



# New Vehicle Efficiency Standard Fact Sheet

March 2024

## What are we doing?

- Australia is one of the only advanced economies without a New Vehicle Efficiency Standard.
- Car makers send their most advanced and efficient cars to other countries because we have no standard in place.
- Following consultation earlier this year, the Government has fine-tuned its policy settings and will now introduce legislation for a Standard.
- The changes following consultation are:
  - Recalibrate the targets for utes, vans and some 4WDs to better match revised limits in comparable markets.
  - The legislation will start on 1 January 2025, but penalties and credits won't start until 1 July 2025.
  - Make technical adjustments:
    - to the cap that that applies to how much the targets go up with the weight of the vehicle (called breakpoints); and
    - on how some 4WDs are categorised.

## Our model will deliver:

- Over \$95 billion in fuel savings to Australians by 2050.
- More choice of low and zero emissions vehicles.
- Around \$5 billion in health savings by 2050.
- Cumulative abatement of:
  - 20 million tonnes to 2030,
  - 80 million tonnes to 2035; and
  - 321 million tonnes by 2050.
- Around 60% reduction in emissions intensity for new passenger vehicles by 2029.
- Around 50% reduction in emissions intensity for new light commercial vehicles by 2029.
- Improved Australian fuel security.

## What is a New Vehicle Efficiency Standard?

A NVES is a regulatory obligation on car makers to supply vehicles that on average meet a certain CO<sub>2</sub> g/km emissions target. The target is reduced over time, which encourages suppliers to provide more efficient vehicles.

- For each vehicle that a supplier imports that beats the target, the supplier earns credits.
- For each vehicle that a supplier imports that miss the target, the supplier will have to offset this over two years by bringing in less-polluting cars, or by buying credits. If they don't, they'll need to pay a penalty.

## Key points:

- The Standard only applies to new, light vehicles (i.e. new cars, SUVs, 4WDs and utes).
- No vehicles are banned.
- The Standard sets two targets, one for passenger vehicles and some SUVs, and a higher target for most utes, vans and large 4WDs. Targets are also adjusted for vehicle weights to reduce the disadvantage that heavy vehicles have.
- A NVES is a supply side measure – it encourages car makers to provide more fuel-efficient, low and zero emissions vehicles to Australians.

## Next steps:

The Australian Government will soon introduce legislation and establish a new regulator. The legislation will commence from 1 January 2025 if passed by the Parliament.



# NVES Legislation Fact Sheet

March 2024

## What changes will appear in the legislation based on consultation?

- 1) **Headline limit for truck, vans and some 4WDs:**** The Government has recalibrated the headline limit for Light Commercial Vehicles (LCVs) to take account of the nature of our vehicle market and in view of targets in comparable markets. Targets are as follows:

Year	What we consulted on	Revision
2025	199	210
2026	164	180
2027	129	150
2028	94	122
2029	81	110

- 2) **Implementation timing:**** The legislation will start on 1 January 2025, but penalties and credits won't start until 1 July 2025. This will give industry more time to adjust and allow the Government more time to put in place the regulator and IT systems.
- 3) **Adjust the upper breakpoints:**** The targets in the legislation go up for heavier vehicles, to a cap called the 'upper breakpoints'. The Government is increasing the upper breakpoints by 200 kg for LCVs to 2400 Kg and Passenger Vehicles (PVs) to 2200 Kg for a better statistical fit
- 4) **Categorisation of some 4WDs:**** Some heavy 4WDs are built with a ladder frame chassis (diagram overleaf), and have a braked towing capacity of more than 3 tonnes. They are more similar to utes and vans and so the legislation puts these 4WDs in the LCV class. The majority of SUVs would remain in the PV class.

## How does the legislation work?

Over a year, suppliers will enter vehicles onto the Register of Approved Vehicles (the RAV – an existing database of cars imported into Australia). Based on the emissions and weight of a vehicle, the Interim Emissions Value (IEV) for a supplier will go up and down. At the end of the year, if a supplier's IEV is less than zero, that supplier will be awarded credits (units, in the legislation). If a supplier's IEV is more than zero, that supplier will have two years (after the end of the relevant IEV year) to surrender enough units to reach zero (that they can either buy or generate themselves). If they don't they will have a Final Emissions Value (FEV) of more than zero, and be in breach of a civil penalty provision.

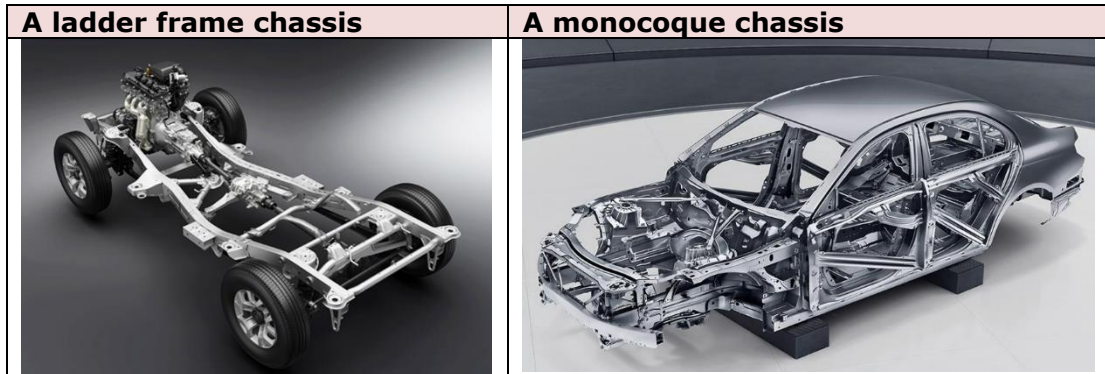
The penalty for a breach will be \$100 grams of CO<sub>2</sub> per kilometre. The regulator (the department) will be able to take the supplier to court to seek the maximum penalty, or as is normal with civil penalties, issue an infringement notice (equal to 50 per cent of the maximum penalty, which is a higher percentage than is the default). If the supplier pays the infringement notice there is no further action. If the supplier elects not to pay the infringement notice, the department can take the supplier to court.

**Attachment:**

**What 4WDs will move to the LCV class?**

Cars using a ladder frame chassis (also known as a body on frame chassis) and with a braked towing capacity of 3 or more tonnes would be moved to the LCV class. A ladder frame chassis is used for most utes and large 4WDs. A different type of chassis (known as a monocoque chassis) is used for hatch backs, sedans and lighter Sports Utility Vehicles (SUVs).

See diagram below:



Out of a total of half a million SUVs sold in 2022, this would move about 90,000 vehicles to the LCV category.

Some examples of vehicles that would go into each category are:

These cars would move to the LCV category	These cars would stay in PV category
Isuzu-Mu-X	Toyota Kluger
Mitsubishi Pajero Sport	Toyota RAV4
Toyota Prado	Hyundai Tucson
Lexus LX	Hyundai Santa Fe
Mercedes-AMG G 63	Nissan X-Trail
Toyota Fortuner	Tesla Model Y
Ford Everest	Subaru Outback
Nissan Patrol	Mitsubishi ASX
Toyota Landcruiser	Honda CR-V