



# AAA CLIMATE CHANGE POLICY STATEMENT 2017



Australian  
Automobile  
Association

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## Foreword

The Australian Automobile Association (AAA) welcomes the Australian Government's commitment to reduce Australia's CO2 emissions and recognises that motorists must play a role in improving our national environmental performance.

It is critically important that any emissions policy must deliver for the environment and do so at least cost to motorists. Given our sparse population and the size of our continent, it is difficult to overstate the importance that affordable travel, particularly by private motor vehicle, plays in the lives of Australians. A recent AAA survey found that 73 per cent of respondents said their car is extremely or very important in their day to day life.<sup>1</sup>

The AAA Transport Affordability Index shows over thirteen per cent of average household income is consumed by transport costs. This is compared to electricity and gas, which consume between one and three per cent of average household income.<sup>2</sup> At a time when the Government is rightly focused on consumers struggling with the cost of living, the AAA Transport Affordability Index serves as a reminder that transport is also a significant and unavoidable cost for most families.

Therefore, efforts to reduce transport emissions should focus on least cost measures such as improving consumer information and changing driver behaviour through education. Where regulatory measures are required, they should be implemented over appropriate timelines and should not unnecessarily add to the cost of transport or restrict choice.

In supporting the need to reduce emissions while recognising the importance of affordable transport, the AAA has developed a set of key principles that should guide efforts to reduce vehicle emissions. This document details these principles and outlines a number of existing AAA policy positions.

The AAA is committed to helping Australian motorists reduce greenhouse emissions by influencing industry and government to take steps that reduce emissions and improve energy efficiency at least cost to commuters.



# Introduction

The AAA is the peak organisation for Australia's motoring clubs and their eight million members. The AAA advances the interests of its constituent motoring clubs as well as all road users across Australia to ensure transport is safe, sustainable and affordable.

The AAA welcomes the Australian Government's commitment to reduce Australia's CO2 emissions by 26-28 per cent on 2005 levels by 2030. With the Australian light vehicle fleet contributing around ten per cent of Australia's CO2 emissions, the AAA is committed to working with the Government to ensure the sector makes a valuable contribution towards the 2030 target. However, the AAA believes action to reduce transport emissions must be carefully considered and introduced in a way that does not unfairly penalise motorists. In fact, one of the key challenges for Australia and the world is to harness the enormous benefits of affordable travel, while at the same time reducing its impact on the environment.

Affordable transport is critically important for millions of Australians. The AAA Transport Affordability Index shows that over thirteen per cent of average household income is consumed by transport costs. This is compared to electricity and gas, which consume between one and three per cent of average household income.<sup>3</sup> The AAA Transport Affordability Index serves as a reminder that transport is a significant and mostly an unavoidable cost for families. In balancing the need to reduce emissions while maintaining transport affordability, the AAA has developed three key principles that should guide efforts to reduce CO2 emissions from the light vehicle fleet:

1. Improve consumer information;
2. Achieve fuel efficiency gains while maintaining affordability and choice; and
3. Develop an integrated package of measures.

The AAA and its member clubs have for many years played a leading role in promoting cleaner, less carbon intensive, and more fuel-efficient motoring through a range of initiatives including consumer testing and driver training. For instance, the AAA and member clubs committed \$500,000 to conduct a series of real-world driving emissions tests to inform our policy and advocacy in relation to emissions standards for the Australian light vehicle fleet.

The AAA intends to continue this lead role, by taking a proactive and pragmatic approach towards climate change; one that makes a positive contribution to addressing climate change while balancing Australians' need for safe and affordable transport.

Furthermore, AAA motoring clubs recognise they have a responsibility to assess and abate their direct and indirect carbon emissions.

This policy statement includes an examination of the role of the light vehicle fleet in Australia's greenhouse gas emissions, and a discussion about the AAA's principles and a number of corresponding policy positions.

