

Submission

COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020

March 2021

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Introduction

The Australia Institute welcomes the opportunity to make a submission on the *COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020* (the No EV Tax Amendment).

The primary purpose of the No EV Tax Amendment is to prevent States from implementing barriers to electric vehicle (EV) uptake. The Amendment creates a financial disincentive to States and Territories implementing, or seeking to implement, a tax on EVs, while financially rewarding States and Territories that do not implement EV taxes.

The No EV Tax Amendment reduces the grants of financial assistance from the COAG Reform Fund to jurisdictions with discriminatory charges against EVs. As a result, States and Territories would gain no financial benefit from introducing EV taxes.

The drafting of the No EV Tax Amendment follows the proposed introduction of an EV road-user charge (RUC) by multiple Australian states. The South Australian RUC, which was supposed to be implemented in July 2021, includes a fixed component as well as a distance-based charge, and applies to both battery and plug-in hybrid EVs.¹ The specific details of the South Australian RUC have not been specified and the legislation has not been introduced to Parliament. In what is purportedly a coincidence, the South Australian Treasurer delayed the introduction of the EV tax by 12 months on 4 March 2021, the same day that submissions were due on the No EV Tax Amendment.²

In November 2020, the Victorian Government announced its intention to introduce a RUC. The proposed Victorian RUC would apply only to EVs, charged at a rate of 2.5 cents/km for zero-emission vehicles and 2.0 cents/km for plug-in hybrids (PHEVs).³ The RUC legislation will likely be debated by the Victorian Parliament in the first half of 2021.⁴

Additionally, the Federal Financial Relations Review – an independent review of the New South Wales (NSW) revenue system commissioned by the NSW Government – recommends

¹ Boisvert & Siebert (2020) *Electric vehicle charge sparks anger from owners, environmental groups*, <https://www.abc.net.au/news/2020-11-11/sa-to-introduce-electric-vehicle-user-charge/12869302>

² Parkinson (2020) *South Australia's controversial electric vehicle tax faces defeat in parliament*, <https://thedriven.io/2020/11/12/south-australias-proposed-electric-vehicle-tax-faces-defeat-in-parliament/>

³ ABC (2020) *Mixed reactions to Victoria's proposal to tax electric vehicle users*, <https://www.abc.net.au/news/2020-11-22/victoria-electric-car-tax-reax-industry-infrastructure-greens/12908238>

⁴ Sakkal (2021) *Labor's electric vehicle tax set for a rough road ahead*, <https://www.theage.com.au/national/victoria/labor-s-electric-vehicle-tax-set-for-a-rough-road-ahead-20210129-p56xw8.html>

a RUC scheme piloted on EVs.⁵ The NSW Government ruled out an EV RUC in the 2020-21 Budget, but has flagged taking the idea to the NSW Cabinet to consider.⁶

In the Australian Capital Territory (ACT), Chief Minister and Treasurer Andrew Barr has ruled out a RUC targeted at EVs.⁷ The ACT Government is committed to encouraging the uptake of EVs to help meet the goal of net zero emissions by 2045.

Transport is one of the fastest growing sources of emissions in Australia, increasing by 62.4% in March 2020 from 1990 levels, and makes up almost a fifth of our national emissions profile. The National Energy Emissions Audit found transport emissions have already rebounded after dipping during the pandemic.⁸ The majority of Australia's transport emissions are from light duty vehicles (cars and light commercial vehicles).⁹

To address transport emissions, EV adoption is becoming a key component of national strategies to reduce greenhouse gas emissions. However, Australia currently lags behind other countries in EV uptake due to a lack of policies to decarbonise the transport sector and incentivise EV purchases. The lack of federal policy support for EV uptake has led to perverse policy outcomes at the state level. The No EV Tax Amendment neutralises those perverse policy outcomes, helping to discourage further impediments to EV uptake in Australia.

