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Department of Treasury and Finance
Government of South Australia

Submitted via: roaduserchargeconsultation@sa.gov.au

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South Australia Road User Charge for Zero and Low Emission Vehicles, March 2021

AGL Energy (**AGL**) welcomes the opportunity to respond to the South Australian (**SA**) Government's Road User Charge for Zero and Low Emission Vehicles: Consultation Document, March 2021 (**Consultation Document**).

AGL is one of Australia's leading integrated energy companies and one of the largest ASX listed owner, operator, and developer of renewable generation. AGL is also a significant retailer of energy and telecommunications with 4.5 million customer accounts across Australia and around 488,000 energy customers in SA.

AGL is a market leader in electric vehicle (**EV**) products and services. In 2020, AGL became the first Australian company to join EV100, committing to make our own corporate fleet entirely electric by 2030¹. AGL has also delivered multiple EV projects and trials, including:

- The \$1/day electric car energy plan. Launched in 2016 and concluded in 2018, the plan provided consumers unlimited EV charging for \$1/day with complimentary carbon offset for the EV load.
- AGL's current offer for electric vehicle owners² that includes bonus credits and complimentary carbon offset for the whole of house energy load.
- The EV Subscription Trial,³ that was launched in 2020, providing customers with the opportunity to experience the benefits of an EV without the commitment of ownership.
- AGL's EV Orchestration Trial,⁴ that was launch in 2020 in partnership with the Australian Renewable Energy Agency (**ARENA**). The purpose of this Trial is to seek to understand how EVs could help the wider energy system by 'orchestrating' vehicle charging through smart chargers, Vehicle to Grid chargers and API technology.

Our feedback on the Consultation Document is bases on our experience in EV products and services and ongoing engagement in policy and regulatory design for EVs.

¹ See further, The Climate Group's EV100 initiative, available at <https://www.theclimategroup.org/ev100>.

² See further, AGL EV Plan, available at <https://www.agl.com.au/electric-vehicles>.

³ See further AGL Subscription Trial, available at https://next.agl.com.au/ev-subscription?utm_campaign=Adwords&utm_source=ppc&utm_medium=BrandCampaign%20&utm_term=AGLSubscription&utm_content=Subscribetofuture&qclid=EAlaIqObChMlg5L0yvX87wIV1X0rCh0AQqGjEAAAYASAAEgJk_fD_BwE

⁴ See further, AGL Electric Vehicle Orchestration Trial, available at <https://arena.gov.au/projects/agl-electric-vehicle-orchestrationtrial/>.



Recommendations

AGL recommends the SA Government:

1. In the short-term, should not proceed with establishing a road user charge for zero and low emission vehicles (**ZLEVs**) in South Australia to ensure continued EV uptake consistent with the SA Government's Electric Vehicle Action Plan and longer-term emissions reduction targets;
2. Work with other Australian governments to develop a nationally harmonised fuel and transport pricing reform program through the Energy and Infrastructure and Transport National Cabinet Reform Committees to accelerates the uptake of EVs in the short-term whilst laying the groundwork for a distance-based road user pricing framework in the long-term;
3. If the SA Government decides to establish a road user charge for ZLEVs, the charge should incorporate the following design elements as a second-best solution to mitigate its impact on consumer demand and confidence in EV uptake:
 - a) Initially apply the road user charge to internal combustion engine (**ICE**) vehicles only to test the parameters of the framework whilst supporting the continued development of Australia's EV market.
 - b) Delay the application of the road user charge to EVs until they reach price parity with ICE vehicles.
 - c) Develop an alternative arrangement to the odometer reading approach for the calculation and payment of the road user charges to reduce administrative cost and complexity.

Strategic direction

AGL supports the SA Government's vision articulated in its Electric Vehicle Action Plan to be a national leader in electric vehicle uptake and smart charging by 2025, harnessing renewable energy to lower motoring costs, air, noise and carbon pollution, and reduce electricity costs for all South Australians.⁵ We consider the uptake of EVs will be an integral technology pathway for meeting the SA Government's targets of a 50 per cent reduction in emissions by 2030 and net zero emissions by 2050.

Beyond the 2020-21 budgetary provision for rapid-charging infrastructure investment and smart charging, we would urge the SA Government carefully consider fuel and transport pricing reform to facilitate that vision.

