

# Submission to inquiry into the transition to electric vehicles

3 April 2024

## About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and welfare sector.

ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metropolitan, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Climate change disproportionately impacts people who face disadvantage including people on low incomes, people with disability, people with chronic health issues and Aboriginal and Torres Strait Islander peoples.

A rapid transition to net zero emissions, consistent with limiting global warming to 1.5 degrees C, is therefore critical to reducing the impact on people facing disadvantage. This will require Australia prioritising emission reductions this decade and aiming for net zero emissions by 2035.

However, to achieve benefits for everybody, the transition to net zero emissions must be fair and inclusive. Putting people with the least at the centre of policy design means we can rapidly reduce emissions, poverty, and inequality in Australia.

## Discussion

ACOSS welcomes the opportunity to engage with this inquiry. We support measures to accelerate the transition to electric vehicles and to increase their accessibility to those on lower incomes to reduce carbon emissions and share the benefits of electrification equitably.

The table in the appendix provides an outline of potential policy levers to support the transition to electric vehicles. Below are priority issues and recommendations.

## The electric vehicle transition strategy should be part of a broader strategy to reduce transport emissions and transport inequality

Transport emissions are the second largest national source of emissions by sector (19%) in Australia. Reducing transport emissions and increasing access to zero-emissions vehicles (ZEVs)<sup>1</sup> provides a significant opportunity to reduce Australia's emissions. For people, a fair, fast and inclusive transport strategy can improve access to different transport options, improve health, reduce noise, reduce emissions, reduce costs of transport, and power the home. If integrated well, ZEVs can help support a more efficient and affordable electricity grid. These benefits are in addition to broader economic and employment opportunities.

However, to achieve benefits for everybody, the transition to net zero emissions must be fair and inclusive. We know that people experiencing disadvantage are currently impacted by transport inequality. They are more likely to live farther from public transport and community hubs, more likely to be time-poor, more likely to travel outside of peak hours and more likely to rely on private transport. This inequality is being exacerbated by the current fuel crisis with people on low-fixed incomes struggling to afford fuel and reporting difficulties affording to travel to work, medical appointments and other commitments.

We are concerned that without clear goals and objectives that include the need to reduce current transport inequities, the strategy and policies to accelerate zero emissions vehicles (ZEVs) uptake could miss an important opportunity to improve equity of access to transport or, worse, inadvertently increase inequality in Australia. For example, research coming out of the United States found that 90% of households in the US that had received \$18 billion in rebates and tax credits for installing solar panels, buying ZEVs and other 'clean energy' investments, were in the top income quintile with the bottom three quintiles receiving only 10%.<sup>2</sup> The research also found that more than half of people purchasing a ZEV said the schemes made no difference to their plans or ability to obtain the vehicles.

In Australia, we are seeing households with higher wealth, primarily those that own their own home, accessing subsidised rooftop solar and obtaining the benefits it provides, including cheaper household energy bills, while low-income households are largely missing out on such benefits.<sup>3</sup>

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<sup>1</sup> Includes cars, micro-mobility, motorbikes, light and heavy vehicles, and public transport

<sup>2</sup> Nguyen, J. 'The Adoption of Zero-Emissions Vehicles by Low-Income Consumers in California: An outcome evaluation of the clean vehicle rebate project' San Jose State University, 2020, accessed 23 August 2022

<sup>3</sup> ACOSS and BSL (2018) Energy Stressed in Australia. <https://www.acoss.org.au/wp-content/uploads/2018/10/Energy-Stressed-in-Australia.pdf>

Researchers at NATSEM modelled what it would take to stimulate electric vehicle (EV) uptake, using policies in the Australian Capital Territory (ACT) as a basis for their modelling. They found that price and income matter. Their research found that high-income households are far more likely to replace their cars within five years and far more likely to switch to electric even without incentives – and that for them, the incentives didn't make much difference. They concluded that policies that increase the electric vehicle take-up in lower-income households, including access to affordable cars, targeted subsidies and no-interest loans, are likely to have the greatest effect, and also likely to benefit these households by freeing them from the need to pay for fuel.<sup>4</sup>