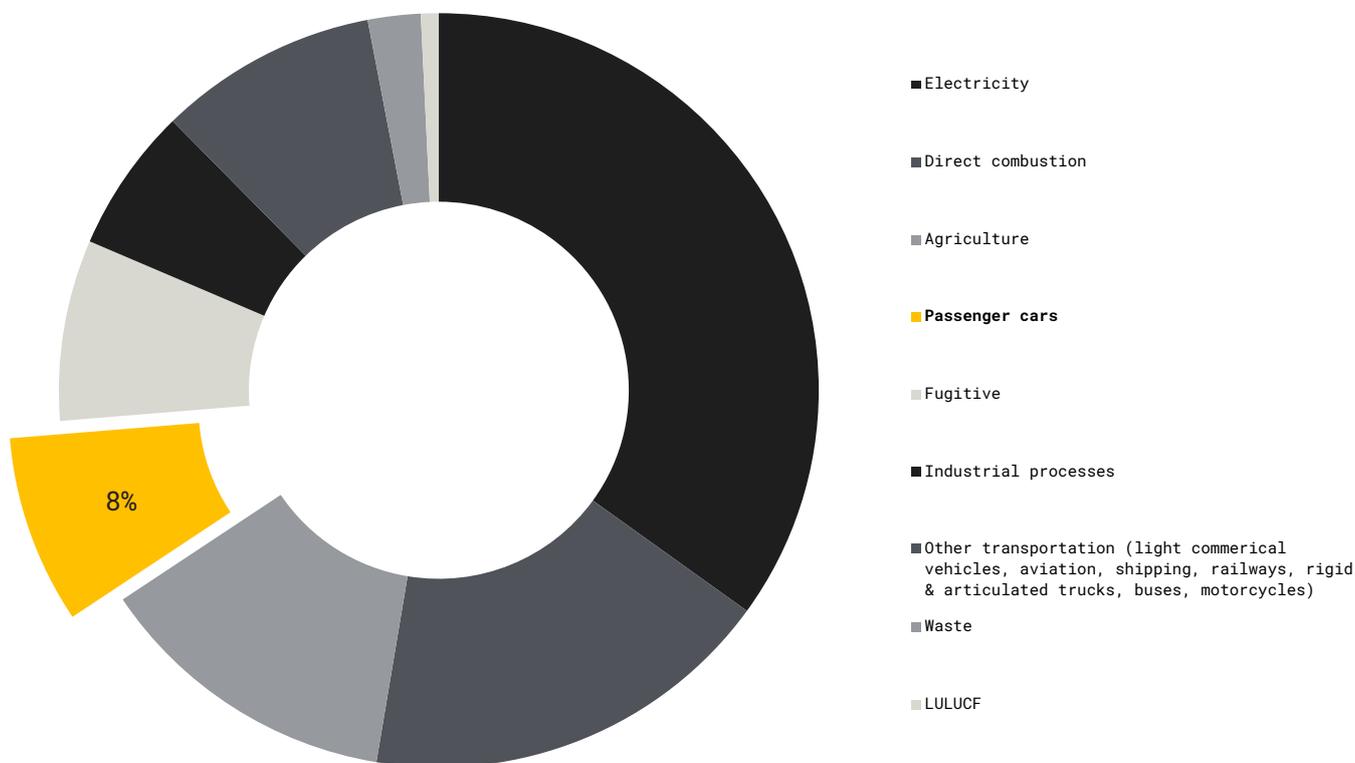
# Cars and Climate Change

## Overview

Australia’s annual greenhouse gas emissions are equivalent to around 527 million tonnes of CO<sub>2</sub>, which is approximately 1.5% of global emissions. Passenger cars generate around 8 per cent of Australia’s total greenhouse gas emissions, and slightly more than half of the nation’s transport sector emissions (which includes commercial vehicles, rail, sea and air travel). Light commercial vehicles account for 2 per cent of total emissions.<sup>4</sup>

It is estimated that emissions from passenger cars will continue to grow slightly between now and 2030, from 43Mt CO<sub>2</sub>-e in 2015 to 46Mt CO<sub>2</sub>-e, but will, however, reduce slightly as a percentage of Australia’s total emissions. Including light commercial vehicles, emissions from the entire light vehicle fleet will increase from 57Mt CO<sub>2</sub>-e in 2015 to 62Mt CO<sub>2</sub>-e by 2030. Again, this represents a slight reduction as a percentage of Australia’s total emissions. The fastest growing emission sources within the transport sector include air travel and articulated trucks.<sup>5</sup>

Motor vehicles have a track record of improvement. Better engine technologies have contributed to significant reductions in emissions from new vehicles. Since 2002, the average carbon dioxide intensity of new vehicles entering the Australian fleet has reduced by 27 per cent, or around 2 per cent each year on average.<sup>6</sup> A 1-2 per cent reduction is expected to continue each year.<sup>7</sup>



Australian emissions by sector 2015

# AAA Key Climate Change Principles

## Overview

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As the peak body representing Australia's motoring clubs and their eight million members, the AAA recognises motorists have a role to play in improving Australia's environmental performance. However, the AAA is strongly committed to ensuring measures to reduce the environmental impact of transport do not unfairly or unnecessarily burden household budgets and that costs to the economy are minimised.

