Climate Council of Australia

Submission to:	Review of the Electric Car Discount
Addressed to:	Manager Australian Centre for Evaluation The Treasury Langton Crescent PARKES ACT 2600 evaluation@treasury.gov.au
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About the Climate Council

The Climate Council is Australia's own independent, evidence-based organisation on climate science, impacts and solutions.

We connect decision-makers, the public and the media to catalyse action at scale, elevate climate stories in the news and shape the conversation on climate consequences and action, at home and abroad.

We advocate for climate policies and solutions that can rapidly drive down emissions, based on the most up-to-date climate science and information.

We do this in partnership with our incredible community: thousands of generous, passionate supporters and donors, who have backed us every step of the way since they crowd-funded our beginning as a non-profit organisation in 2013.

To find out more about the Climate Council's work, visit www.climatecouncil.org.au.

Climate Council key findings

1. **The Electric Car Discount has played a significant role in accelerating EV uptake in Australia.**
2. **It is critical that the Electric Car Discount continues. This is a moment to maintain and strengthen policies that accelerate the transition, rather than weaken them.**
3. **The Climate Council supports the Electric Car Discount continuing for Battery Electric Vehicles.**
4. **The Electric Car Discount has been central to Australia starting to catch up to other OECD countries on EV adoption. Now, there is an opportunity to evolve the Discount to incentivise and support the early adoption of Vehicle to Grid (V2G) charging.**
5. **Australia's EV market has changed since the Discount was introduced, but these changes reinforce the case for continued support.**
6. **Achieving Australia's 2035 climate targets will require a rapid expansion of charging infrastructure alongside increased EV uptake.**
7. **The cost of the Electric Car Discount cannot be assessed in terms of simplistic dollars per tonne of carbon abatement, but should be assessed as a measure to create early momentum while Australia is still in the early stages of adoption.**
8. **Consumer acceptance of electric vehicles has increased markedly over the period of the Electric Car Discount's operation.**

Introduction

The world has already heated by 1.3ºC above pre-industrial levels. The excess heat is driving more ferocious and frequent fires, floods and heatwaves, rising sea levels, and more volatile and unpredictable weather. Australia must achieve net zero emissions as soon as possible to avert further catastrophic warming. To maintain a 67% chance of avoiding global warming above 1.9 degrees, Australia would need to achieve net zero by 2035. Australia's current Nationally Determined Contribution for 2035 is a range of 62-70% below 2005 levels. The top end of the range (70%) is closer to what is needed to protect Australians, and every tonne of climate pollution matters. The review of the Electric Car Discount must be considered in this context.

The Climate Change Authority's (CCA) advice on Australia's 2035 emissions targets makes clear that rapid electrification across the economy is essential if Australia is to align with a credible pathway to net zero and limit global warming.[1] Its analysis shows that deep, sustained reductions in transport emissions are required well before 2035 to avoid locking in high cumulative emissions. The modelled pathways for achieving the Australian Government's 2035 climate target rely on a sharp increase in electric vehicle uptake through the 2020s and early 2030s, with internal combustion vehicles progressively replaced by electric vehicles (EVs) as the dominant form of new sales. The CCA advice also highlights that achieving Australia's 2035 targets will require a much larger and more flexible electricity system, including a substantial expansion of storage to manage a renewables-dominated grid. Electrified transport plays a dual role in this transition: EVs increase electricity demand, but they also provide flexible load and, over time, distributed storage that can support system reliability and reduce the need for more expensive, centralised infrastructure.

Policies that accelerate EV uptake deliver compound climate benefits: they cut transport emissions directly while also having the ability to support the efficient operation of a high-renewables power system. Conversely, policies that slow EV adoption increase both emissions risk and system costs, making Australia's 2035 climate targets harder and more expensive to achieve.

The Climate Council notes that the CCA's advice underscores the importance of maintaining strong, complementary demand-side policies alongside supply-side measures. Weakening policies such as the Electric Car Discount at this critical stage would increase the risk of missing Australia's climate targets by slowing EV uptake precisely when acceleration is required.

The Climate Council strongly urges the Government to retain and strengthen the Electric Car Discount as a core climate policy instrument.

[1] Climate Change Authority (2024), *Advice on Australia's 2035 Emissions Reduction Targets*

Response to the Terms of Reference

1. The first three years of the Electric Car Discount's operation, and its effectiveness in encouraging uptake of zero and low emissions vehicles

The Electric Car Discount has played a significant role in accelerating EV uptake in Australia.

In 2021, prior to the introduction of the Electric Car Discount (ECD), electric vehicles accounted for only around 2% of new car sales in Australia. This was the result of a decade of policy inaction, leaving Australia as one of the slowest markets in the OECD.

