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Transport and Infrastructure Net Zero Team
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Dear Team Members,

Thank you for the opportunity to provide our views on the *Transport and Infrastructure Net Zero Consultation Roadmap*, and to contribute toward the *Transport and Infrastructure Net Zero Roadmap and Action Plan* (the *Action Plan*), also known as the “sectoral plan”. With Transport emissions growing, and set to be the largest sector of Australian emissions by 2030, ambitious policy change is urgently needed in this area.¹ Under current government policy, transport sector emissions will remain above the 2005 baseline through to 2030.

The Australia Institute is an independent public policy think tank and has pursued extensive research relevant to the decarbonisation of the transport sector. Attached to this cover letter are several reports which have direct implications for the roadmap. This letter summarises the findings of those reports, and makes several specific recommendations to the Department. The remainder of this letter outlines our recommendations.

Recommendations

1. Eliminate the Fuel Tax Credits Scheme.

In 2024-25 the Fuel Tax Credits Scheme (FTCS) will cost the Federal Budget \$10.1 billion, which actively supports the use of fossil fuels.² While largely benefiting stationary energy users in the mining sector, transport companies that use large vehicles are also significant beneficiaries. The FTCS is considered globally to be a fossil fuel subsidy, by bodies including the Organisation for Economic Cooperation and Development (OECD), the International Energy Agency (IEA), the International Institute for Sustainable Development (IISD) and others. The COP28 Agreement signed in Dubai in 2023, which Australia was a party to, set phasing out fossil fuel subsidies as a goal,³ and the OECD has called for specifically for reform of Australia’s FTCS. Further detail is provided in the Australia Institute reports, *Australia’s*

¹ DCCEEW (2024) *Australia’s Emissions Projections 2023*, <https://www.dcceew.gov.au/climate-change/publications/australias-emissions-projections-2023>

² Commonwealth Government (2024) *Budget Paper No. 1 – Budget Strategy and Outlook*, p. 216.

³ UN (2023) *COP28 Agreement Signals “Beginning of the End” of the Fossil Fuel Era*, <https://unfccc.int/news/cop28-agreement-signals-beginning-of-the-end-of-the-fossil-fuel-era>



*Fuel Tax Credits and the debate over fossil fuel subsidies*⁴ and *Fossil fuel subsidies in Australia 2024*.⁵

2. Ensure taxation and regulatory systems properly manage the harms caused by larger cars.

An increasing number of Australians are using large cars such as SUVs and utility vehicles (utes). In 2023 over half of all new car sales were SUVs, while nearly a quarter were light commercial vehicles (predominantly utes). Large cars have higher emissions in their manufacture and use; pose higher safety risks to other cars, pedestrians, and cyclists; and cause more damage to roads. The growing prevalence of these vehicles has led to calls for alterations to infrastructure, including wider streets and larger car parks. This would reduce the physical space potentially available for other amenities – including footpaths, cycleways, urban greenery or additional car parks – and would raise costs for all. Unfortunately, Australia’s current taxation and regulatory systems do not properly manage these risks, or ensure that externalities are internalised into the cost of these products. Reforms that would more effectively reduce these costs could include: taxes or fees to internalise the carbon emissions and road damage that bigger cars cause; removing the effective Luxury Car Tax exemption for particular utes; reforming Fringe Benefits Tax enforcement to ensure utes are only exempt if they are used almost entirely for commercial purposes; and increasing safety regulations on these vehicles. Relevant research conducted by the Australia Institute on this policy area includes *In reverse: The wrong way to fuel savings and falling transport emissions*;⁶ *SUVs and utes are no longer just work vehicles, but tax-subsidised behemoths*;⁷ and *Luxury Car Tax and the Ute Loophole*.⁸

3. Develop a clear timeline for the phase out of private internal combustion engine vehicles (ICEV).

Through the Glasgow Declaration 31 national governments have pledged to phase out of new ICEV sales by 2040, and even earlier in some jurisdictions.⁹ Both the *National Electric Vehicle Strategy* and the *Consultation Roadmap*, however, fail to adequately address the need for explicit supply-side policies to limit and/or phase out the sale of new ICEVs. The *Roadmap* simply assumes that the use of ICEVs will reduce naturally as a function of increased EV purchases, stating that “fossil fuel demand will continue to decrease until it is

⁴ Campbell, Ryan, and Anderson (2024) *Australia’s Fuel Tax Credits and the debate over fossil fuel subsidies*, <https://australiainstitute.org.au/report/australias-fuel-tax-credits-and-the-debate-over-fossil-fuel-subsidies/>