In balancing the need to reduce emissions while maintaining transport affordability, the AAA has developed three key policy principles that it believes should guide efforts to reduce CO2 emissions from the light vehicle fleet. These are:

1. Improve consumer information;
2. Achieve fuel efficiency gains while maintaining affordability and choice; and
3. Develop an integrated package of measures.

## Principle 1: Improve consumer information

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By improving the availability and accuracy of information, consumers can make the most of cost-effective opportunities to reduce emissions. These cost-effective measures include reducing the amount of driving by planning trip routes and using alternative modes of transport, understanding the effects of driving styles on fuel consumption, switching to cleaner fuels, buying more fuel-efficient vehicles, and regularly checking tyre pressures.

### **Policy 1.1 Assist consumers to make an informed choice**

The AAA believes consumers should be offered easily digestible information about a vehicle's emissions levels and fuel consumption. A recent AAA survey found fuel efficiency was one of the main factors for consumers when purchasing a new car.<sup>8</sup>

While all new cars sold in Australia must carry a label showing information about fuel consumption and emissions levels, and the Government's Green Vehicle Guide (GVG) provides environmental information about new cars in the Australian market, the information could be more educational and more digestible.

The AAA believes the GVG should be improved by presenting the information as a star rating system, similar to energy labelling of electrical appliances and ANCAP vehicle safety ratings. The AAA notes the GVG has previously displayed star ratings and continues to call for this to be restored.

The AAA also believes the GVG should consider including operating cost savings to consumers, as included in the US and New Zealand models, and leverage the successful labelling system for the energy efficiency of appliances. In addition, the AAA believes the Government should consider extending the labelling system to incorporate used cars.

### **Policy 1.2 Environmental information about vehicles should be relevant and accurate**

To be effective, policies and initiatives on climate change need to be based on accurate and reliable information and analysis. Therefore, it would be prudent to ensure the community and decision makers are fully aware of the realities of a vehicle's fuel efficiency and emissions levels.

The current fuel consumption information provided to consumers is derived in a laboratory test. The test is not a good representation of how vehicles perform on the road. As a result, technologies and strategies to reduce emissions and fuel consumption in the laboratory do not always provide the same level of benefit in the real-world.

## Principle 2: Achieve fuel efficiency gains while maintaining affordability and choice

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Given the AAA's strong belief in providing accurate information to consumers and ensuring vehicle compliance, the AAA is currently conducting a real-world emissions testing program. The latest results reveal real-world fuel use and greenhouse gas emissions are up to 60 per cent higher than the mandatory laboratory results and 25 per cent higher on average. The results are consistent with other analysis around the world on the divergence between laboratory testing and real-world results. The International Council on Clean Transportation (ICCT) has long been monitoring this divergence and has found that as emission regulations have been tightened, the greater the divergence has become.<sup>9</sup>

The AAA is firmly of the view that the Australian Government must undertake an ongoing independent audit program to test the vehicle emissions claims of the vehicle manufacturers that are supplying vehicles to the Australian market.

An ongoing independent audit program would not only provide greater certainty around compliance, but would also provide more accurate environmental information to consumers when purchasing new cars.

### **Policy 1.3 Improve driving behaviour**

The AAA supports the view that significant fuel efficiency and cost savings for individual motorists can be achieved through changing driver behaviour, collecting and analysing fuel consumption data, planning more efficient routes, better load management, purchasing vehicles appropriate for their use and properly maintaining vehicles.

Through the AAA's member clubs, various eco-driving initiatives have been trialled and some are currently underway. The RACQ completed a major investigation into eco-driving in 2012, jointly funded by the Queensland Government. It found that average yearly fuel savings of \$98 were achieved when an online learning tool was provided to research participants. The report found that the online tool was the cheapest and easiest option to implement on a mass scale. This training had the highest cost-benefit ratio and the report indicated that it could also be easily incorporated into learner driver training.<sup>10</sup>

It is difficult to overstate the importance that travel, particularly by private motor vehicle, plays in the lives of Australians. Transport networks permeate all aspects of our society and represent the major arteries of modern economic activity, playing a crucial role in our local, regional and national economies. The need to reduce greenhouse gas emissions must therefore be considered alongside the many other aspects of our lives that will remain dependent on mobility. Given most Australians will continue to rely on cars on a daily basis, particularly for those living in outer suburbs and regional areas, measures to reduce their environmental impact must not result in unnecessarily or unfairly increased household costs. Equally, costs to the economy must be minimised.