Internationally some countries have implemented incentives to address equity and sustainability and/or policies specifically targeted to provide access to EVs for people on low incomes. For example, New Zealand has the following measures<sup>5</sup>:

- Fuel efficiency standards, which provide incentives for more car makers to supply low and zero emissions vehicles to a country, increasing access to more affordable EVs.
- Incentives to purchase zero and low-emission light vehicles by reducing the cost via eligible new and used vehicles coming into New Zealand and putting a fee on certain high-emission vehicles.
- Targeted financial assistance to lower- and middle-income people to trade in their old car for a subsidised electric vehicle.
- Vehicle social leasing scheme, leasing low-emission vehicles to low-income households, for people for whom any vehicle at all would be a significant luxury.
- Investment in a national and urban programme to support people shifting to active and shared modes, to reduce kilometres travelled in New Zealand's largest cities.

Targets should be designed to promote the transition away from internal combustion engine vehicles (ICEVs) to ZEVs, rather than just to increase supply. Setting targets can stimulate demand and support a smooth and equitable transition.

Access to charging infrastructure should also be prioritised with targeted policies to ensure people on low incomes get access. Many people on low incomes rent their homes, live in multi-unit complexes and/or in regional and remote areas, and are unable to install or access chargers. Support must include plans for affordable and easy access to charging infrastructure, including ensuring all new

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<sup>4</sup><https://theconversation.com/what-would-it-take-to-get-australians-to-buy-electric-cars-canberra-provides-a-guide-178778>

<sup>5</sup><https://www.beehive.govt.nz/release/transport-drive-down-emissions#:~:text=%24569%20million%20for%20Clean%20Car,upon%20scrapping%20their%20Old%20vehicle>

multi-unit developments and dwellings are fitted with the capacity to charge electric vehicles.

Further we should be using the transition to a clean economy and the shift to EVs to create more sustainable, affordable and accessible transport that better meets the needs of the community. A focus on incentivising uptake of privately owned passenger cars only will not deal with increasing congestion and transport inequality. The national electric vehicle strategy should be expanded to include a focus on reducing the reliance on privately owned cars by investing in greater access to zero emissions public transport, shared transport, walking, cycling, mode shifting and other transport options.

**Recommendation 1: Consider ZEV strategy within a broader clean and equitable transport strategy.**

The Strategy should prioritise and facilitate alternate sustainable and affordable transport options to reduce reliance on private ownership of vehicles by increasing federal, state and local government investment in zero emissions public transport, car share and shared mobility services, walking, cycling, and other affordable, clean and accessible transport options.

**Recommendation 2: A broad sustainable transport strategy should be guided by the following goals:**

- 1.** Develop an efficient and sustainable transport system.
- 2.** Accelerate adoption of zero emissions, electric and active transport.
- 3.** Make transport of all kinds more affordable and accessible.
- 4.** Prioritise fair and inclusive ZEV and transport solutions and improve equity of access to transport.
- 5.** Rapidly reduce emissions.
- 6.** Create a smooth transition environment for ZEV users, industry and the electricity grid.

**Recommendation 3: In consultation, develop ZEV targets including across income, equity, and transport segments.**

**Recommendation 4: Develop policy assessment tools to evaluate policies against the above 7 goals.**

**Quickly implement ambitious fuel efficiency standards for passenger and light commercial vehicles in Australia.**

Australia has around 20% higher emissions than the United States and around 40% higher emissions than Europe. The lower fuel standards mean car manufacturers are not prioritising supplying low and zero-emissions vehicles in

Australia and are instead effectively dumping higher emissions vehicles not able to be supplied to other countries. The lack of standards in Australia means people are paying more for transport costs and are not gaining access to a wider range of more affordable EVs that are being sold in jurisdictions with stronger standards.

### **Recommendation 5: Quickly implement ambitious fuel efficiency standards**

## **Develop a package of measures to directly support uptake of EVs for lower-income households**

Any national strategy to accelerate EV uptake must include support to enable low-income households to access low-emissions vehicles, as these are the people who already experience transport inequality, who are most impacted by the rising costs of fuel and the least able to make the transition without assistance.