⁵ Campbell, et al (2024) *Fossil fuel subsidies in Australia 2024: Federal and state government assistance to major producers and users of fossil fuels in 2023-24*, <https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia-2024/>

⁶ Saunders, Grudnoff and Campbell (2023) *In reverse: The wrong way to fuel savings and falling transport emissions*, <https://australiainstitute.org.au/report/in-reverse/>

⁷ Thrower (2024) *SUVs and utes are no longer just work vehicles, but tax-subsidised behemoths*, <https://australiainstitute.org.au/post/suvs-and-utes-are-no-longer-just-work-vehicles-but-tax-subsidised-behemoths/>

⁸ Thrower (2024) *Luxury Car Tax and the Ute Loophole*, <https://australiainstitute.org.au/report/luxury-car-tax-and-the-ute-loophole/>

⁹ Accelerating to Zero Coalition (n.d.) *Signatories*, <https://acceleratingtozero.org/signatories/>

only used in light vehicles in very specific circumstances”.¹⁰ This assumption is not robust, and undermines the case for appropriate supply-side regulation of fossil fuel production and consumption.¹¹ As such, the *Action Plan* ought to lay out appropriate timelines for the phase out of ICEVs, including interim targets and measures such as government procurement policies. As the Australia Institute has previously argued, this strategy would need to take into account questions of equity, and tailor policy to the unique needs of regional and remote Australia¹² – but this should not stop supply-side policy from driving the transport sector to net zero.

4. Support the states to pursue the electrification of all transport, especially public transport.

The Federal government ought to pursue policy, and distribute corresponding funding, to support the rapid expansion and electrification of public transport. Australia Institute research has shown that electric buses are a proven, cost-effective way to rapidly decarbonise public transport.¹³ While Although electric-powered public transport is cheaper to operate, transitioning our existing fleets and rolling out new networks will require significant up-front investment. Relying on the States and Territories to make these investments will slow this necessary transition. While the *Consultation Roadmap* recognizes the need to work with the states and territories, it focuses on coordination, not co-investment.¹⁴ The Australia Institute recommends that the *Action Plan* explicitly state how the rapid expansion of electrified public transport will be implemented and paid for across Australia.

5. Prioritise the electrification of transport to avoid locking in inefficient “low carbon liquid fuel.”

The *Consultation Roadmap* for this net zero “sectoral plan” was relatively ambiguous regarding the future role of low carbon liquid fuels (LCLFs) – especially hydrogen. Figure 11, for example, projects an “increased use of LCLFs”, and “widespread use of battery *and* hydrogen fuel cell technologies” (emphasis added).¹⁵ Research by the Australia Institute – including the attached report, *The hydrogen dead-end: The case for battery powered buses in Australia* – demonstrates that electrification is overwhelmingly preferable to fuel-cell electric buses (FCEBs) on the grounds of cost, emissions, and efficiency.¹⁶ While this report focuses on buses, its findings are relevant across the transport sector – especially for heavy road vehicles. If green hydrogen supplies emerge in coming years, they must be quarantined for

¹⁰ DITRDCA (2024) *Transport and Infrastructure Net Zero Consultation Roadmap*, p. 39, <https://www.infrastructure.gov.au/department/media/publications/transport-and-infrastructure-net-zero-consultation-roadmap>

¹¹ Green and Denniss (2018) Cutting with both arms of the scissors: the economic and political case for restrictive supply-side climate policies. *Climatic Change*. <https://doi.org/10.1007/s10584-018-2162-x>

¹² Quicke (2023) *Submission: National EV Strategy*, <https://australiainstitute.org.au/report/submission-national-ev-strategy/>

¹³ Denniss, Quicke and Parrott (2023) *Stuck in the Slow Lane: Electrification of buses in Australia*, <https://australiainstitute.org.au/report/stuck-in-the-slow-lane/>

¹⁴ DITRDCA (2024) *Transport and Infrastructure Net Zero Consultation Roadmap*, p. 79.

¹⁵ DITRDCA (2024) *Transport and Infrastructure Net Zero Consultation Roadmap*, p. 52.

¹⁶ Ryan and Saunders (2024) *The hydrogen dead-end: The case for battery powered buses in Australia*, <https://australiainstitute.org.au/report/the-hydrogen-dead-end/>

those sectors that truly cannot be electrified. The *Action Plan* is the ideal place to clarify the policy and technology direction of the sector, and ensure that time, money, and emissions are not wasted on the hydrogen dead-end.

