



10th March 2017

The Director
Fuel Quality Standards Section
Environment Standards Division
Department of the Environment and Energy
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Canberra ACT 2601

fuel.policy@environment.gov.au.

Dear Sir / Madam

Re: Better fuel for cleaner air - Discussion Paper

1. Introduction

1.1 The Motor Trades Association of Queensland (the MTA Queensland or the Association) responds to the Department of the Environment and Energy's call for views on policy alternatives to amend the Fuel Quality Standards Act detailed in the *Better Fuel for Cleaner Air* Discussion Paper (the Discussion Paper). The Association's comments are submitted on behalf of its constituent Divisions and are confined to issues which relate to the interests and fall within the competence of the Queensland automotive value chain.

2. Discussion Paper

2.1 The MTA Queensland has perused the contents of the Discussion Paper and considered the five alternative policy approaches for updating existing fuel standards:

- A Australia's fuel standards remain in effect in their current form (business as usual). Petrol standards retained: unleaded petrol (91 RON) with a maximum sulfur limit of 150 ppm; premium unleaded petrol (95 RON) with a maximum sulfur limit of 50 ppm. Diesel standard continues to specify a maximum sulfur limit of 10 ppm and derived cetane number of 51 for diesel containing biodiesel only.*
- B Revisions to the fuel standards to align with the recommendations of the Hart Report4 and to harmonise with European standards. Unleaded petrol (91 RON) would be phased out over a specified period of time (e.g. two to five years). Sulfur in premium unleaded petrol (95 RON) would be limited to 10 ppm and a new octane standard for premium unleaded petrol (98 RON) introduced. More stringent requirements would be introduced for cetane and polycyclic aromatic hydrocarbon levels in diesel.*
- C Revisions to the fuel standards to align with the recommendations of the Hart report and to harmonise with European standards as per alternative B above, except that unleaded petrol (91 RON) is retained but with a lower sulfur level of 10 ppm.*
- D Revisions to the fuel standards as per alternative B above, except with even stricter parameters (including for cetane levels in diesel) to harmonise with the standards recommended by the Worldwide Fuel Charter (that recommends the fuel quality required by automobile companies to meet particular emission standards).*
- E Staged introduction of world standards from 2020, with a review in 2022 to determine next steps. Unleaded petrol (91 RON) would be retained. Sulfur would be reduced to 50 ppm for*

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unleaded petrol (91 RON) and 25 ppm for premium unleaded petrol (95 RON) and a new octane standard for premium unleaded petrol (98 RON) introduced. Revisions to other parameters as per alternative B above.

2.2 We note the Discussion Paper's emphasis that 'motor vehicle emissions can be split into two categories: noxious emissions which affect human health and the environment and contribute to respiratory illness, cardiovascular diseases and cancer, and greenhouse gas emissions which contribute to climate change.'

2.3 Having considered the Discussion Paper's detail, the view of the Association is that whilst acknowledging the consequences for human health and greenhouse gas emissions, the fossil fuel standards for motor vehicle emission levels and air quality need to be considered in a broader context.

2.4 The automotive sector worldwide and in Australia is undergoing a paradigm change driven by economics, technology and social responsibility. Motor vehicles are reducing in engine capacities; improving engine efficiencies and are continuing to make quantum improvements significantly reducing global fuel consumption and consequently corresponding emissions. Externally, the introduction of LPG for the transport of goods and passengers (buses), some private motoring and the advent of hybrid motor vehicles and hydrogen cell vehicles and other technologies e.g. that stop and restart engines on demand as required have contributed to a reduction in CO² emissions. The environmental algorithm will be significantly improved by the forecast increasing propensity for Plug-In Electric vehicles.

2.5 This view is supported by the Caltex Chief Executive Julian Segal stating that: "Currently, the majority of our income comes from supplying our customers with transportation fuels, supplemented by a smaller, traditional convenience offering. However, we know that in the long-term fuels volumes will be impacted by the continual increase in internal combustion engines efficiency, hybrid cars, electric vehicles and car sharing" (Ferguson, A. "Petrol giants brace for a war of convenience", Financial Review 6th March 2017.)