There is international research that shows that people on lower incomes stand to benefit substantially from a shift to electric vehicles because of reduced operating costs.<sup>6</sup> However, new cars are prohibitively expensive for people on low incomes. Over 50% of private vehicle purchases in Australia are from the second-hand market, and this figure is higher for younger people and people on low-incomes.<sup>7</sup>

Some international modelling has shown that a household in the lowest quintile could achieve savings of up to 7% of total household income by 2030 through switching to EVs, if the barriers to access could be addressed.<sup>8</sup> Impact analysis from the Government<sup>9</sup> and other organisations,<sup>10</sup> shows there would be significant long-term benefits (fuel savings, reduce maintenance costs, health benefits) for people and communities, including those on low-incomes and in regional areas.

ACOSS has advocated for an ambitious new vehicle emissions standard aligned with the EU to incentivise new suppliers to enter the Australian market, creating competition and increasing the availability of lower cost models.

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<sup>6</sup> Sheldon, T. L. Evaluating electric vehicle policy effectiveness and equity. *Annu. Rev. Resour. Econ.* 14, (2022).

<sup>7</sup> <https://www.carexpert.com.au/car-news/used-cars-continue-to-get-cheaper-new-research-finds>

<sup>8</sup> Bauer, G., Hsu, C. W., & Lutsey, N. (2021). When might lower-income drivers benefit from electric vehicles? Quantifying the economic equity implications of electric vehicle adoption. *Work. Pap.* 6, 1-21.

<sup>9</sup> [Cleaner, Cheaper to Run Cars: The Australian New Vehicle Efficiency Standard](#)

<sup>10</sup> [https://www.solarcitizens.org.au/roadshow\\_reports\\_australia](https://www.solarcitizens.org.au/roadshow_reports_australia) and <https://www.climatecouncil.org.au/wp-content/uploads/2023/06/Mandala-Partners-Raising-standards-cutting-costs-June-2023.pdf>

However, complementary measures will be needed to ensure people on low incomes or experiencing disadvantage are not left behind and can access low and zero emissions vehicles and charging infrastructure sooner.

**Recommendation 6: Create a second-hand market to provide lower costs vehicles through Government, business and community sector fleet targets.**

We welcome the Federal Government's target of 75% of new purchased and leased vehicles in the Commonwealth fleet to be EVs by 2025. We encourage the Government to:

- i. Work with State and Territory Governments and Local Councils to set similar targets;
- ii. Provide support to purchase EVs to the community services sector where many organisations have fleets of cars across cities, urban, rural and remote areas to provide essential services to communities; and
- iii. Consider ways to quickly increase the supply of second-hand EVs independently imported to the Australian market, without compromising safeguards and consumer protections.

**Recommendation 7. Develop a package of measures to directly support uptake of EVs for lower-income households.**

The package could include measures such as:

- i. Allocating a percentage of second-hand government cars to be made available to people on lower incomes.
- ii. Targeted means-tested subsidies.
- iii. Access to no-interest loans.
- iv. Social leasing scheme to low-income families (see New Zealand Policy<sup>11</sup>).

## **End the removal of the Fringe Benefits Tax on EVs**

Removing the FBT on electric cars is estimated to cost \$20 million in the first year, benefitting around 2,200 vehicle owners. The cost estimates double in the following year and rise to \$90 million in 2025–26. ACOSS does not support this reform, as it is regressive, benefiting a narrow class of employees, providing the largest benefit to the highest-income earners. It is not consistent with the goals

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<sup>11</sup><https://www.beehive.govt.nz/release/transport-drive-down-emissions#:~:text=%24569%20million%20for%20Clean%20Car,upon%20scrapping%20their%20Old%20vehicle.>

of equity and inclusion and risks further entrenching transport inequality. Considering the recommendations above, we urge the Federal Government to end the removal of the Fridge Benefits Tax on EVs and invest in measures to support people on low income access low emissions vehicles.