We acknowledge that establishing a road-user charging framework will be integral to establishing a sustainable revenue model to support the maintenance and improvement of Australia's road networks into the future with the advent of emerging technologies such as ZLEVs.

However, with the comparatively small market for EVs that currently exists in Australia, we consider the introduction of any charges or taxes on EVs in their infancy will disincentivise consumers to purchase an EV and therefore stunt the development of this emerging industry and make it difficult for the SA Government to achieve their emissions reductions targets.

This is supported by recent consumer sentiment research undertaken by the University of Queensland that indicates the introduction of a 2.5 cents per km EV road user charge, without any financial incentives, risks

⁵ SA Government, Electric Vehicle Action Plan, Available at <http://www.renewablessa.sa.gov.au/topic/zero-emission-vehicles>.



materially impacting EV sales in Australia with up to 25 per cent fewer sales or up to 10 million fewer EVs on the road out to 2050.⁶

Further, the cost analysis presented in the Consultation Document does not adequately assess the impact such a charge would have on the total cost of ownership (TCO) equation for EVs as compared with ICE vehicles. The Consultation Document suggests the proposed road user charge could be designed at a rate low enough to ensure EV drivers are still financially better off than ICE vehicle drivers who are subject to the fuel excise⁷. Whilst EVs have always presented a more sustainable proposition for customers in terms of lower operating costs, it is the upfront costs of EVs that are currently more expensive than ICE vehicles. In the absence of any price incentive to reduce the upfront costs of EVs to parity with like for like ICE vehicles, a road user charge on EVs risks increasing the TCO at a time when we should be developing measures to improve the TCO and model availability of EVs to support uptake.

The introduction of a road user charge also risks undermining business confidence and investment in the emerging market that is necessary to support the transition towards electrification. This includes investment in charging infrastructure, fleet transition and grid integration that are the focus of the SA Government's Electric Vehicle Action Plan.

In conclusion, we consider the policy objective of fuel and transport pricing reform should be to accelerate the uptake of EVs in the short-term whilst laying the groundwork for a nationally harmonised distance-based road user pricing framework in the long-term.

The desirability of a nationally harmonised approach

In line with the commitment made by infrastructure and transport ministers in 2019 to consider the revenue implications of new technology vehicles, Australian governments should work together to develop a consistent framework.

AGL supports a nationally harmonised distance-based road user pricing framework that can be applied equally to ICE vehicles and EVs. Initially, this framework should be applied to ICE vehicles only. This can be used to test the parameters of the framework whilst supporting the continued development of Australia's EV market. We note that other jurisdictions have developed complementary policy levers to phase out ICE vehicles to support accelerated transition towards EVs alongside EV targets, including fee arrangements that 'escalate' over time. The cumulative effect of the fuel excise and a road user charge could serve to accelerate uptake of EVs in Australia that continues to lag overseas markets.

In the medium term (5-10 years and as ZLEVs reach price parity with ICE vehicles), ZLEVs should be transitioned into the road user pricing framework. At this point in time, consideration should also be given to developing more sophisticated cost reflective charges (considering inputs such as costs of building and maintaining roads, congestion, carbon emissions, pollution including the associated public health impacts and costs, and road trauma) as well as variation of charges by time, location, and vehicle type.

⁶ See Dr Jake Whitehead, University of Queensland, cited in 'EV tax will smash electric vehicle sales and lift emissions', *The Driven* (26 November 2020), Available at <https://thedriven.io/2020/11/26/ev-tax-will-smash-electric-vehicle-sales-and-lift-emissions-ug-study-finds/>.

⁷ We note the modelling presented in the Consultation Document that suggests ZLEV drivers would still be financially better off than ICE vehicle drivers who are subject to the fuel excise, with a 2.5 cents per km user charge for zero emission vehicles translating to around 2 cents per km (or roughly \$250 per annum) lower than an average vehicle pays in fuel excise.



Calculation and payment

The methodology for the calculation and payment of a road user charge should also be carefully designed to reduce administrative cost and complexity. We consider the odometer reading approach will create a substantial administrative burden in the context of corporate leasing, subscription and rideshare arrangements that entail multiple parties.

Should you have any questions in relation to this submission, please contact Kurt Winter, Regulatory Strategy Manager, on 03 8633 7204 or KWinter@agl.com.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'K. Winter', with a long horizontal flourish extending to the right.

Con Hristodoulidis

Senior Manager Regulatory Strategy