### **Policy 2.1 Increasing uptake of lower emitting vehicles must be positive not punitive**

Since 2002, the average carbon dioxide intensity of new vehicles entering the Australian fleet has reduced by 27 per cent, or around 2 per cent each year on average.<sup>11</sup> Current projections show the efficiency of Australia's light vehicle fleet to improve by 1-2 per cent each year.<sup>12</sup>

The AAA supports the consideration of a CO<sub>2</sub> standard for the light vehicle fleet in order to improve vehicle efficiencies beyond business as usual projections. However, any CO<sub>2</sub> standard must be appropriate for Australian conditions and should not penalise consumers by restricting choice and raising costs.

Australia's vehicle fleet composition reflects our geography, lifestyle, and road safety profile. A CO<sub>2</sub> standard could result in market distortion which reduces vehicle weight; reduces vehicle power; changes the fleet mix and the proportion of large and small cars; or any combination of the above. Any loss of vehicle choice and valued features must be fully accounted for, and any potential unintended consequences carefully considered.

Furthermore, the AAA supports measures to encourage the uptake of electric and ultra-low emissions vehicles, providing it does not affect consumer choice and affordability. In addition, it is critically important that adequate recharging infrastructure and appropriate standards are in place, in order to support the uptake of electric vehicles.

**Policy 2.2 Improvements to Australia's fuel quality must not result in net costs for consumers and risk adverse environmental outcomes**

The AAA supports changing Australia's fuel quality standards to reduce air pollution and ensure appropriate fuels are available to support new engine technologies into the future. However, the AAA believes the timeline for the introduction of new fuel quality standards must be based on when there will be adequate availability of appropriate fuels to meet demand, thus avoiding price shocks to the Australian fuel market.

While the AAA supports measures to improve Australia's fuel quality, it does not support the forced removal of regular unleaded petrol (91 RON). 91 RON is Australia's most popular fuel choice, accounting for 69 per cent of petrol sales in 2015-16.<sup>13</sup> This is principally because it is the least expensive grade of petrol available, which currently retails at between 11 to 16 cents per litre cheaper than premium unleaded petrol (95 RON).<sup>14</sup>

The AAA understands some new cars require the use of higher octane and/or lower sulfur petrol. However, this in itself is not a reason to remove 91 RON. The average age of the Australian light vehicle fleet is over 10 years old and many owners of older cars may not receive a net benefit from using higher octane petrol. Any requirement from car manufacturers for consumers to use higher octane petrol should be achieved through consumer education and/or manufacturer's specifications, not by mandating the removal of lower octane fuel from the market.

The AAA also believes that any measures designed to increase the use of ethanol must be considered against increased net costs to consumers (due to low energy density of ethanol and need to refuel more often) and its suitability for motorcycles and other engines such as marine and small power tools. Furthermore, a full life cycle analysis would need to be undertaken to ensure increased use of ethanol does not increase Australia's net carbon footprint. Finally, an increased use of ethanol in petrol could have implications for the amount of fuel excise the Government receives, due to current ethanol subsidy. Any reduction in fuel excise should not come at the expense of infrastructure funding.

The use of octane enhancers to meet increased demand for higher octane petrols in the future must be carefully considered. Some oxygenates used in Europe to increase octane are banned in Australia due to their impact on water quality.

**Policy 2.3 Alternatives to the car need to be safe, reliable, affordable and efficient**

The AAA supports investment in public transport and the uptake of alternative forms of transport and sees this as a critical component of reducing congestion and transport emissions. In fact, recent AAA surveys have found that respondents see the increased use of public transport as the most realistic solution to reduce the impact of cars on the environment.

It is imperative that governments improve the coverage and frequency of public transport services to provide a viable alternative to the car. If governments wish to encourage the public to use cars less, then they must ensure that alternatives – be it rail, bus, ferry, cycling or walking – are safe, reliable, affordable, convenient and efficient.

### Principle 3: Develop an integrated package of measures

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The AAA believes the most appropriate response to reducing CO<sub>2</sub> from the light vehicle fleet is through an integrated package of measures which spreads the contribution across the entire fleet. While there has been a recent focus on improving the efficiency of new vehicles, it is only one aspect of vehicle related abatement options. Active measures to reduce the cost of newer, fuel efficient vehicles, improve infrastructure and ensure better planning are also required.