6. Support states and local councils to develop infrastructure that encourages safe active transport and the use of e-mobility devices

For the transport sector to reach net zero, simply decarbonising existing public transport networks is insufficient; the incidence of active transportation (which includes walking, cycling, and using e-bikes and other similar devices) must also rapidly expand. The consultation *Roadmap* identifies active transport as a key part of emissions reduction strategies, including building necessary infrastructure, but it does not include details of how these goals will actually be reached. Increasing the provision of safe and accessible active transport infrastructure will help reduce emissions and road congestion, and see more people to replace shorter car trips with cycling, walking, e-mobility devices. However, the Commonwealth foregoes ten times as much annual revenue to the Luxury Car Tax than it spends annually through its Active Transport Fund.¹⁷ Some states and territories have signalled their intention to increase rates of active transport, but these plans are not always well integrated with each other or implemented appropriately. Greater policy coordination is needed within states, and between governments around Australia to account for the importance of active transportation. Moreover, while significant investments in active transport infrastructure are important, but this needs to be supported by concrete legislative and policy commitments. Further detail is provided in the Australia Institute report *Proactive investment: Policies to increase rates of active transportation*.¹⁸

7. Use the tax system to encourage the use of active transport and e-mobility

Jurisdictions across Australia are increasingly interested in reward or incentive schemes to encourage greater use of active transport. International evidence shows that direct financial incentives are an effective way to increase rates of active transportation. The *Roadmap* should learn from these international examples and recommend: cycling mileage schemes (including for e-bikes); schemes that enable old ICEVs to be traded in for cash toward the purchase of an e-bike or public transport tickets;¹⁹ and expanded e-bike subsidy schemes. These policies are discussed more in our report *Proactive investment: Policies to increase rates of active transportation*.²⁰

8. Investigate policies to increase fuel security, by decreasing oil consumption, as advocated by the International Energy Agency

¹⁷ Thrower (2024) *Luxury Car Tax and the Ute Loophole*, p 4

<https://australiainstitute.org.au/report/luxury-car-tax-and-the-ute-loophole/>

¹⁸ Adhikari, Ryan and Harrington (2024) *Proactive investment*

Policies to increase rates of active transportation, <https://australiainstitute.org.au/report/proactive-investment/>

¹⁹ Lawe Davies (2023) *Car scrapping premiums: Removing polluting vehicles from Finland's roads*,

https://www.nordicpolicycentre.org.au/removing_polluting_vehicles_finland

²⁰ Adhikari, Ryan and Harrington (2024) *Proactive investment*

Policies to increase rates of active transportation, <https://australiainstitute.org.au/report/proactive-investment/>

In 2022 the IEA published *A 10-Point Plan to Cut Oil Use*. This report offers a range of policy suggestions that would cut oil consumption, primarily in the transport sector, thereby reducing emissions. Some of these recommendations overlap with those outlined above, including Recommendations 7 and 3. The IEA plan does, however, present further policies which would help reduce reliance on private cars for transport, and promote fuel efficiency. The Australia Institute has considered how the IEA *10-Point Plan* could be applied in the Australian context, in our report *Fuel security in Australia and the International Energy Agency's 10-point plan*.²¹

In support of these recommendations, we have appended several recent reports produced by the Australia Institute that are of direct relevance to this consultation. They are:

- *Australia's Fuel Tax Credits and the debate over fossil fuel subsidies*
- *Fossil fuel subsidies in Australia 2024: Federal and state government assistance to major producers and users of fossil fuels in 2023-24*
- *In reverse: The wrong way to fuel savings and falling transport emissions*
- *Luxury Car Tax and the Ute Loophole*
- *Submission: National EV Strategy*
- *The hydrogen dead-end: The case for battery powered buses in Australia*
- *Stuck in the Slow Lane: Electrification of buses in Australia*
- *Proactive investment: Policies to increase rates of active transportation Fuel security in Australia and the International Energy Agency's 10-point plan*
- *Fuel security in Australia and the International Energy Agency's 10-point plan*

We hope that this research is of assistance to the Department as they prepare the *Transport and Infrastructure Net Zero Roadmap and Action Plan*. Without ambitious and rapid policy development, rising emissions in the transport sector may offset emissions reductions in other parts of the economy.

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²¹ Campbell (2024) *Fuel security in Australia and the International Energy Agency's 10-point plan*, <https://australiainstitute.org.au/report/fuel-security-in-australia-and-the-international-energy-agencys-10-point-plan>