⁵ Federal Financial Relations Review (2018) p 91, <https://www.treasury.nsw.gov.au/sites/default/files/2020-10/FFR%20Final%20Report%20-%20200828%20%281%29.pdf>

⁶ Schmidt (2020) *'Madness': EV advocates take aim at NSW move to copy electric vehicle tax*, <https://thedriven.io/2020/11/13/madness-ev-advocates-take-aim-at-nsw-move-to-copy-electric-vehicle-tax/>

⁷ Bushnell (2020) *Barr rules out electric vehicle tax but road user charges are coming*. <https://the-riotact.com/barr-rules-out-electric-vehicle-tax-but-road-user-charges-are-coming/422771>

⁸ Saddler (2021) *National Energy Emissions Audit: January 2021*, <https://australiainstitute.org.au/report/national-energy-emissions-audit-january-2021/>

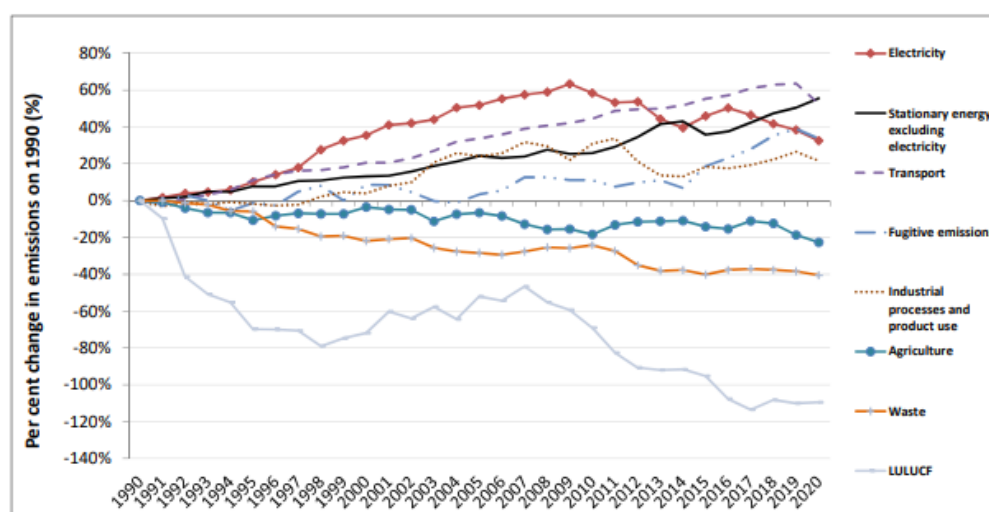
⁹ Department of Industry, Science, Energy and Resources (2020) *Australia's emissions projections 2020*, p 29. <https://www.industry.gov.au/sites/default/files/2020-12/australias-emissions-projections-2020.pdf>

Rising transport emissions

Emissions from Australia’s transport sector are significant and increasing. For the year to September 2020, transport emissions accounted for 18% of Australia’s greenhouse gas (GHG) emissions, making transport the third largest emitting sector.¹⁰ As seen in Figure 1, between 1990 and September 2019, the transport sector experienced the largest increase in emissions of any sector, increasing 64% percent (39.1 Mt CO₂-e).¹¹

Even when including the period with wide-spread COVID-19 movement restrictions (resulting in reduced consumption of petrol and jet fuel), transport emissions increased 47% (28.7 Mt CO₂-e) between 1990 and June 2020.¹² The latest Australian Government quarterly emissions update shows transport emissions rebounding as COVID-19 restrictions on movements ease.¹³

Figure 1: Percentage change in emissions, by sector, since year to September 1990 (DISER)



Source: Department of Industry, Science, Energy and Resources

Source: Department of industry, Science, Energy and Resources – GHG quarterly update September 2020

¹⁰ Department of Industry, Science, Energy and Resource (2021) *Quarterly Update of Australia’s National Greenhouse Gas Inventory: September 2020*, p 9.

<https://www.industry.gov.au/sites/default/files/2021-02/nggi-quarterly-update-september-2020.pdf>

¹¹ Department of Industry, Science, Energy and Resource (2020) *Quarterly Update of Australia’s National Greenhouse Gas Inventory: September 2019*, p 8.

<https://www.industry.gov.au/sites/default/files/2020-02/nggi-quarterly-update-sep-2019.pdf>

¹² Department of Industry, Science, Energy and Resource (2021) *Quarterly Update of Australia’s National Greenhouse Gas Inventory: September 2020*, p 10.

<https://www.industry.gov.au/sites/default/files/2021-02/nggi-quarterly-update-september-2020.pdf>

¹³ Ibid.

Achieving the goals of the Paris Agreement requires steep reductions in emissions across all sectors. Decarbonising the transport sector must be a national priority, backed by policies to increase the uptake of electric vehicles.