2.6 We note that the Commonwealth government will soon commission a study into replacing fuel excise and registration fees with a system in which motorists would be charged for every kilometre they drive. The inquiry will examine the change the government that the industry believes is inevitable as the use of petrol and diesel-fuelled vehicles declines (Coorey, P. "Public needs to be better educated over plan to dump petrol excise", Financial Review 9th March 2017).

3. Submission

3.1 The February 2016 *Vehicle Emissions* Discussion paper stated that for petrol, diesel and gaseous fuelled light vehicles (up to 3.5 tonnes gross vehicle mass), Australia had mandated the 'Euro 5' noxious emissions standards for newly approved vehicle models first produced from 1 November 2013, and these requirements will apply to all new vehicles produced from 1 November 2016. Similarly, this is referenced in the current Discussion Paper.

3.2 The Association has noted that Australia's noxious emissions standards are less stringent than those in comparable countries. In Europe from September 2014, Euro 6 emissions standard for light vehicles became mandatory and equivalent standards are currently in force in the United States and Japan. It is noted that the Euro 6 standard reduces noxious emission limits for oxides of nitrogen for diesel vehicles by a further 55 per cent and also adopts limits to address ultrafine particulates from petrol vehicles with direct injection fuelling systems.

3.3 The MTA Queensland's submission to the February 2016 *Vehicle Emissions* Discussion Paper counseled caution in looking to directly adopt the Euro 6 and adjacent performance frameworks for Australia. The Euro 6 protocols are mostly based around setting average emission parameters on the

supply side and that means that they prescribe the average emissions permissible for the vehicles produced by a manufacturer.

3.4 Most extrapolations of future fossil fuel consumption indicate that demand for liquid fossil for the transport will contract. Some international engine agencies are of a view that global economy oil consumption is set to peak potentially as early as 2020.

Fuel specification

3.5 The Association is of the view that fuel specifications are defacto part of industry policy. Australia's fossil fuel market does not have the economies of scale to support the installation of modern refinery technology that would enable a domestically led upgrade in fuel specification. Further, the forecast decline in demand for petrol globally will mean an international consolidation of refining capacity and in future, Australia is likely to become an importer of its diminishing requirement for refined liquid fossil fuels.

3.6 Historically Australia's fuel specification has conferred an economic rent on fuel refiners and has resulted in slightly higher emissions than would have been the case if more stringent specifications had been mandated on the automotive fuel refiners. There has been a cost to the economy of mandating fuels that are less efficient energy sources than those available in other first world economies.

3.7 Rationalisation of the fuels available in the Australian market would be relatively simple and cost effective by phasing out 91 octane fuel and restricting supply to 95 and 98 octane fuels. This would result in both a cost effective reduction in CO² emissions and improvement in energy efficiencies and deliver an efficiency dividend for Australia's economy.

3.8 The MTA Queensland submits that while it is useful to make international comparisons and benchmarks, performance against other first world countries require considerable care in interpretation and comparison. International vehicle efficiency data and performance statistics are often achieved under controlled conditions rather than real operating environments. In the case of Australia, the statutory fossil fuel specification has a direct correlation to vehicle emissions.

Emerging technologies

3.9 The Association's analysis and observations of current data suggest that the automotive sector (light and commercial vehicles) will undergo paradigm changes contracting the emissions and the consequences for air quality regimes in Australia's urban environments. The technological transition to hybrid electric and plug-in electric automated vehicles will have a major displacement effect on internal combustion engine vehicles - petrol and diesel.

3.10 Experts predict that by 2030 there will be in excess of 5 million electric motor vehicles on Australia's roads. Already long term plans to provide thousands of vehicle charging stations are under way including the provision of 'one-stop-shop' technology solutions for customers. Further, 'in approximately 10 years, smart cars and infrastructure will be commonplace', (The Future of Compulsory Third Party in Queensland, prepared for the Motor Accident Insurance Commission, PwC Chair of Digital Economy at QUT, p. 14, March 2016).