### **Recommendation 10. End the removal of the Fridge Benefits Tax on EVs.**

#### **Develop consumer protections.**

Any electric vehicle transition strategy should include regulations and safeguards to ensure that people and communities have appropriate protections including:

- i. Protection against risks - such as limited battery life in second-hand cars.
- ii. Access to affordable and reliable insurance products when purchasing second-hand electric vehicles.
- iii. Maintaining 'consumers' right to repair' by preventing market participants from unfairly and unreasonably impeding third-party access to repair supplies.<sup>12</sup>

### **Recommendation 8: Develop consumer protections including protection against risks, affordable and reliable insurance products and maintaining consumers right to repair.**

#### **Develop efficient and equitable ZEV network tariffs.**

With the right incentives, electric vehicles offer a new opportunity to improve utilisation of the electricity system, by charging when demand is low or surplus renewable energy is available. Designed poorly, ZEVs network tariffs risk dramatically increasing peak demand at a considerable cost to all consumers, including those who can't have electric vehicles. For example, Network providers in NSW are proposing to extend evening peak periods that apply to all energy users, to accommodate predicted peak demand from EVs. This will reduce cost efficiency and increase costs for many consumers including people on low incomes. To put this incentive in place, all energy network businesses should offer 'basic' EV-specific network tariffs immediately and commence the development of 'smart' EV network tariffs ahead of EV's reaching high levels of penetration in their networks.

The development of appropriate ZEV tariffs is also a key enabler for a range of potential new use cases for ZEVs that can improve affordable access to transport such as vehicle share schemes.

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<sup>12</sup> [Inquiry report - Right to Repair - Productivity Commission \(pc.gov.au\)](https://www.pc.gov.au/inquiry-report-right-to-repair) p. 12-13.

## **Recommendation 9: Develop efficient and equitable ZEV network tariffs.**

### **Phase out Fuel Tax Credits (FTC)**

Fuel tax credits offset the costs of fuel in machinery, plant, equipment, heavy vehicles, and light vehicles travelling off public roads. These credits currently cost the budget more than \$8 billion a year and subsidise carbon pollution – the very thing governments are spending public funds in other parts of the economy to mitigate. The subsidy distorts the need for energy efficiency, fuel switching, or investment in other forms of renewable energy or transport.

Government can use revenue from phasing out FTC to (a) support the uptake of electric vehicles, electrification or energy efficiency in impacted industries, and (b) assist low-income households to access affordable clean energy and build resilience to climate change.

### **Recommendation 11: Phase out Fuel Tax Credits (FTC)**

## **Acknowledgements**

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## Appendix: Sustainable transport policy levers

| Goal  | Key Policy levers   |   |  |
|---|---|---|--|
|   | Immediately implement   | Prioritise with further consultation  | Consult further  |
| Develop an efficient and sustainable transport system | <ul style="list-style-type: none"> <li>Phase out Fuel Tax Credit (FTC) and use a portion of funds to incentivise the transition to electric vehicles and portion to support people on low-income access to affordable clean energy</li> </ul> | <ul style="list-style-type: none"> <li>Increase Federal, State and Local Government investment zero emissions public transport, walking, cycling and other transport options.</li> <li>Equitable and efficient EV network tariffs.</li> </ul> | <ul style="list-style-type: none"> <li>Equitable Road Pricing.</li> <li>Invest in mode shifting.</li> <li>Incentivise vehicle-as-a-service (VaaS) such as car share and shared mobility. For example, require a portion of former fleet</li> </ul> |

|   |   |   |   |
|---|---|---|---|
|   | <p>and build resilience to worsening extreme weather events.</p>  |   | <p>vehicles for this purpose.</p> <ul style="list-style-type: none"> <li>• Mapping and developing the supply chain and other industry requirements for the reconditioning and re-use of ZEVs beyond end-of-battery life.</li> </ul> |
| <p>Accelerate adoption of zero emissions, electric and active transport</p> | <ul style="list-style-type: none"> <li>• Fuel efficiency standards to increase manufacturers' vehicle offerings in the Australian market</li> </ul> | <ul style="list-style-type: none"> <li>• Stimulate second-hand EV vehicles via:             <ul style="list-style-type: none"> <li>○ Government, business and community sector fleets.</li> <li>○ Facilitating second-hand imports.</li> </ul> </li> <li>• Financial incentives for EVs that are equitable and sustainable, that incentives EVs and reduce fossil fuel vehicle demand (see New Zealand or Norway models)</li> <li>• Set interim and 100% uptake targets for zero-emissions vehicles,</li> </ul> |   |

