

Article Information

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Federal Government goes full throttle into vehicle electrification

Last week the Federal Government released an Australian first to further its commitment in the transition into a decarbonised transport system - the National Electric Vehicle (NEV) strategy. This strategy aims to increase the supply of affordable electric vehicles (EV), establish the systems to enable a rapid EV uptake and to encourage EV uptake.

The NEV strategy aligns with Australia's Nationally Determined Contribution (NDC) under the Paris Agreement. Where in June 2022, the Federal Government lodged a new NDC target to reduce greenhouse gas emissions by 43% below 2005 levels and reaffirmed its target to achieve net zero emissions by 2050. This position has also been legislated in clause 10 of the *Climate Change Act 2022* (Cth).

A hallmark of the NEV strategy is a commitment to introducing a Fuel Efficiency Standard (FES) for light passenger and commercial vehicles. The adoption of an FES means that Australia will join 85% of the global car market which already have such standards. FESs require car manufacturers to meet an average CO² emission standard for all new vehicles. Where a supplier beats this standard by selling more efficient vehicles and low and zero emission vehicles, they would be rewarded usually through 'credits'. Where they don't meet the standard, they would be penalised in the form of needing to buy credits from other suppliers, or pay a fine.

The intention for the FES is to encourage car manufacturers to supply more efficient vehicles, improve consumer choice and making it easier and cheaper for consumers to access popular EV models. The Federal Government released a consultation paper last week seeking to obtain comments and suggestions from the community and relevant stakeholders about the design of the FES with an aim to release it by the end of 2023.

The NEV strategy builds on the existing Critical Minerals Strategy (CMS) which aims to move Australia up the global value chain and into downstream manufacturing. An example of a downstream product would be developing Australia's battery industry and mineral value chains. The CMS would provide opportunities for new Australian industries and also minimise the reliance on global trade.

This is achievable as Australia has many of the minerals required for EV battery and component parts production. Current EVs are powered by lithium-ion batteries which require lithium, nickel, cobalt and manganese. Australia is the world's largest producer of lithium and has the largest economic reserve of nickel. Australia ties first with the Democratic Republic of the Congo in having the largest cobalt reserve and is the third largest producer of manganese.

The NEV strategy is in addition to the existing state-wide initiatives which have rolled out across the country. As an example, last Friday the Palaszczuk Government released a new Zero Emission Vehicle Rebate Scheme where drivers will be eligible for a \$6,000 subsidy when they buy an electric vehicle worth up to \$68,000.

The NEV strategy demonstrates the keenness of the Federal Government to combat climate change via electric vehicles. We will need to wait and see how far the FES goes in setting emission targets for car manufacturers.