3.11 All jurisdictions are examining the technology disrupter affect. At the Commonwealth level consideration is underway of the emerging technological changes in the automotive sector with the National Transport Commission instigating a discussion paper on *Regulatory options for automated vehicles* and the House of Representatives Standing Committee on Industry, Innovation, Science and Resources has an inquiry underway into the social implications of driverless vehicles. **Industry too is contemplating the emerging technologies for their sectors. In response to this**, the MTA Queensland established *Carmageddon*, a platform from which to inform Members of emerging technologies including: the digital

economy to enable business model adaptation; develop and implement disruption strategies; and to review ways to innovate and utilise new products to advantage their enterprises.

3.12 In a context of rapidly evolving technical changes and the broadening of policy frameworks, the enhancing of regulatory regimes to manage fuel standards should be undertaken with great care. A light policy touch may be desirable as the imposition of significant compliance costs are likely to face diminishing benefits as the accelerating automotive technology cycle and the proliferation of electric vehicles act to autonomously correct vehicular emissions.

3.13 To manage emissions and air quality, the MTA Queensland has formed a view that the adoption of United Nation protocols and Euro 5 standards are appropriate measures until the technology cycle starts to make a marked effect. Important too is keeping costs reasonable for the motoring public as a near term response for light vehicles and a medium term response for commercial vehicles.

3.14 The cessation of light vehicle manufacturing in Australia does afford an opportunity for import standards to adopt internationally recognized measures to improve the efficacy of fossil fuel vehicles operating in the nation. A major challenge may be the age of the Australia's motoring fleet. Presently this is estimated at 10.1 years which makes it to be one of the oldest in first world economies.

3.15 While fuel standards for cleaner air are important issues, it would appear reasonable that there should be incentives to encourage the uptake of modern vehicles with advanced technology. In this circumstance it would appear appropriate that the programs to improve air quality involve fiscal incentives such as the dismantling of the luxury car tax on electric and hybrid motor vehicles.

3.16 Similarly, as most of the compliance costs for operating vehicles are state or local government fees and charges, the Commonwealth could encourage a harmonized program of incentives for the uptake of electric and hybrid vehicles such as lower registration costs, reduced parking fees and differential stamp duties.

4 Conclusion

4.1 Having evaluated the five policy approaches from the perspective of the MTA Queensland Membership, there is a consensus for:

B . Revisions to the fuel standards to align with the recommendations of the Hart Report⁴ and to harmonise with European standards. Unleaded petrol (91 RON) would be phased out over a specified period of time (e.g. two to five years). Sulfur in premium unleaded petrol (95 RON) would be limited to 10 ppm and a new octane standard for premium unleaded petrol (98 RON) introduced. More stringent requirements would be introduced for cetane and polycyclic aromatic hydrocarbon levels in diesel.

5. MTA Queensland Background

5.1 The MTA Queensland is the peak organisation in the State representing the specific interests of businesses in the retail, repair and service sector of the automotive industry located in Queensland. The 2015 Automotive Environmental Scan data indicates that there are some 13,800 automotive value chain businesses operating within the State employing in excess of 92,000 persons.

5.2 It is an industrial association of employers incorporated pursuant to the *Industrial Relations Act* of Queensland and the Commonwealth's *Fair Work Act* 2009. The Association represents and promotes issues of relevance to the automotive industries to all levels of government and within Queensland's economic structure.

5.3 The Association is the leading automotive training provider in Queensland offering nationally recognised training, covering all aspects of the retail motor trades industry through the MTA Institute (MTAI). It is the largest automotive apprentice trainer in Queensland employing 35 trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald. The MTAI last financial year accredited courses to in excess of 1,600 apprentices and trainees.

5.4 We would be please to provide further comment on any matters in our submission that may require further clarification or amplification.

Thank you for your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read "Brett Dale", with a small flourish at the end.

Dr Brett Dale DBA
Chief Executive Officer