This priority is clear in jurisdictions that have already decarbonised their electricity sectors such as the ACT. The Territory has achieved its target of 100% net renewable electricity, leaving the transport sector as the biggest contributor to the ACT's GHG emissions.¹⁴

Decarbonising the transport sector is now a high priority for the ACT to reach 2025 emissions reduction targets and net-zero emissions by 2045.¹⁵ Similarly, for all Australian States and Territories, meeting net-zero 2050 goals will require a steep reduction in transport emissions. Assuming a 10-15 year vehicle lifespan, a significant transition to EVs will be necessary by 2035.

¹⁴ ACT Government (2019) *Zero emissions transport*.

<https://www.environment.act.gov.au/cc/act-climate-change-strategy/zero-emissions-transport>

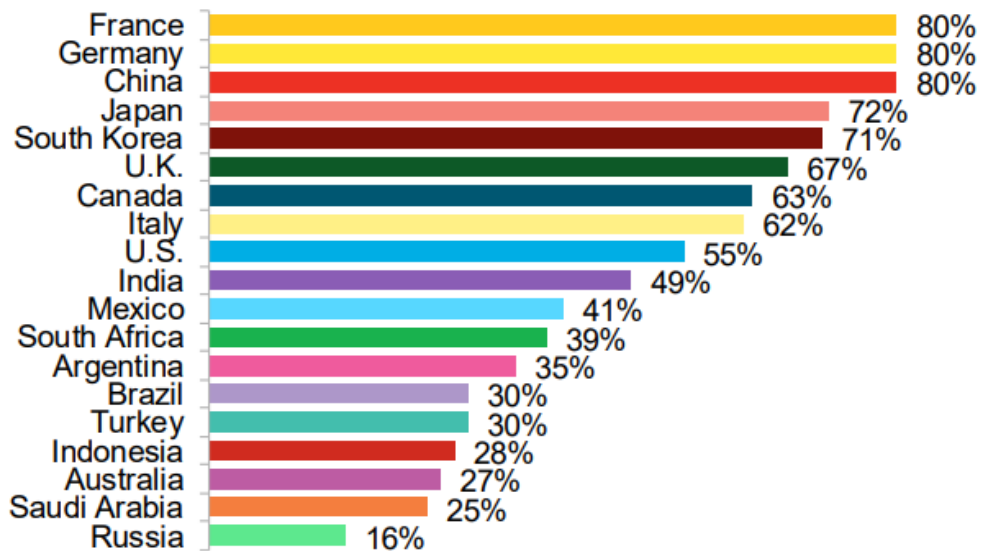
¹⁵ Ibid.

Australian electric vehicle policy

Australian EV uptake is low compared to global uptake. For the year 2020, EVs (battery and plug-in electric vehicles) accounted for 0.7% of new vehicle sales, compared to the global average of 4.2%.¹⁶ In Norway, where ambitious public policies promote EV uptake, 75% of new car sales are EVs.¹⁷

Australia's poor EV uptake is largely due to the lack of policies encouraging the transition to EVs. The Bloomberg G20 Zero-Carbon Policy Scoreboard report assesses the decarbonisation policies implemented by G20 countries. For road transport policies, Australia ranks third last, ahead of only Saudi Arabia and Russia – two of the world's largest oil exporters. Australia's score of 27% is well below the top score of 80% for France, Germany, and China – countries that have implemented robust policies to drive EV sales.¹⁸

Figure 2: G20 Zero-Carbon Policy Scoreboard - Road Transport (BNEF)



Source: BloombergNEF

Source: BloombergNEF G20 Zero-Carbon Policy Scoreboard

¹⁶ Harris (2021) *Maker of world's most popular electric car blasts Australia's lack of ambition.*
<https://www.smh.com.au/politics/federal/maker-of-world-s-most-popular-electric-car-blasts-australia-s-lack-of-ambition-20210302-p5772f.html>

¹⁷ Fraser (2021) *EV sales figures show Australian uptake in the slow lane.*
<https://www.whichcar.com.au/car-news/australian-ev-uptake-stuck-in-the-slow-lane>

¹⁸ BloombergNEF (2021) *G20 Zero-Carbon Policy Scoreboard*, p 24.
<https://assets.bbhub.io/professional/sites/24/BNEF-G20-Zero-Carbon-Policy-Scoreboard-EXEC-SUM.pdf>

NO FUEL STANDARDS

Australia is one of the only OECD countries with no fuel efficiency standards. Mandatory fuel efficiency standards have been adopted in approximately 80% of the global light vehicle market, including in the US, EU, Canada, Japan, China, South Korea and India.¹⁹ Fuel efficiency standards help curb vehicle emissions and encourage zero-emission vehicles. In practise this means the Australian market require more fuel (and therefore pays more) to drive the same distance compared to other vehicle markets.

