

Labor's fuel-efficiency standards may settle the ute dispute—but there are still hazards on the road

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Australia looks set to adopt fuel-efficiency standards after the Albanese government on Sunday [revealed](#) options for the long-awaited policy. The government says the reform would lead to more cars that are cheaper to run, eventually saving Australians about A\$1,000 per vehicle each year.

The announcement comes a decade after the Climate Change Authority [first proposed](#) such a standard for Australia. The United States has had such a [policy](#) since [the 1970s](#) and the European Union implemented mandatory standards in 2009.

The Coalition has already sought to stoke fears among tradies and regional voters by claiming Labor's policy threatens to take utes off the road. Labor's policy is designed to address this concern—but the opposition looks likely to continue this scare campaign.

More generally, history tells us the road to [fuel-efficiency](#) reform in Australia is a bumpy one. The Albanese government has hazards to negotiate before its proposal becomes law.

A carbon price, by another name

Labor has outlined three options for a fuel-efficiency target, ranging from weak to aggressive. It describes its preferred middle-ground option as the sensible compromise.

The policy design for each of the options would set a national limit, averaged across all new cars sold, stipulating grams of CO₂ that can be emitted for each kilometer driven. This measure depends on fuel efficiency: that is, the amount of fuel burnt per kilometer. The designs differ in the stringency of the targets, the speed of the changes and the treatment of different vehicle classes.

The limit would not apply to individual cars. Instead, each supplier of new light vehicles to Australia would have to make sure the mix of vehicles does not exceed the limit. Low-efficiency vehicles could still be sold, but car dealers would have to balance this out by selling enough high-efficiency vehicles, such as [electric vehicles](#).

Car suppliers that outperform the targets would earn credits that could be sold to those falling short. This system is similar to Australia's renewable energy target for electricity and the safeguard mechanism for industry pollution.

All three are effectively a [carbon price](#) (though the political toxicity of that term means the government would never characterize them as such). Nonetheless, should the fuel-efficiency standards be implemented, Australia would end up with three carbon prices, one for each major energy use.

The government says the preferred option would lead to a saving of 369 million tons of CO₂ by 2050.

What about utes?

One tricky path the policy must navigate is allowing for the supply of both small and large vehicles without further exacerbating [the trend](#) towards oversized vehicles on our roads.

The government's preferred option achieves this by allowing higher—but still limited—emissions for heavier vehicles such as utes, vans and SUVs, to account for their natural tendency to use more fuel.

Heavier vehicles are a sticking point in forming vehicle emissions policy in Australia. Who could forget then-prime minister Scott Morrison's [2019 claim](#) Labor's electric vehicle policy would "end the weekend" by banning larger cars used to tow boats and the like.

Following Labor's policy announcement on Sunday, Nationals leader David Littleproud picked up where Morrison left off, [saying](#):

"If you take away particularly utes, they're tools of trade, particularly for

people, not just tradies in the cities, but also people in the bush. And if you put a ton on the back of an electric ute at the moment, you don't get far."

Anticipating the Coalition scare campaign, the Labor government's preferred option has been designed with the aim of ensuring a wide range of conventional utes remain on the market.

In the medium term, we can also expect the trend towards larger vehicles to be weakened by measures in Labor's last federal budget to [roll back](#) vehicle tax breaks for small and medium businesses. But that change doesn't come into effect until mid-year, which means there may be a rush on larger vehicle purchases until then.

Ghosts from the past

Labor's preferred policy option is broadly similar to that put forward by the Climate Change Authority in 2014. Then, the Coalition government appeared to consider the proposal for a time. But it eventually dropped the idea—in part, presumably, due to lobbying by interest groups including the [car industry](#).

There are signs those same groups are gearing up again. The Federated Chamber of Automotive Industries, for example, [said on Sunday](#) the government's targets will "be a challenge" to meet and may lead to more expensive vehicles, or gaps in the supply of utes and SUVs.

But the proposed policy has been welcomed by climate change advocates, the electric vehicle industry and motoring groups. The NRMA described them as "responsible and achievable," saying "a business-as-usual approach meant that Australian families and businesses were not benefiting from the best technology designed to reduce fuel consumption."

Progress, at last

The government intends to consult on its preferred model before introducing the legislation, with a view to enacting the policy in January 2025.

Assuming the policy is adopted, Australia would finally shed its unenviable status as the only developed country without such standards. But we will still be at the back of pack, far behind the EU and only catching up to the US in 2028.

Despite the difficulties, it seems likely Australia will have fuel-efficiency standards in the near future. As with most measures to reduce emissions, the best time to introduce the policy was ten or more years ago. But the second-best time is now.

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