#### **Policy 3.1 Encourage the purchase of newer, fuel efficient vehicles by improving affordability**

The average age of Australia's light vehicle fleet is 10.1 years, the same as it was in 2006.<sup>15</sup> This is compared to the United Kingdom, which has an average age of 7.3 years and Japan at 7.5 years.<sup>16</sup> An older fleet age means too many Australians are driving vehicles that lack efficiency features available in newer vehicles. To encourage consumers to purchase newer, more fuel efficient cars, the Government must reduce cost pressures on the new car market and improve competition.

The AAA believes the Australian Government can immediately improve affordability and environmental sustainability of light vehicles by removing the five per cent tariff on imported motor vehicles, which is adding an extra \$500 million to the cost of new cars each year.<sup>17</sup> This tariff was originally designed to protect the local vehicle manufacturing industry, which will cease to exist in 2017. Its removal will place downward pressure on new vehicle prices, encouraging more consumers to purchase newer, cleaner, safer cars, which will contribute to the Government's road safety, air quality and greenhouse objectives.

The Government can further reduce the cost of new cars by removing the luxury car tax. The luxury car tax is an inefficient tax which targets vehicles that are often the leaders in providing safety and environmental benefits. Removing the luxury car tax will contribute to downward pressure on new vehicle prices, and allow more high technology vehicles to enter the Australian vehicle fleet.

In addition to direct measures to reduce the cost of new cars, the AAA supports the Australian Government's announced changes to the Motor Vehicle Standards Act to allow consumers to personally import a new vehicle from another country with comparable standards to Australia, up to once every two years.

The AAA believes the proposed changes will deliver increased competition and put further downward pressure on vehicle costs, delivering environmental and safety benefits through faster renewal of Australia's vehicle fleet, which is old by global standards.

#### **Policy 3.2 Improve infrastructure to reduce congestion**

The efficiency of our transport system has a significant effect on the fuel efficiency of the transport sector. Growing congestion in our cities will erode gains made in car efficiencies. In 2015, land transport congestion cost Australia \$1 billion in extra air pollution costs.<sup>18</sup> The AAA continues to call on the Government to ensure adequate funding is invested in land transport infrastructure, and pursue initiatives that ensure our current transport system achieves maximum efficiency.

The AAA has long called for the Government to provide a clear link between the taxes motorists pay and expenditure on land transport projects. Motorists make a significant contribution to the Government's revenue base through fuel excise, but only a small portion of this flows back into transport infrastructure expenditure. In line with Australian motorists' expectations, the AAA is strongly of the view that a guaranteed minimum of at least 50 percent of fuel excise revenue, net of fuel tax credits, should be earmarked transparently for land transport infrastructure funding.

A reformed fuel taxation and road pricing system would ensure there is transparency for consumers, maximise the potential for behavioural change and create a mechanism that ensures revenue is invested in emission-reducing improvements to the transport network.

**Policy 3.3 Improve urban planning, network design and use intelligent transport systems (ITS) to manage congestion and improve mobility**

Governments can promote fuel efficiency by actively using urban planning, network design and ITS to avoid congestion and improve traffic flow. For example, the Monash Freeway Motorway Management System, including coordinated ramp metering, increased the road's peak throughput by 30 percent; a \$1 million pilot program had an economic payback period of just twelve days.<sup>19</sup>

In 2014, RACWA initiated a landmark trial using technology to improve the performance of traffic signals and found that congestion can be considerably decreased without the need for new infrastructure. The findings included average vehicle queue lengths at the four intersections along the corridor were reduced by up to 34 per cent, while journey times were up to 20 per cent faster.

Using technology to test shorter traffic signal cycle times resulted in vehicles getting a green light more frequently, helping traffic to clear faster, and resulting in shorter queues. These signal settings also resulted in up to a 10% increase in the volume of vehicles which could pass through the trial area in the peak direction of travel for typical commuting trips.

Making certain that various forms of transport are integrated in both existing and new urban centres, as well as in regional areas, will be critical to ensure that the community has the opportunity for safe, reliable, convenient, affordable and efficient travel. For example, bus routes and schedules should be integrated and coordinated within the bus network and with rail services. An important factor in this will be the uptake of ITS by planners, traffic managers and transport operators.

