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## IMPLEMENTATION

The Authority is convinced that an emissions standard for new light vehicles sold in Australia would deliver significant financial benefits to motorists and realise one of the lowest-cost emissions reductions opportunities available to Australia. Compared with other possible initiatives, its implementation would be relatively straightforward.

Around 70 per cent of the light vehicles sold in the world today are covered by a CO<sub>2</sub> emissions standard, including in the major markets of the US, Europe and China. Standards have proved over a long period—and in a variety of markets—to be effective in delivering benefits to consumers as well as environmental gains. With good design, they can preserve marketplace diversity and consumer choice, and drive technological innovation.

Despite a long history of policy discussion and moderate improvements in vehicle fuel efficiency and emissions, Australia lags behind many other countries. This is unlikely to change in the absence of government action, despite the closure of domestic manufacturing and the importation of all vehicles by 2018. Without regulatory intervention to address market failures and other behavioural barriers, Australia risks continuing to lag behind and to miss opportunities to improve its energy productivity, reduce emissions and permit motorists to save on their fuel bills.

The early introduction of a light vehicle emissions standard for Australia is both achievable and desirable, and the benefits demonstrably outweigh the costs at whatever levels they are assessed.

The Authority proposes a standard that would apply from 2018 and:

- set a target to reduce the average emissions intensity of the Australian light vehicle fleet from its current level of 192 g CO<sub>2</sub>/km to 105 g CO<sub>2</sub>/km in 2025
- oblige vehicle suppliers to improve the emissions intensity of the fleet offered to Australian motorists, with financial penalties for non-compliance
- be designed with a simple set of features to promote environmental effectiveness, policy stability and equity, and minimise the regulatory burden.

As with any new regulatory proposal, the next step would be for government to develop a formal RIS, which would involve extensive consultation with industry and other relevant parties. The Authority believes this report could provide a starting point for that work, although a number of implementation issues reach beyond the scope of this report, including the best legislative framework for introducing a standard and the associated governance arrangements to implement it. Other features that require detailed market analysis and industry consultation, such as determining the point of liability under the standard, require further process. International developments in the proposed harmonisation of testing procedures would also need to be monitored.

A standard commencing in 2018, with the first phase spanning 2018 to 2025, would seem to allow ample time for a RIS to be completed, and for the detail of the standard to be finalised, before industry was required to start complying.

The Authority has proposed a review of the standard in 2021 to consider the operation and design of the scheme and recommend new national average targets for phase two, after 2025.