A Ministerial Forum on Vehicle Emissions was established in 2015 to coordinate a whole-of government approach to addressing emissions from road vehicles in Australia. It found that the introduction of fuel efficiency targets would result in fuel savings that outweighed the production costs associated with supplying vehicles with the necessary technology to meet those requirements.²⁰ In short, Australians would economically benefit from more efficient fuel even if this meant more expensive cars.

A target of 105gCO₂/km would save Australia \$48.70 for every tonne of CO₂ avoided.²¹ This is consistent with the Climate Change Authority's recommendation of a 105g/km standard for new light vehicles by 2025, to increase the fuel efficiency of the Australian vehicle fleet, save motorists money and reduce GHG emissions.²² The New Zealand Government plans to pass a law this year to introduce vehicle emissions standards of 105g CO₂/km by 2025.²³

Despite the findings of the Ministerial Forum and recommendations from the Climate Change Authority, no vehicle emissions have been introduced in Australia. As a result, the Australian vehicle fleet has one of the highest average emissions intensities of OECD countries-- The average emissions intensity for passenger cars in Australia (169.8 g/km) was 41 per cent higher than for Europe in 2018.²⁴

¹⁹ Australian Government (2016) *Improving the efficiency of new light vehicles*.

https://www.infrastructure.gov.au/vehicles/environment/forum/files/Vehicle_Fuel_Efficiency_RIS.pdf

²⁰ Ibid, p 6.

²¹ Ibid.

²² Climate Change Authority (2014) *Light Vehicle Emissions Standards for Australia*.

<https://www.climatechangeauthority.gov.au/news/light-vehicle-emissions-standards-australia>

²³ New Zealand Government (2021) *The Clean Car Import standard – reducing CO₂ emissions to 105 grams per kilometre by 2025*.

https://www.beehive.govt.nz/sites/default/files/202101/Clean%20Car%20Import%20Standard%20Explainer_0.pdf

²⁴ National Transport Commission (2020) *Carbon Dioxide Emissions Intensity for New Australian Light Vehicles 2019*, p 25. <https://www.ntc.gov.au/sites/default/files/assets/files/Carbon-dioxide-emissions-intensity-for-new-Australian-light-vehicles-2019.pdf>

NO ELECTRIC VEHICLE STRATEGY

Australia has no nationally coordinated plan for the transition to clean vehicles. The 2019 Senate Select Committee on Electric Vehicles put forward 17 recommendations, including the development of “a national EV strategy to facilitate and accelerate EV uptake and ensure Australia takes advantage of the opportunities, and manages the risks and challenges, of the transition to EVs”.²⁵ While the majority of the Senate Committee’s recommendations were not adopted, the Australian Government promised to deliver an EV strategy. The promised strategy was then consistently delayed - postponed from 2019 to mid-2020,²⁶ to late-2020,²⁷ and finally taking the form of a ‘consultation paper’ rather than a strategy.²⁸

In February 2021, The Government delivered the consultation paper —the Future Fuels Strategy Discussion Paper (FFS). It contains no new funding commitments, no EV uptake targets, and no vehicle emissions standards.²⁹ The FFS rules out incentives for EV uptake, despite most G20 countries offering incentives that are shown to successfully drive early-stage adoption of electric vehicles.³⁰

The Government’s core policy for low emissions technology – the Technology Investment Roadmap First Low Emissions Technology Statement 2020 – categorises EVs as the lowest priority ‘watching brief technologies’.³¹ These technologies are generally at ‘very early stages of development’ and include other technologies such as small modular nuclear reactors that are prohibitively expensive and far from deployment.³²

²⁵ Senate Select Committee on Electric Vehicles (2019) *Recommendations*.

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Electric_Vehicles/ElectricVehicles/Report/b02

²⁶ Schmidt (2020) *Coalition says no plans for electric vehicle strategy until mid-2020*.

<https://thedriven.io/2019/03/26/coalition-says-no-plans-for-electric-vehicle-strategy-until-mid-2020/>

²⁷ Angus Taylor MP (2020) *Supporting new technology to drive uptake of electric vehicles*.

<https://www.minister.industry.gov.au/ministers/taylor/media-releases/supporting-new-technology-driveuptake-electric-vehicles>

²⁸ Commonwealth of Australia (2020) *Senate Environment and Communications Legislation Committee- Tuesday 20 October 2020*.