**Policy 3.4 Governments should lead by example by purchasing more fuel-efficient vehicles**

Governments can promote greenhouse gas reductions by buying more fuel-efficient vehicles. With the closure of car manufacturing in Australia, the AAA believes Governments should take the lead in reviewing its vehicle procurement policy to encourage the supply and purchase of more efficient vehicles in the Australian fleet.

Fleet purchasing behaviour can have an impact on the composition of the entire light vehicle fleet. After two or three years, most fleet vehicles are sold to private buyers and transition into the used car fleet. If these cars are fuel efficient, it will provide consumers in the used car market with additional opportunities to purchase lower CO2 emitting vehicles.

**Policy 3.5 Ensure fuel consumption targets for new vehicles are met**

The AAA believes the Australian vehicle regulator must be properly resourced to fulfil its role in enforcing compliance with Australia's mandatory national standards for vehicle safety and emissions. The AAA is firmly of the view that this must include an ongoing independent audit program to test the vehicle emissions claims of the vehicle manufacturers that are supplying vehicles to the Australian market. The AAA considers it is not sufficient to rely on compliance verification from foreign governments or the car manufacturers.

An ongoing independent audit program would provide both greater certainty around compliance and more accurate environmental information to consumers.

The AAA has recommended Government funding of \$250,000 per annum to support an ongoing vehicle emissions audit function using real driving emissions testing protocols.

## Section Four

# Conclusion

Australia and the world face an enormous challenge in harnessing the benefits of affordable travel, while at the same time reducing its impact on the environment. The AAA believes the key principles in this document balance the need to reduce emissions from the light vehicle fleet while ensuring transport affordability and choice in the market.

The AAA recognises that climate change policy settings change over time and emissions figures are updated constantly. Therefore, the AAA is committed to updating its climate change policy statement every two years.

# Footnotes

<sup>1</sup> Survey by Crosby Textor of 2,000 Australian adult residents conducted in February 2017

<sup>2</sup> ABS Household Expenditure Survey, 2009-10 – the proportion of goods and services expenditure spent on ‘domestic fuel and power’ is 2.6 per cent. Domestic fuel and power includes expenditure on electricity, mains gas, bottled gas, heating oil and wood.

<sup>3</sup> ABS Household Expenditure Survey, 2009-10 – the proportion of goods and services expenditure spent on ‘domestic fuel and power’ is 2.6 per cent. Domestic fuel and power includes expenditure on electricity, mains gas, bottled gas, heating oil and wood.

<sup>4</sup> Australian Government, Department of Environment and Energy, Australia’s emissions projections chart data, 2016

<sup>5</sup> Australian Government, Department of Environment and Energy, Australia’s emissions projections chart data, 2016

<sup>6</sup> National Transport Commission, Carbon dioxide emissions intensity for new Australian light vehicles, 2015.

<sup>7</sup> Australian Government, Department of Infrastructure and Regional Development, Improving the efficiency of new light vehicles: Draft regulation impact statement, December 2016

<sup>8</sup> Survey by Crosby Textor of 2,000 Australian adult residents conducted in February 2017

<sup>9</sup> International Council on Clean Transportation, From Laboratory to Road: A 2015 update of official ‘real world’ fuel consumption and CO2 values for passenger cars in Europe

<sup>10</sup> RACQ EcoDrive Research Study - Final Report 2012.

<sup>11</sup> National Transport Commission, Carbon dioxide emissions intensity for new Australian light vehicles, 2015.

<sup>12</sup> Australian Government, Department of Infrastructure and Regional Development, Improving the efficiency of new light vehicles: Draft regulation impact statement, December 2016

<sup>13</sup> Australian Government, Department of Environment and Energy: Australian Petroleum Statistics, January 2017.

<sup>14</sup> The price differentials between 91 RON and 95 RON are based on average capital city prices sourced from motormouth.com.au on 9 March 2017 and on 8 May 2017.

<sup>15</sup> Australian Bureau of Statistics, 9309.0 - Motor Vehicle Census, Australia, 31 Jan 2016

<sup>16</sup> Department of Infrastructure and Regional Development, “Options Discussion Paper: 2014 Review of the Motor Vehicle Standards Act 1989.”

<sup>17</sup> 2017-18 Federal Budget.

<sup>18</sup> Bureau of Transport, Infrastructure and Regional Economics (BITRE) (2015) Information Sheet 74: Traffic and congestion cost trends for Australian capital cities

<sup>19</sup> Gaffney, J. 2010, Monash – CityLink – West Gate Upgrade Project, presentation to the 24th ARRB Conference, 12–15 October.

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