By 2025, EV market share rose sharply to around 13% of new car sales, up from 9.6% in 2024.[2] This acceleration represents a significant shift in Australia's transport emissions trajectory at a critical moment for climate action.

The Electric Car Discount has been critical to this trajectory. By removing Fringe Benefits Tax on eligible electric vehicles, the Electric Car Discount significantly reduced the cost of salary-packaged EVs and catalysed a rapid shift in the novated leasing market. Battery Electric Vehicles (BEVs) have increased from 4% of novated leases in 2022 before the Discount to 44% in Q4 2024, according to industry data.[3]

Because novated leases are inherently limited to the first few years of a vehicle's operating life, this policy is uniquely effective at targeting consumers who repeatedly buy new vehicles in order to achieve maximum market growth, while also rapidly creating a large market of affordable and reliable second hand EVs.

The ECD is also creating a flywheel effect, propelling Australia toward the further acceleration of EV uptake required to 2035 both by exposing hundreds of thousands of Australians to EV ownership, and supporting private investment in the charging infrastructure required for further adoption.

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[2] Electric Vehicle Council (2026), *EV sales hit record highs in 2025 with 38% rise and new monthly record in December*, media release, 8 January 2026.

[3] Magenta Advisory (2025), *Building a Self-Sustaining Australian EV Market*, commissioned by the Electric Vehicle Council and the National Automotive Leasing & Salary Packaging Association (NALSPA), September 2025, p. 22.

2. Whether the Electric Car Discount should continue

It is critical that the Electric Car Discount continues. This is a moment to maintain and strengthen policies that accelerate the transition, rather than weaken them.

The Climate Change Authority's advice makes clear that achieving even the lower end of the Government's 62–70% 2035 target range requires a more than twentyfold increase to over 5 million BEVs on the road that would otherwise have been petrol and diesel vehicles.[4] Achieving the upper end of the target range (70%), closer to what climate science shows is necessary, would require even faster and deeper electrification of the light vehicle fleet. Any slowing of EV uptake in this decade would therefore materially increase the risk of missing Australia's climate targets, or force more disruptive and expensive abatement elsewhere in the economy.

Some stakeholders have argued that the New Vehicle Efficiency Standard (NVES) as a strong supply side measure makes demand-side policies like the Electric Car Discount redundant. The Climate Council rejects this assertion; in fact the continued efficacy of NVES relies upon strong demand-side support. This was explicitly stated in the NVES impact assessment:

> *"What is clear is that demand side and supply side measures need to work together to deliver a real reduction in fuel costs and car emissions, and to get the best technology for Australian consumers"*[5]

In submissions to the NVES, the entire automotive industry was clear that demand-side incentives are necessary to meet the NVES targets. The Federal Chamber of Automotive Industries (FCAI) stated that:

> *"The FCAI believes that a holistic Fuel Efficiency Standard equally relies on demand side incentives to achieve its objectives."*[6]

The Electric Vehicle Council (EVC) submitted that:

> *"In addition to measures to further increase the supply of low and zero-emission vehicles, the government should consider the future introduction of incentives that support the purchase of these vehicles."*[7]

Aotearoa / New Zealand's experience serves as a definitive warning. When the Clean Car Discount (worth only NZD $7,015 / ~$AU 6,120) ended on December 31, 2023, the

