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Commonwealth Department of Infrastructure, Transport, Regional Development,
Communications and the Arts

Via email: cleanercars@infrastructure.gov.au

bp Australia (bp) response to the Australian Government's consultation on "the Fuel Efficiency Standard – Cleaner, Cheaper to run Cars for Australia."

bp supports the Australian Government's commitment to decarbonise Australia's transport sector, comprising some 18% of CO₂/e emissions, as well as ensuring Australians have access to a broad range of clean, affordable and modern vehicles including electric vehicles.

bp's purpose is to reimagine energy for people and our planet. Our ambition is to become a net-zero company by 2050 or sooner, and to help the world get there too. We aim to be net-zero across our operations (scopes 1 & 2), in our oil and gas production (scope 3) and for the energy products we sell (life-cycle emissions intensity). For each of these, we have also set short-term targets (2025) and medium-term aims (2030).

Decarbonising transport is a key focus of our global strategy where we see electric vehicle charging, bio and renewable fuels, and hydrogen being used across the economy including for transport. We strongly advocate for policies that make reducing transport emissions more attractive to investors and provide more choice to customers.

About bp

bp has a proud history of operations in Australia that reaches back to 1919. Over the 100 years, bp has become one of Australia's leading premium fuel retailers with around 1,400 branded retail fuel sites across the country, of which approximately 350 are company-owned, and more than 1,000 are owned and operated by our independent business partners. We employ and support over 5,000 jobs across Australia and have operations in every state and territory.



Our business model and offerings are evolving to meet our customers' energy transition needs. In 2022, we commenced the rollout of our electric vehicle charging network, bp pulse, across Australia, initially targeting 600 charge points. We're also working with partners exploring other decarbonised transport solutions like hydrogen and renewable fuels including at Kwinana and the Port of Brisbane.

After successfully operating the Kwinana refinery for more than 65 years we announced Front-End-Engineering-Design of the Kwinana Renewable Fuels plant in early 2023. The Kwinana Renewable Fuels Plant is a 10,000 barrel per day bio-refinery to produce renewable diesel and sustainable aviation fuel. We are aiming for a Final Investment Decision in late 2023.

In addition to renewable fuels, we're planning to produce green hydrogen at our Kwinana site (H2Kwinana) with the support of the Australian Government's Clean Hydrogen Industrial Hub grant. We're also exploring a hydrogen project near Geraldton (Project Geri) and have taken an equity share and operatorship of the Australian Renewable Energy Hub (AREH) in the Pilbara. These two mega hydrogen projects, if developed, will provide green electrons and hydrogen to support the decarbonisation of northern Australia as well as export.

We are a partner in the North-West Shelf LNG Project, Browse Joint Venture, and are exploring options with partners for a large-scale, multi-user Carbon Capture and Storage Hub in the North West. We also have a 50 per cent share in Lightsource bp, one of Australia's largest renewable energy developers.

bp is well positioned to support Australia through the energy transition and beyond, including our support for policy to help Australia get to net-zero, which over the past twelve months has included our support for:

- The Australian Government legislating 2030 and 2050 net-zero targets
- The National Electric Vehicle Strategy
- Better fuel for cleaner vehicles: draft regulation impact statement (RIS) to support the introduction of Euro 6d vehicles
- The strengthening of Australia's Safeguarding Mechanism and
- The Guarantee of Origin for renewable energy, hydrogen and other products.



Overall comments

bp supports fuel efficiency standards for Australia. We would prefer it called a *Vehicle Efficiency Standard* to better reflect the clear intent of the policy – reducing CO2 emissions and providing more clean car options so Australians can make the right choice for their energy transition needs. This will be different for everyone.

bp supports a model that is globally competitive and provides flexibility for suppliers to improve the overall emissions outcomes of the mix of vehicles being sold, where sales of lower emissions vehicles would offset those of higher emissions vehicles. Overall emissions targets would need to strengthen over time consistent with Australia's NDC commitments and net zero 2050 target.

bp recognises that a vehicle efficiency standard alone won't meet our emissions reduction targets in transport. It will need to be complemented by a suite of other policies to reduce emissions across all modes of transport, and more broadly in the energy sector. For example, the greening of the electricity to be used by electric vehicles.

Given the ongoing use of Internal Combustion Engine (ICE) passenger vehicles – **bp urges the Australian government to design policy frameworks which progress the uptake of lower carbon fuels (drop in fuels).** These fuels use existing fuel infrastructure and provide a least cost option while also contributing towards emission reductions from a lifecycle and intensity view. Biofuels should be part of the recently announced Transport and Infrastructure Net Zero Roadmap and Action Plan.

Our responses to select consultation questions are at [Attachment A](#). We also encourage the team to read this submission in conjunction with our earlier submission to the Government's EV strategy.

We are keen to share our global insights and deep experience from other markets on implementing an ambitious and well-designed transport energy carbon intensity reduction policies which includes biofuels and other low and zero carbon energy options.

Sincerely,

David Stuart
Head of External Affairs – federal & east coast
bp Australia



Attachment A

bp responses to consultation questions

Have the right guiding principles been identified for the Fuel Efficiency Standard (FES)?

bp believes the draft principles of the FES are appropriate. We encourage inclusion of 'efficiency' as an additional principle to ensure the framework meets its goals at lowest cost to consumers.

