emission limits; a particulate matter (**PM**) limit for fine particles from direct injection petrol vehicles; tighter thresholds and monitoring requirements for emissions control systems; and Real Driving Emissions testing (Draft RIS, p 4).

For heavy vehicles, key changes under Euro VI would include an 80% reduction in NO_x emissions limits (over Euro V); up to 66% reduction of PM limits and more robust testing (Draft RIS, p 4). Overall, these reductions will have significant benefits.

4. Complementary measures and federal-state coordination on planning

Stringent national vehicle and fuel quality standards for noxious emissions and greenhouse gas emissions are an important step in the right direction, and we welcome their continued (and hopefully rapid) development. These standards form a significant part of the solution to Australia's climate change mitigation challenge for the transport sector. To ensure continuous improvement, policy and legislative amendment should require further review of the standards, starting well before 2025.

In addition to vehicle emission and fuel quality standards, Other regulatory and policy measures are also needed at federal, state and local government levels – to assess and plan for more sustainable settlements and transport options (public transport, walkable communities); to encourage motorists and industrial operators to move towards cleaner transport (including electric vehicles powered by renewables); and to reduce the transport sector’s significant and growing greenhouse gas emissions.

Conclusion

We hope this submission is of assistance to your Departments in progressing vehicle emissions standards. For further information please contact me, or EDO NSW Policy and Law Reform Director, Rachel Walmsley, by email or phone on (02) 9262 6989.

Yours sincerely,

EDOs of Australia



Mr Nari Sahukar

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ⁱ EDOs of Australia submissions on Pollution, Climate Change & Energy are at <http://www.edo.org.au>. See *Submission on Light Vehicles CO₂ Emissions Standards for Australia* (2011) [[PDF 164 KB](#)]; *Submission on the Motor Vehicle Standards (Cheaper Transport) Bill 2014* (2015) [[PDF 525 KB](#)]; *Submission on the National Clean Air Agreement* [[PDF 479 KB](#)] (2015).

ⁱⁱ J. Schmale et al., ‘Air pollution: Clean up our skies’, 19 Nov. 2014, *Nature*, at <http://www.nature.com/news/air-pollution-clean-up-our-skies-1.16352>.

ⁱⁱⁱ See: <https://www.ato.gov.au/Business/Fuel-schemes/Fuel-tax-credits---business/About-fuel-tax-credits/>. The NSW EPA note nearly 90% of *off-road diesel emissions* in Greater Metropolitan Sydney come from coal mines: Agapides, N. (NSW EPA), ‘Diesel emissions in NSW - sources and trends’, at <http://www.epa.nsw.gov.au/air/managenonroaddiesel.htm>.

^{iv} On ‘polluter pays’ and improved valuation, see *Environment Protection and Biodiversity Conservation Act 1999* (Cth), s 3A; and *Protection of the Environment Administration Act 1991* (NSW), s 6. See also OECD, *Improving the Environment through Reducing Subsidies* (1998): http://www.oecd-ilibrary.org/environment/improving-the-environment-through-reducing-subsidies_9789264162679-en; and Pearce, D. ‘Environmentally Harmful Subsidies: Barriers To Sustainable Development’, OECD Workshop on Environmentally Harmful Subsidies, Paris, 7-8 November 2002.

^v By 2010 the Fuel Tax Credits Scheme cost the budget \$5 billion (a 14% increase) making it ‘the largest transfer payment program administered by the ATO’; the ‘mining industry was the main claimant group, by value’. *ANAO Audit Report No.49 2010–11 Fuel Tax Credits Scheme*, Australian National Audit Office (2011) p 11-12.

^{vi} See EDOA submission on the National Clean Air Agreement (2015); and ANEDO *Submission on Light Vehicles CO₂ Emissions Standards for Australia* (2011), both available at www.edo.org.au.

^{vii} Climate Change Authority, *Light Vehicle Emissions Standards for Australia – Research Report* (June 2014), p 84, at:

www.climatechangeauthority.gov.au/files/files/Light%20Vehicle%20Report/Lightvehiclesreport.pdf.

^{viii} *Ibid*, p 6.

^{ix} Climate Change Authority, *Light Vehicle Emissions Standards for Australia- Research Report* (2014) www.climatechangeauthority.gov.au/files/files/Light%20Vehicle%20Report/Lightvehiclesreport.pdf