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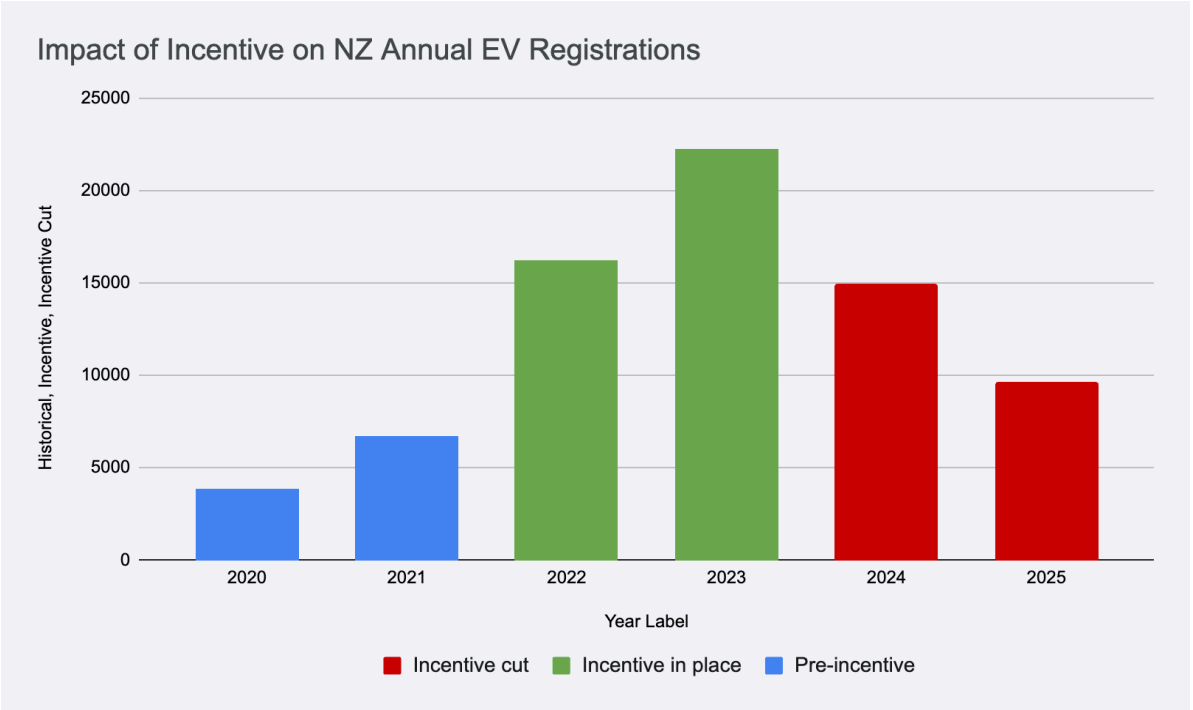
[4] Climate Change Authority (2024), *Advice on Australia's 2035 Emissions Reduction Targets*, Australian Government, Canberra pg 8

[5] Australian Government (2024), *Cleaner, Cheaper to Run Cars: The Australian New Vehicle Efficiency Standard – Consultation Impact Analysis*, p. 17.

[6] Federal Chamber of Automotive Industries (FCAI) (2023), *Submission to the Australian Government's New Vehicle Efficiency Standard Consultation*

[7] Electric Vehicle Council (EVC) (2023), *Submission to the Australian Government's New Vehicle Efficiency Standard Consultation*

BEV market collapsed. In 2025 BEV deliveries in Aotearoa were less than half their peak in 2023[8].



[8] New Zealand Ministry of Transport (2024–2025), *Motor Vehicle Register: Monthly Electric Vehicle Registrations*, showing annual battery electric vehicle registrations peaking in 2023 and falling by more than 50% in 2025 following the repeal of the Clean Car Discount on 31 December 2023.

3. What types of vehicles should attract the Electric Car Discount?

The Climate Council supports the Electric Car Discount continuing for Battery Electric Vehicles.

Recent international evidence raises serious concerns about the real-world emissions performance of plug-in hybrid electric vehicles (PHEVs). Multiple large-scale studies in Europe have found that **real-world emissions from PHEVs are often two to four times higher than official test values**,[9][10] largely because vehicles are driven far more frequently in petrol mode than assumed in laboratory testing. As a result, PHEVs have delivered substantially smaller emissions reductions than expected, particularly in private ownership where charging rates are low.

Until Australia conducts its own rigorous, real-world emissions testing of PHEVs under Australian driving conditions, the Climate Council considers it appropriate that PHEVs remain excluded from the Electric Car Discount.

While it is encouraging that a growing number of PHEV options are available in utility and van classes, it should be noted that these vehicle categories already benefit from long-standing Fringe Benefits Tax concessions. **If the Government were to weaken or remove the Electric Car Discount while maintaining existing concessions for utes and vans, this would risk tilting incentives back toward larger, more polluting vehicles,** with negative consequences for climate outcomes, air quality, and pedestrian safety.

When seeking fiscal savings, the Government should first consider income-based means testing, then reasonable caps on vehicle price eligibility set so as to avoid excluding vehicles of the size and range that many Australian households require. Vehicle and income tests should be indexed; a cautionary tale on this front can be seen in the original design of the "fuel efficient vehicle" threshold for Luxury Car Tax (LCT) which was indexed to motor vehicle CPI, while the general threshold was indexed to all groups CPI; the latter increased significantly faster and a decade of higher indexation led to a significant advantage for less efficient vehicles.

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[9] International Council on Clean Transportation (ICCT) (2022; updated 2023), *Real-world usage of plug-in hybrid electric vehicles in Europe*, finding that real-world CO_2 emissions from PHEVs are typically 2–4 times higher than official test values due to low electric-driving shares.

[10] European Commission Joint Research Centre (2022), Real-world CO_2 emissions of plug-in hybrid electric vehicles, and ICCT analyses.

4. The role of the Electric Car Discount in supporting early adoption of electric vehicles

The Electric Car Discount has been central to Australia starting to catch up to other OECD countries on EV adoption. Now, there is an opportunity to evolve the Discount to incentivise and support the early adoption of Vehicle to Grid (V2G) charging.

