



Australian Government

Department of Infrastructure, Transport,
Regional Development, Communications and the Arts

**Deputy Secretary
Marisa Purvis-Smith**

OIA Reference: OBPR22-03502

Mr Daniel Craig
A/g Executive Director
Office of Impact Analysis
Department of the Prime Minister and Cabinet
1 National Circuit
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Dear Mr Craig

Impact Analysis – Cleaner, Cheaper to Run Cars: The Australian New Vehicle Efficiency Standard Consultation Impact Analysis – Second Pass Final Assessment

I am writing in relation to the attached Impact Analysis prepared for the introduction of a New Vehicle Efficiency Standard (NVES) for new light vehicles supplied to the Australian market.

On 12 January 2024, the Office of Impact Analysis (OIA) provided a detailed first pass assessment of the *Cleaner, Cheaper to Run Cars: The Australian New Vehicle Efficiency Standard Consultation Impact Analysis* and the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the department) has considered those suggestions and revised the Impact Analysis.

Detail of the amendments made against the feedback from OIA's first pass letter is below.

Section Title	Updates
General comment	The Impact Analysis now responds to all seven questions including regulatory and non-regulatory policy options.
Executive summary	The department has introduced a Foreword which sets out the policy problem and the policy objectives to be achieved, and the Executive Summary provides the extent of consultation undertaken, an overview of the options analysed, justification for the recommended option and why the other options were rejected.
What is the policy problem you are trying to solve?	<p>This section sets out the magnitude of the policy problem, supported by evidence and makes clear the consequences of not acting.</p> <p>The possible policy response has been moved to <i>What policy options are you considering?</i></p> <p>The rationale for intervention is explored in this section, including setting out why a voluntary standard will not work. It also establishes the efficiency of building on existing departmental regulatory</p>

	frameworks to regulate CO2 emissions from light vehicles as well as other established Government credit trading systems.
What is the objective of Government action?	<p>The existing voluntary standard has been further examined, and this section now makes clear why a voluntary standard is not an effective mechanism to achieve sufficient CO₂ emissions reduction in light vehicles to meet Australia's mandated emission reduction targets.</p> <p>The chart depicting business-as-usual (BAU) EV uptake has been moved to <i>What policy options are you considering</i> as it supports the Government's position that a baseline or BAU approach will not achieve sufficient abatement.</p> <p>Figure 8 under <i>What policy options are you considering</i>, demonstrates that a modest improvement in the efficiency of internal combustion engine (ICE) vehicles, in combination with Figure 9 which depicts BAU EV uptake, will be insufficient to achieve Australia's mandated abatement targets for 2030 and 2050.</p> <p>Barriers to achieving objectives have been identified in this section, and additional content examines the identified barriers in both the short and long term, out to 2050.</p>
What policy options are you considering?	<p>Following the recent consultation on business-as-usual (non-regulatory) option and the three options for a NVES (A, B and C) the Impact Analysis now presents a fifth option, which is the best option.</p> <p>Each regulatory option is comprehensively compared in terms of the variation in settings, cumulative fuel cost savings, cumulative abatement. Detail on the impacts (costs and benefits) are set out in <i>What is the likely net benefit of each option?</i></p> <p>Additional detail relating to complementary Government policy has been included.</p>
Who did you consult with and how did you incorporate their feedback?	<p>This section now includes a comprehensive overview of the recent, and final, phase of consultation and how it informed the adjustments to Option B, which has become what we consider to be the best option. The range of views across the final consultation process has been presented.</p>
What is the best option from those you have considered and how will it be implemented?	<p>The best option for a NVES is set out in detail in this chapter, and includes implementation challenges and impacts. Implementation risks are presented at Appendix D.</p> <p>The adjustments made to Option B in order to develop the best option have a particular focus on transitional arrangements for vehicles that would not have performed as well under Option B.</p>

The regulatory net benefits of introducing a New Vehicle Efficiency Standard, that is in line with Government's preferred option, are estimated to be \$86.04 billion to 2050. The preferred option also represents the highest benefits cost ratio of all options considered, at 3.12.

Accordingly, I am satisfied that the IA is now consistent with the six principles for Australian Government policy makers as specified in the *Australian Government Guide to Policy Impact Analysis*. I submit the IA to the Office of Impact Analysis for formal second pass final assessment.

Yours sincerely



Marisa Purvis-Smith

Deputy Secretary

25 March 2024