

Fuel efficiency standards could help curb Australia's persistently growing emissions

Written by John Quiggin, Professor, School of Economics, The University of Queensland

This week, the Australian government [announced plans](#) that will ultimately require cars sold in Australia to match international fuel efficiency standards.

The resulting savings over the life of a typical vehicle would more than offset higher initial costs. The saving on fuel costs is estimated at up to A\$28 billion a year by 2040.

Not coincidentally, this measure would also help to cut carbon dioxide emissions, which are [currently growing](#) at a rate that makes achievement of the government's commitments for 2030 virtually impossible.

Up to speed

Putting Australia's vehicle standards on a par with other developed nations sounds like such an obvious idea that we might ask why it hasn't been done already. There are several reasons, although none of them can justify the years of inaction to date.

First, until quite recently, politicians were overridingly concerned with the fate of Australia's [domestic car manufacturing industry](#), which focused primarily on the production of large cars like the Holden Commodore and Ford Falcon. While fuel efficiency standards are designed to take account of a vehicle's "footprint", the domestic industry naturally saw the idea as an extra burden.

With the [end of domestic production in sight](#), this issue becomes irrelevant. Indeed, you might think, given that Australia is now set to rely solely on imported cars, that we would automatically gain the benefits of international standards without needing to upgrade our own. But it turns out that imported cars sold in Australia are generally [less fuel-efficient](#) than cars of the same make and model sold in markets with more demanding standards.

There are several reasons for this. The most immediate is that it's cheaper to make a less efficient car. New car buyers, particularly fleet buyers, are sensitive to the sticker price of the car

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but much less so to the running costs, most of which will be paid by others, including subsequent owners. So even though fuel savings outweigh the increased purchase price over the life of the car, it's easier to sell a cheaper, less efficient version.

Another problem is that Australia also has lower standards for fuel quality, particularly sulfur content, which creates problems for more efficient vehicles. These standards will have to be revised soon for public health reasons, but until now the task of coordinating fuel efficiency and fuel quality standards has proved too difficult.

The government is now proposing to address both issues at the same time. The options are to reduce sulfur content for all kinds of petrol, or to [phase out "regular" 91-octane fuel](#) in favour of the more efficient, but more expensive, 95-octane.

Unsurprisingly, this measure is facing resistance from the [Australian Institute of Petroleum](#), which is warning of the costs to Australian refineries. The institute can at least claim consistency here: it fought the removal of lead from petrol in the 1980s. More disappointing is the [negative response of the Australian Automobile Association](#), which purports to champion sustainability but evidently thinks cheap petrol is more important than clean air or a stable climate.

The final problem is that there is a trade-off between fuel efficiency and perceived performance. This has led some manufacturers to "game" the regulations by producing vehicles that are fuel-efficient in lab testing but less efficient and more responsive on the road.

The most notorious case was that of Volkswagen, which [installed special software](#) to detect, and cheat, lab testing equipment. The resulting scandal [cost chief executive Martin Winterkorn his job](#) and has left the company [flirting with bankruptcy](#).

Play by the rules

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Of course, regulations of all kinds can be evaded. But the catastrophic consequences of being caught, as shown by the Volkswagen case, mean that manufacturers who want to stay in business will be more cautious in future.

Any policy to tackle climate change has costs as well as benefits. But there are few cases in which the balance is so clearly weighted to benefits. And with its 2030 climate targets in serious doubt, Australia needs to pick every piece of low-hanging fruit it can.

The only remaining issue is politics. The influential right wing of the Coalition government is dogmatically committed to climate science denial, and will oppose any measure to address the problem. Prime Minister Malcolm Turnbull has already [collapsed spectacularly](#) on the issue of an [emissions](#)

[intensity scheme for the electricity sector](#)

. That policy, like the fuel standards upgrade, came recommended by the Climate Change Authority (of which I am a member).

If Turnbull is to salvage any credibility, he needs to face down the opposition of ideologues and vested interests on this question. Whether he will do so remains to be seen.

John Quiggin is a Member of the Climate Change Authority. This article represents his personal views.

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