|   |   |   |  |
|---|---|---|--|
|   |   | <p>potentially by sector and income level.</p> <ul style="list-style-type: none"> <li>Invest in charging infrastructure, including in low social economic areas and regional and rural Australia.</li> </ul>  |  |
| Make transport more affordable and accessible   | <ul style="list-style-type: none"> <li>Fuel efficiency standards to increase manufacturers' vehicle offerings, including cheaper EVs</li> </ul> | <ul style="list-style-type: none"> <li>Stimulate the second-hand EV market, as above.</li> <li>Financial incentives for EVs that are equitable and sustainable, as above.</li> <li>Federal and State Governments work together to develop plans and invest in other forms of zero-emissions transport including public transport, walking, cycling, mode shifting and other transport options.</li> <li>Targeted programs for people on low incomes, as below.</li> </ul> | <ul style="list-style-type: none"> <li>Invest in mode shifting.</li> <li>Incentivise vehicle-as-a-service (VaaS) such as car share and shared mobility. For example, require a portion of former fleet vehicles for this purpose.</li> </ul> |
| Prioritise fair and inclusive ZEV and transport solutions and reduce transport inequality | <ul style="list-style-type: none"> <li>Fuel efficiency standards to increase manufacturers' vehicle offerings,</li> </ul>                       | <ul style="list-style-type: none"> <li>Stimulate second-hand vehicles as above</li> <li>Targeted programs for people on lower incomes. <ul style="list-style-type: none"> <li>Allocating a percentage of second-hand cars to be made</li> </ul> </li> </ul>   |  |

|                                 |   |  |  |
|---------------------------------|---|--|--|
|                                 | <p>including cheaper EVs</p>  | <p>available to people on lower incomes.</p> <ul style="list-style-type: none"> <li>○ Targeted means-tested subsidies.</li> <li>○ Access to no-interest loans.</li> <li>○ Social leasing scheme to low-income families</li> <li>○ Improve access to alternative transport options such as public transport, car share and shared mobility, cycling, etc.</li> <li>● Charging infrastructure retrofits for public and private rentals, apartments, and low-income households.</li> <li>● Equitable and efficient EV network tariffs.</li> </ul> |  |
| <p>Rapidly reduce emissions</p> | <ul style="list-style-type: none"> <li>● Fuel efficiency standards to reduce emissions level of cars in Australia.</li> </ul> | <ul style="list-style-type: none"> <li>● Set emission reduction targets for the transport sector, potentially different targets by sector. <ul style="list-style-type: none"> <li>○ Targets aligned with 1.5 oC</li> <li>○ Set interim targets</li> <li>○ Set 100% uptake target</li> </ul> </li> </ul>  |  |

|  |  |  |  |
|--|--|--|--|
| <p>Create a smooth transition environment for ZEV users, industry and the electricity grid</p> |  | <ul style="list-style-type: none"> <li>• Invest in charging infrastructure, including in low social economic areas and regional and rural Australia.</li> <li>• Develop regulations and safeguards to ensure that people and communities are protected against risks (second-hand batteries, insurance, access third party repairs, access charging infrastructure)</li> </ul> | <ul style="list-style-type: none"> <li>• Public education and awareness campaigns</li> <li>• Manage electricity grid capacity.</li> <li>• Policies to maximise the benefits of connecting EVs to the grid (e.g. using their batteries for vehicle-to-grid services if possible)</li> <li>• Update the building code to require new housing has wiring and space ready for EV infrastructure.<sup>13</sup></li> </ul> |
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<sup>13</sup> Recent building code updated requires new apartment buildings to have wiring and space for EV charging in car parks