²⁹ DISER (2021) *Future Fuels Strategy: Discussion Paper*. <https://consult.industry.gov.au/climate-change/future-fuels-strategy/>

³⁰ BloombergNEF (2021) *G20 Zero-Carbon Policy Scoreboard*.

<https://assets.bbhub.io/professional/sites/24/BNEF-G20-Zero-Carbon-Policy-Scoreboard-EXEC-SUM.pdf>

³¹ Commonwealth of Australia (2020) *First Low Emissions Technology Statement – 2020*.

<https://www.industry.gov.au/sites/default/files/September%202020/document/first-low-emissionstechnology-statement-2020.pdf>

³² Swann and Quicke (2019) *Over Reactor- The economic problems with nuclear power*.

<https://australiainstitute.org.au/wp-content/uploads/2020/12/P782-Over-Reactor-WEB.pdf>

RESTRICTED MODEL AVAILABILITY

Vehicle manufacturers are demonstrating a reluctance to bring vehicles to markets with no clear commitment to EVs. According to the Electric Vehicle Council: “When surveyed about the requirements for bringing electric vehicles to a market, carmakers told the Electric Vehicle Council the absence of a national electric vehicle policy is restricting the supply of more electric vehicles to Australia.”³³

In December 2020, Britain had 26 EV models available for \$30,000-\$60,000 while Australia had only five.³⁴ Renault pulled the European best-selling EV model Zoe from Australia last year, citing the lack of government support for EVs and emissions standards.³⁵

Recently, Nissan Australia Chief Executive Stephen Lester, commented on the lack of Australian Government support for EVs:

“The manufacturers play a key role in bringing choice and availability to the market, [...] And we need the government as the other arm of support by giving direction and confidence to consumers.”³⁶

With manufacturers already questioning whether to bring EVs to Australia, a further EV tax would likely make things worse and impede model availability.

³³ Electric Vehicle Council (2020) *State of Electric Vehicles*, p 11. <https://electricvehiclecouncil.com.au/wp-content/uploads/2020/08/EVC-State-of-EVs-2020-report.pdf>

³⁴ Morton (2020) *Coalition accused of wasting 18 months on ‘nothing’ electric vehicle strategy*. <https://www.theguardian.com/environment/2020/dec/16/coalition-accused-of-wasting-18-months-on-nothing-electric-vehicle-strategy>

³⁵ Gaton (2020) *What is Renault doing wrong in Australia?*. <https://thedriven.io/2020/08/04/what-is-renault-doing-wrong-in-australia/>

³⁶ Harris (2021) *Maker of world’s most popular electric car blasts Australia’s lack of ambition*. <https://www.smh.com.au/politics/federal/maker-of-world-s-most-popular-electric-car-blasts-australia-s-lack-of-ambition-20210302-p5772f.html>

State-based road user charges

The lack of federal leadership to increase EV take-up has left much of the EV policy development to the states and territories. This has resulted in an ad-hoc approach to EV policy development across Australia,³⁷ and the perverse policy outcome of the proposed state-based RUCs.

The State RUC proposals have been widely criticised, including by the Federal Chamber of Automotive Industries.³⁸ The Australia Institute maintains the introduction of a RUC for EVs in a country with no national EV incentives and low EV uptake would further reduce consumer demand and model availability.

The state-based EV taxes are premised on a number of false assumptions. First, that fuel excise directly funds roads. Second, that EVs are not paying their fair share. Third, that EV purchasers are wealthy and can afford additional taxes. Each assumption is addressed below.

FUEL EXCISE REVENUE IS NOT LINKED TO ROAD FUNDING

The Victorian Government uses declining fuel excise to justify the introduction of their RUC on EVs. They claim:

“Australian drivers pay fuel excise when they fill up their vehicle with petrol, diesel or LPG. ZLEV [zero and low-emissions vehicle] owners currently pay little or no fuel excise but still use our roads”³⁹

Revenue from the fuel excise, which is levied by the Australian Government at 42.3 cents per litre,⁴⁰ is not earmarked for road building and maintenance. Rather, fuel excise goes into the Consolidated Revenue Fund, and road infrastructure and upgrades are paid for from total government revenue.

³⁷ Electric Vehicle Council (2020) *State of Electric Vehicles*, p 74-79.

