

18 April 2008

Garnaut Review Secretariat
Level 2, 1 Treasury Place
East Melbourne, Victoria 3002

Response to the Garnaut Climate Change Review

- Emissions Trading Scheme Discussion Paper
- Issues paper - Forum 5 - Transport, Planning and the Built Environment

from

Royal Automobile Club of Queensland (RACQ)

Submitted by email

Reducing Passenger Transport Greenhouse Gas Emissions

1 Introduction

This submission addresses the issue of passenger transport emission reductions through the design and coverage of a national emissions trading scheme.

The RACQ seeks to maintain the viability of motor vehicle transport on behalf of its 1.2 million members. Notwithstanding this, the Club recognises the adverse effect of vehicle greenhouse gas emissions and believes it is essential to reduce the environmental impact of cars. RACQ is optimistic that this can be achieved without significantly reducing mobility or living standards.

The RACQ supports the lower emission opportunities highlighted in section 3.2 (Issues paper - Forum 5 - Transport, Planning and the Built Environment) and actively works to educate members in these areas.

This submission supports the objectives of the Australian Automobile Association (AAA) publication, "On The Road To Greener Motoring" and builds on the AAA Garnaut Review submission of 11 April, 2008. The RACQ seeks to address other issues identified in the Review and to raise further policy options for consideration.

2 Specific Comments

While the RACQ supports most of the observations made in Issues paper - Forum 5, we encourage the Garnaut Review to consider policy options such as congestion charging

and legislative action to improve vehicle efficiency. Implementing these reforms could more effectively reduce greenhouse gas emissions than a carbon price on fuel.

Demand for fuel in response to price changes is relatively inelastic and fuel price increases have been shown to bring about only small decreases in consumption. For example, the rise in petrol prices over the last two years (of more than 20 cents a litre), has had only a minor dampening effect on demand. If price was an appropriate mechanism to reduce fuel consumption, then those people in a position to change their behaviour, within the confines of existing urban design and transport infrastructure, would already have done so.

Carbon costs are likely to add much less than the recent price increases to fuel and have minimal impact on demand. Policy reform opportunities may be lost because higher petrol prices will create community resentment, and discourage government from other reforms.

Issues paper - Forum 5 makes reference to the fact that a carbon price may not significantly reduce transport emissions. As noted on page 5:

If the costs are a relatively small component of the total costs faced, people's decisions may not be strongly influenced by what are considered relatively small changes in transport costs.

This implies that only a very large price shock will induce behaviour change. However, the greater the carbon price on fuel, the greater the resulting societal inequity and burden on low income households. These families often reside in the outer suburbs, have fewer public transport alternatives and more reliance on their own vehicles. This also applies to many rural and regional communities.

Regulation could more effectively reduce transport carbon emissions, and government could encourage support for smaller vehicles and legislate to improve vehicle efficiency. This would move the burden from low income households toward those with the financial means to purchase new cars.

The RACQ suggests the Garnaut Review consider excluding fuel from its emissions trading framework. Instead, the Review could pursue congestion pricing and legislative action to harness the emission reduction opportunities detailed in section 3.2 (Issues paper - Forum 5).

The Kyoto mechanisms and the cap and trade processes developed in Europe do not include transport fuels, but rather focus on car emission targets. This approach could also be adopted in Australia.

Congestion pricing is an alternative that efficiently allocates resources and elicits greater demand responsiveness than the imposition of a carbon price in fuel. Implementing congestion pricing would effectively reduce greenhouse gas emissions.

An integrated approach to costing all transport externalities (not just greenhouse gases) and subsequent fuel tax reform, would be beneficial. The validity of a carbon price on fuel is undermined because motorists already pay a fuel excise. The existing federal fuel excise of 38.143 cents a litre goes to consolidated revenue and approximately 9 cents is returned to roads through Federal Government allocation. The remaining balance could be distributed to compensate for all motoring related externalities. This type of integrated approach is economically efficient, because climate change is best considered in conjunction with all the other motoring externalities, including congestion, air pollution, noise, and road damage.

Section 3.1.2 (Issues paper - Forum 5) highlights the growth in freight greenhouse gas emissions. In addressing this issue, consideration should be given to standardising fuel excise so that road freight is on the same fuel excise rate as private motorists.

The RACQ acknowledges that greater public transport infrastructure would lead to some behaviour change, but the majority of travel will still be done in cars. Similarly, there are opportunities to reduce carbon emissions by shortening travel distances and changing travel patterns and mode of transport. However, options for urban re-design and land use changes are expensive and incremental over a very long time period.

As an aside, the RACQ draws your attention to section 3.3.2 (Issues paper - Forum 5) and the suggestion that slow fleet turnover and gradual adoption of newer, more fuel efficient vehicles is necessarily problematic. This is not always the case, especially when balanced against the existing sunk carbon emissions from the production and disposal of these cars.

3 Alternatives to Facilitate the Reduction of Greenhouse Gas Emissions from Passenger Transport

A form of congestion charging in inner city areas can reduce emissions significantly for this travel, through fewer car trips and reduced congestion (which improves fuel efficiency). The RACQ is currently undertaking on-road tests that show a considerable difference in fuel use between peak-hour and middle-of-the-day travel. Results will be published shortly.

In addition, the Federal Government could encourage the take up of smaller cars and follow the direction of Europe and the U.S.A to legislate for improved vehicle efficiency standards and tailpipe emissions.

4 Conclusion

Alternative policy options might achieve a greater reduction in greenhouse gas emissions, with less economic inequity, than a carbon price on fuel. In light of this, consideration should be given to developing congestion charging and legislated standards to improve vehicle efficiency, in lieu of a carbon price.