As of early 2025, the most recent official Road Vehicle Census data shows that battery electric vehicles accounted for just over 1% of Australia's total vehicle fleet, with updated registration data indicating this figure has since risen to around 1.5%[11]. More than 98% of vehicles on Australian roads therefore remain powered by petrol or diesel, underscoring that Australia is still firmly in the early adoption phase of transport electrification.

There is an opportunity to evolve the Electric Car Discount to incentivise and support the early adoption of Vehicle to Grid (V2G) charging. V2G charging allows for BEVs to soak up excess energy during periods of peak supply, then discharge it back to households and/or the grid. One of the key limiting factors in decarbonising Australian electricity grids is the rapid deployment of storage to soak up daytime solar peaks and support the grid in peak demand moments. **By supporting the grid in peak demand events, storage significantly reduces both expensive peak prices and the need for grid infrastructure investment.** V2G can significantly reduce power prices for EV owners, who can make money by using their vehicles for energy arbitrage, and for all energy consumers.

Australia is an ideal market for V2G, being the sunniest country in the world, but we are also a small market, and one that has been a global laggard in electric vehicle adoption. There's a strong risk that Australia again lags on V2G rollout, unless global automotive OEMs are given good reason to prioritise homologating vehicle inverters in Australia. The Federal Government has an important role here, both in clearing the way for V2G by clearing regulatory barriers including standards, and by incentivising OEMs to prioritise Australia for rollout and warrantying of V2G capacity. As soon as is practicable, the Climate Council supports making the Electric Car Discount eligibility conditional on technical and warranty support for V2G charging.

[11] Bureau of Infrastructure and Transport Research Economics (BITRE) (2024), *Road Vehicle Census, Australia*, combined with Electric Vehicle Council (2025) registration estimates, indicating approximately 320,000–340,000 battery electric vehicles registered nationally out of a total fleet of ~21.7 million vehicles.

5. Changes in the electric car market, including price, choice and availability of new and second-hand vehicles

Australia's EV market has changed since the Discount was introduced, but these changes reinforce the case for continued support.

While prices have begun to fall and model availability has improved, Australia still lags far behind comparable markets on both uptake and choice. Continued demand-side support is necessary to maintain momentum and ensure Australia remains an attractive market for global manufacturers allocating limited EV supply.

Importantly, the Discount has accelerated the development of the second-hand EV market, which is the primary pathway through which most Australians will access electric vehicles. Weakening the Discount would slow the flow of near-new EVs into the used market, delaying broader affordability and equity benefits.

6. Changes in electric vehicle charging infrastructure and support services

Achieving Australia's 2035 climate targets will require a rapid expansion of charging infrastructure alongside increased EV uptake.

Recent analysis indicates Australia will require 25,000–40,000 public DC fast-charging plugs and approximately double that number of public AC chargers by 2030, requiring cumulative investment of $4–5 billion, largely from the private sector[12].

Charging infrastructure investment is highly sensitive to utilisation risk. Strong and stable policy settings to accelerate EV adoption are critical to avoid significant delays in charging infrastructure which creates a feedback loop that further undermines uptake.

[12] Verdant Vision (2025), *Charging Ahead: Australia's Electric Vehicle Charging Infrastructure Needs to 2030*.

7. The cost of the Electric Car Discount in achieving its objectives

The cost of the Electric Car Discount cannot be assessed in terms of simplistic dollars per tonne of carbon abatement, but should be assessed as a measure to create early momentum while Australia is still in the early stages of adoption.

The cost of the Electric Car Discount must be assessed in the context of the costs of failing to meet emissions targets. Transport is the fastest growing source of emissions in Australia, and light vehicles are the easiest and cheapest part of the transport sector to decarbonise compared to heavy vehicles, shipping, and aviation. If the light vehicle sector fails to meet targeted abatement trajectories, other sectors such as domestic manufacturing and agriculture will face higher burdens and costs.

8. Consumer acceptance of electric vehicles

Consumer acceptance of electric vehicles has increased markedly over the period of the Electric Car Discount's operation.

Evidence from Australia and overseas shows that consumer acceptance can reverse quickly if incentives are withdrawn prematurely, undermining confidence and slowing uptake. Stable and predictable policy settings are therefore critical to maintaining consumer confidence through the next phase of the transition.

Conclusion

The Electric Car Discount has been effective at accelerating EV uptake in Australia: it has been a major contributor to the share of EV sales growing from just 2% to 13%. This represents a significant shift in Australia's transport emissions trajectory at a critical moment for climate action. Continuing – and evolving – the Electric Car Discount is essential to maintaining momentum, supporting consumer confidence, and delivering a faster, lower-cost transition to a zero-emissions transport system.