

31 July 2020

Federal Financial Relations Review Panel
NSW Treasury

Lodged electronically



Dear Panel members,

Submission to Federal Financial Relations Review draft report

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Panel's draft report. This submission refers exclusively to the draft report's recommendations for Electric Vehicles (EV).

PIAC does not support the distance-based charge for EVs

The National Electricity Market, and Australia more broadly, is in the midst of a transformation towards a low emissions future. EVs will play an important role in this transformation by helping to reduce emissions from both the transport and energy sectors.

The draft report recommends introducing a new tax specifically for EVs using a distance-based charge. The recommendation is based primarily on the concern that EV owners do not pay fuel excise so that:

road users who are unable to purchase an electric vehicle will be the only ones left to pay the main tax associated with using the road network. There are two possible consequences of this; fossil fuel vehicle drivers will effectively subsidise the kilometres driven by electric vehicles or at the very least general taxpayer revenue will be used to subsidise heavy users of the road network.¹

This framing of the problem conflates 'fossil' and 'liquid' fuels, fails to acknowledge the broader economic, environmental and health benefits that a move to emission-free transport will bring, and prematurely assumes materiality of cross subsidy.

The draft report also states that fuel excise is "regressive, as it disproportionately affects those on lower incomes who tend to own older, less fuel-efficient vehicles and commute further" but does not substantiate this important assertion.²

¹ NSW Treasury, *NSW Review of Federal Financial Relations – Draft Report*, July 2020, 84.

² *Ibid*, 83.

The economic, environmental and health benefits of EVs

In 2019, the Senate Electric Vehicle Inquiry found that “there are a range of economic, environment and social benefits that would result from an increased uptake in EVs that are widely known and have been canvassed in a number of recent reports.”³

For instance, analysis by PwC on behalf of the Electric Vehicle Council, NRMA and the St Baker Innovation Fund found a high or increased uptake of EVs through to 2030 would provide an increase in real GDP of \$2.9 billion, an increase in net employment of 13,400 jobs, and an additional investment of \$3.2 billion in charging infrastructure.⁴

The analysis also found there would be a cumulative reduction in CO₂ emissions of 18 million tonnes. Analysis from the International Energy Agency noted that in Europe, electric cars emitted about 50% less than gasoline cars and 40% less than diesel cars when their fuel use (electricity or gasoline) was taken into account. When the entire life-cycle of the car (including manufacturing, use and disposal) was considered, there was still a 30% reduction in greenhouse gas emissions.⁵

The Senate Inquiry also heard evidence of the health benefits delivered by EVs by avoiding the CO₂, NO_x and particulate matter pollution from internal combustion engine vehicles. ClimateWorks submitted that:

air pollution due to vehicle emissions caused 1 715 deaths in Australia in 2015, a number larger than the national road toll for the same year. Given that electric vehicle adoption is likely to be concentrated in metropolitan areas of Australia, where population densities are at their highest, there is strong potential for reductions in urban air pollution and meaningful benefits to community health.⁶

PIAC recommends that the modelling, evidence and findings from the Senate Inquiry and other sources be considered in the final report to provide a more holistic understanding of the broader benefits of EVs that offset any avoided fuel excise.

Continued engagement

PIAC would welcome the opportunity to meet with NSW Treasury, the Review Panel and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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³ Senate, [Select Committee on Electric Vehicles – Report](#), January 2019, 27.

⁴ Ibid, 27.

⁵ Ibid, 35.

⁶ ClimateWorks submission quoted in Senate, [Select Committee on Electric Vehicles – Report](#), January 2019, 37.