<https://electricvehiclecouncil.com.au/wp-content/uploads/2020/08/EVC-State-of-EVs-2020-report.pdf>

³⁸ Federal Chamber of Automotive Industries (2020) *FCAI pans SA Government's 'tax on electric vehicles'*.

<https://www.fcai.com.au/news/index/view/news/678>

³⁹ Vic Roads (2020) *ZLEV Road-user charge*.

<https://www.vicroads.vic.gov.au/registration/registration-fees/zlev-road-user-charge>

⁴⁰ ACCC (2021) *About fuel prices*. <https://www.accc.gov.au/consumers/petrol-diesel-lpg/about-fuel-prices>

Likewise, there is no guarantee that revenue raised by state-based RUCs would be invested in transport infrastructure. The proposed state-based RUCs create an additional revenue stream for the States without solving the problem they are purportedly designed to solve – declining fuel excise.

Money from the Consolidated Revenue Fund (including the fuel excise contribution) can be hypothecated for a particular purpose via Special Accounts established by the Finance Minister or through an Act of Parliament.⁴¹ The Fuel Excise is *not* hypothecated for road maintenance and upgrades, as clearly stated by the Australian Government’s Productivity Commission:

“Given the absence of hypothecation of most road revenues, there are minimal links between funding for road services and the actual use of roads.”⁴²

The NSW Federal Financial Relations Review also acknowledges the absence of hypothecation of road revenue, despite recommending a RUC pilot scheme for EVs:

“as electric cars increase their share of the total vehicle fleet, the ability of Australian governments to pay for road maintenance and construction from the proceeds of fuel excise (even though there is no strict hypothecation or earmarking of that revenue) could decline.”⁴³

ELECTRIC VEHICLE UPTAKE BENEFITS GOVERNMENT REVENUE

Transitioning Australia’s Internal Combustion Engine (ICE) fleet to EVs would result in economic benefits, as well as societal and environmental benefits. An EY report, commissioned by the Electric Vehicle Council, finds the transition to EVs (displacing ICEs) would lead to an increase in net government revenue. This is largely due to the current price differential between equivalent EVs and ICEs as well as the difference in vehicle weight – as the Goods and Service Tax (GST), Luxury Car Tax (LCT) and registration costs are based on

⁴¹ Australian Government (2021) *Special Appropriations: Special Accounts*.

<https://www.finance.gov.au/publications/resource-management-guides/guide-appropriations-rmg-100/special-appropriations-special-accounts#myths-about-special-accounts>

⁴² Productivity Commission (2017) *Supporting Paper No. 9 - Funding and Investment for Better Roads, Shifting the Dial: 5 year Productivity Review*, p 7.

⁴³ NSW Government (2020) *NSW Review of Federal Financial Relations- Supporting the road to recovery, Final Report*, p 86. <https://www.treasury.nsw.gov.au/sites/default/files/2020-10/FFR%20Final%20Report%20-%20200828%20%281%29.pdf>

vehicle price and/or weight. Higher GST, LCT, stamp duty and registration paid by EV owners marginally offsets the lost fuel excise and GST revenue on fuel.⁴⁴

In addition, EVs avoid some of the social and health costs of ICE vehicles that are ultimately borne by taxpayers – greenhouse gas emissions, local air pollution and noise pollution.⁴⁵

ELECTRIC VEHICLE TAX WILL AFFECT LOWER INCOME DRIVERS

NSW treasurer Dominic Perrottet reportedly claimed that EV drivers are wealthy and can afford new taxes:

“You don’t want to stifle new technology, but on the other hand, it is hardly fair for tradies in utes to pay a tax that someone who can afford a \$100,000 hi-tech car does not,”⁴⁶

This overlooks the majority of EV purchases overseas that are in an affordable range, and Australian consumers purchasing second-hand EVs through overseas grey markets or bulk-buy initiatives. Under the proposed Victorian RUC, the owner of a second-hand Nissan Leaf EV (\$20,000) would be charged more than the owner of an \$80,000 Lexus hybrid vehicle.⁴⁷

The proposed EV RUCs will have a detrimental effect on EV uptake, and may particularly dissuade lower-income customers from purchasing EVs. This would add to the existing challenges stifling EV uptake resulting from the lack of federal policy.

EVs have significantly lower running and maintenance costs, making them a viable option for lower income individuals and families. An EV can save the average Australia driver over \$1,500 on fuel costs annually.⁴⁸ However, those who would benefit most from the savings EVs provide are the people that can least afford them due in part to the lack of government support.