We note the importance of 'effectiveness', and underpinning this will be the need to align the availability of fuels (of a particular standard) with vehicles (requiring a particular quality of fuel) arriving in the Australian market. There are clear interdependencies between technology pathways for fuel supplies, and vehicle technologies.

Do any of the design assumptions risk implementation of a good FES? Are the exclusions for military, law enforcement, emergency services, agricultural equipment and motorcycles the right ones?

bp believes the design assumptions, especially the application to light vehicles and the onus on vehicle suppliers, are fit for purpose. The draft exclusions are appropriate, though we suggest the government considers the inclusion of light vehicles initially used by the military, law enforcement and emergency services where the vehicles are likely to enter the secondary car market.

Are there any FES design features that care needs to be taken with?

As a fuel provider, bp supports a long term, transparent and realistic framework, that remains ambitious. While care should be taken to design a framework that suits Australia's circumstances, Australia can learn the lessons of other markets and adopt settings that have been shown to work in those markets.

What principles should be considered when setting the targets?

When setting a CO₂ target – we encourage as ambitious a trajectory as possible, balanced with necessary time for vehicle suppliers to adjust Australian supply chains to meet new requirements. Targets should also have regard to technology availability for different vehicle types covered by the FES – but move as quickly as possible to align with global leaders.

Targets for FES should have regard to the economy-wide emissions reduction targets and the appropriate contribution from the transport sector. FES will be an important



driver of overall transport emissions, driving emissions reductions from light and passenger vehicles as the vehicle stock turns over. The slower Australia is at improving emissions performance of new cars, the more that needs to be done to reduce transport emissions from other options such as by using biofuels.

How many years ahead should the Government set emissions targets, and with what review mechanism to set limits for the following period?

Setting the targets ahead and adjusting the FES target over time will need to balance: providing confidence in the policy settings to vehicle suppliers to support their investment and supply decisions; and providing flexibility to adjust policy settings in as the technology and broader policy landscape change over time.

We believe targets should be set for at least five years ahead, ideally with adjustments within this period only under exceptional circumstances. Each year, another year of target could be set so there is always a minimum of 5 years of targets. Coupled with design features that credit over-achievement and allow some banking, this would give policy makers a regular opportunity to adjust the settings of the FES based on performance, respond to technology availability, as well as consumer preferences but give suppliers a degree of policy predictability.

Targets over the longer-term could be provided at the outset as a guard rail and then confirmed, or adjusted as needed, through the annual target setting process. The economy wide targets and any sector wide goal could also provide longer-term signals for the market.

To what extent should the FES allow credit banking, transferring and / or pooling? Should credits expire and if so in what timeframe?

bp supports the FES allowing for the crediting of overachievement and for these credits to be transferred to other vehicle suppliers. This will allow for vehicles suppliers to work together to achieve the overall goals of the FES and will increase efficiency greatly – reducing the costs to consumers and supporting increased ambition.

We also support allowing for some banking of the credits, because this will encourage vehicle suppliers to look ahead in making their decisions today. Bringing forward emission reductions, if that is efficient, in the context of increasing targets overtime. Intertemporal flexibility also increases the overall efficiency of the FES and has potential to reduce costs for consumers. We understand the risks of getting the settings wrong for the FES particularly in the early years, so some limits on the banking of credits could be useful. For example, perhaps credits expire after 3-5 years.



Should an Australian FES include multiplier credits for LZEVs?

The primary objective of the FES should be to drive greenhouse gas emissions reductions, with investments in different technologies driven by the incentives set by the FES. We have seen multiplier credits successfully used in other markets and other market-based approaches. Typically, this is to encourage the uptake of technologies that are in their infancy but have great potential if deployment and experience can bring the costs down. Multiplier credits will need to be carefully considered and designed to avoid picking winners and imbedding inefficiency into the FES. Unlikely to be warranted in the initial phase of the FES.

Should an Australian FES include off-cycle credits for specified technologies? Should an Australian FES include credits for using low global warming potential air conditioning refrigerants?

Off-cycle credits and credits for low global warming potential air conditioning refrigerants have been successfully deployed in other markets and can provide incentives for emission reductions that would not otherwise be undertaken. Care would need to be taken to ensure credits are only given where emissions are genuinely reduced. Targets would need to be set having regard to the availability and cost of emission reductions underpinning the off-cycle or refrigerant credits. If adopted, they should be seen as a way to increase overall ambition of the FES.

They are administratively complex, but in many ways are similar to other offsets that are used in other parts of the economy, Australian Carbon Credit Units. Consideration could also be given to how incentives for these types of emissions reductions might be provided through the existing offset framework.

When should the FES start?

We support the Government's intention to commence the FES as soon as possible. We think it is reasonable to provide a short lead time to allow vehicles suppliers and regulators to get their administrative systems in place. Targets in the initial years can give due consideration to what is achievable with limited time to make investments and adjustments to supply chains.

Penalties and non-compliance

bp understands the Government's intention is to provide a "buy-out" that would allow for vehicle suppliers to pay the penalty instead of sourcing credits if they have excess emissions. We would prefer a penalty that is set somewhat higher than the expected cost of reducing emissions under the FES. Ideally it would only be used as a backstop if costs increased to a point that is considered unacceptable for consumers. Some regard should be given to the penalty in other markets, because should global supply be constrained, vehicle suppliers will move vehicles to those markets with the more stringent penalties.