⁴⁴ Electric Vehicle Council (2020) *Uncovering the hidden costs and benefits from Electric Vehicles*, p 8. <https://electricvehiclecouncil.com.au/wp-content/uploads/2020/09/EV-True-Value.pdf>

⁴⁵ Ibid.

⁴⁶ Turnbull (2020) *Electric vehicle tax would be ‘madness’*.

<https://www.canberratimes.com.au/story/7010869/electric-vehicle-tax-would-be-madness/>

⁴⁷ Parkinson (2020) *Victoria’s EV hit means a sub \$20,000 Nissan Leaf pays more tax than a Lexus*, <https://reneweconomy.com.au/victorias-ev-hit-means-a-sub-20000-nissan-leaf-pays-more-tax-than-a-lexus-28982/>

⁴⁸ The Good Car Company (n.d.) *FAQ — The Good Car Company - Affordable electric vehicles for Australians*, <https://www.goodcar.co/faq-2>

To make EVs more accessible to lower income customers, government policies should aim to lower the upfront cost of EVs, not make them more expensive through additional taxes.

State EV policies are insufficient, particularly in states considering RUCs. The Electric Vehicle Council scored South Australia and Victoria a 'D' grade for EV policies (on a scale of A-F).⁴⁹ NSW scored a 'C', having made some progress on an EV strategy and public charging networks.⁵⁰ Given the lack of policy incentives for EVs in these states, introducing a RUC for EVs would further stifle EV uptake.

A University of Queensland (UQ) study analysed the impact of taxing EVs. It found that an EV RUC of 2.5 cents/km, in addition to lacking EV purchase incentives, could result in EV sales in 2050 that are 25% lower than a business as usual scenario, with up to 10 million fewer EVs on the road.⁵¹

Leaked documents reveal that states governments were warned of the potentially detrimental impact to EV uptake from EV RUCs.⁵² The documents also reveal that state governments did not consult with industry and the public on the proposed EV taxes.⁵³

ROAD USER CHARGES IN OTHER JURISDICTIONS DO NO TARGET ELECTRIC VEHICLES

It is hard to consider how a new road tax model could work when state treasuries are applying narrow taxes on subsets of the vehicle market without consideration for the broader issues at play.

Ideally, transportation is taxed in such a way as to deliver revenue and equitably allocate costs and benefits of vehicle and road usage by internalising transport externalities. Australia's current road charge pricing model does not account for externalities such as urban congestion and vehicle emissions.

ACT Chief Minister Andrew Barr has ruled out a RUC targeted at EVs, but may consider a voluntary alternative to registration fees. According the Chief Minister, "it would be opt-in,

⁴⁹ Electric Vehicle Council (2020) *State of Electric Vehicles*, p 77. <https://electricvehiclecouncil.com.au/wp-content/uploads/2020/08/EVC-State-of-EVs-2020-report.pdf>

⁵⁰ Ibid.

⁵¹ Schmidt (2020) *EV tax will smash electric vehicle sales and lift emissions, UQ study finds*. <https://reneweconomy.com.au/ev-tax-will-smash-electric-vehicle-sales-and-lift-emissions-uq-study-finds-77595/>

⁵² The Australia Institute (2020) *Leaked Government Paper: EV Tax Will 'Discourage Uptake', 'Face Strong Opposition'*. <https://australiainstitute.org.au/post/leaked-government-paper-ev-tax-will-discourage-uptake-face-strong-opposition/>

⁵³ Ibid.

open to all vehicles and designed to incentivise less driving, saving households money and reducing congestion on our roads”.⁵⁴

An equitable RUC would consider distance, congestion, vehicle size and pollution. Importantly, an equitable RUC would apply to all vehicles, but may exempt EVs for a certain time period or until a certain market penetration.

For example, in New Zealand EVs are exempt from RUCs and save EV drivers approximately NZD\$600 per vehicle annually.⁵⁵ Since 2017, New Zealand’s RUC has also exempted heavy electric vehicles such as buses and trucks until they make up 2 per cent of the heavy vehicle fleet.⁵⁶ Revenue collected from New Zealand’s RUC is dedicated to the National Land Transport Fund to maintain public roads.⁵⁷

EVs are exempt from London’s Congestion Charge under the ‘cleaner vehicle discount’ until December 2025.⁵⁸

Stockholm’s congestion tax exempted EVs from its implementation in 2007 until 2012.⁵⁹ Exemptions applied to a range of alternative-fuel-cars in addition to EVs to stimulate the market introduction of new technology vehicles. Studies show that exemption from congestion charges, with other supporting policies, played an important role in incentivising uptake of these vehicles.⁶⁰

Some jurisdictions now considering RUCs have already incentivised EVs. The critical difference between these jurisdictions, such as California, and the Australian state-based approach is the introduction of policies to increase EV uptake *before* the implementation of RUCs. Jurisdictions including California, Oregon, Washington and Utah, (often used to justify an RUC in Australia), have had fuel efficiency regulations in place since 1976 and have

⁵⁴ Bushnell (2020) *Barr rules out electric vehicle tax but road user charges are coming*.

<https://the-riotact.com/barr-rules-out-electric-vehicle-tax-but-road-user-charges-are-coming/422771>

⁵⁵ New Zealand Government (n.d.) *Electric Vehicles Programme | Ministry of Transport*.

<https://www.transport.govt.nz/area-of-interest/environment-and-climate-change/electric-vehicles-programme/>

⁵⁶ Ibid.

⁵⁷ New Zealand Government (2020) *Road User Charges Handbook*.

<https://www.nzta.govt.nz/assets/resources/road-user-charges/docs/road-user-charges-handbook.pdf>

⁵⁸ Transport for London (n.d.) *Discounts and exemptions*. <https://www.tfl.gov.uk/modes/driving/congestion-charge/discounts-and-exemptions>

⁵⁹ Paris Process on Mobility and Climate (n.d.) *Stockholm’s Commitment to Clean Vehicles and Fuel*.

<http://www.ppmc-transport.org/stockholms-commitment-to-clean-vehicles-and-fuel/>

⁶⁰ Eliasson (2014) *The Stockholm congestion charges: an overview*,

<https://www.transportportal.se/swopec/cts2014-7.pdf>

provided EV incentives, including policies to reduce upfront vehicle costs, for the past decade.⁶¹

An overarching discussion on how transport should be funded would be welcome. It could consider congestion charging and mass distance pricing for heavy vehicles.⁶² But that is not what we have. Instead in 2018, the Morrison Government decided not to proceed with an inquiry into road user charging, despite support from transport groups and concern about shrinking fuel excise revenue.⁶³ This discussion is necessary to ensure a coordinated approach to RUC implementation, instead of ad-hoc state charges, at a time when EV uptake should be incentivised, not discouraged.

Until then, these ad-hoc taxes on EVs should be neutralised through the proposed Amendment.

⁶¹ Electric Vehicle Council (2020) *2020 EVC Response to NSW Federal Financial Relations Review Panel*. <https://electricvehiclecouncil.com.au/wp-content/uploads/2020/08/2020-EVC-Response-to-NSW-FFRR-Draft-Report.pdf>

⁶² See: Denniss (2020) *Instead of taxing electric vehicles, heavy vehicles should pay more for the damage they cause*. <https://www.theguardian.com/commentisfree/2020/nov/25/instead-of-taxing-electric-vehicles-heavy-vehicles-should-pay-more-for-the-damage-they-cause>

⁶³ Tillet (2018) *Deputy PM Michael McCormack shelves inquiry into road pricing*. <https://www.afr.com/politics/deputy-pm-michael-mccormack-shelves-inquiry-into-road-pricing-20181004-h1688d>

Conclusion

There is currently little support for, or leadership on, EVs at the federal level. Opportunistic state governments have taken advantage of this policy vacuum under the guise of revenue raising for road infrastructure.

Fuel excise revenue is not hypothecated to road funding. State-based RUCs, as proposed by the Victorian and South Australian Government, also would not be hypothecated to road funding. Further, state-based RUCs do not solve the problem they purport to solve. Additionally, they raise practical difficulties, and will further hamper EV uptake in Australia.

The political and financial convenience of introducing a targeted RUC at the early stages of the EV market transition should not come at the detriment of EV uptake. Electrification of road transport is necessary to meet every Australian State Government's target of net-zero emissions by 2050.

The No EV Tax Amendment neutralises the revenue effect of state-based RUCs for EVs. This discourages states and territories from introducing perverse and targeted RUCs, but does not impede the future introduction of equitable road user charging systems based on best-practice rather than political expedience. To do this, the federal government should take the lead on developing a comprehensive policy for funding transportation.

RECOMMENDATION

The *COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020* should be passed.