



SolarCitizens

A community voice for cleaner energy and transport

Solar Citizens
Level 3, Salesforce Tower 180 George St
Sydney NSW 2000, Australia
info@solarcitizens.org.au

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Submission to the Productivity Commission's interim report on net-zero

Thank you for the opportunity to provide feedback on the Productivity Commission's interim report on net zero.

Solar Citizens is an independent, community-based organisation working to protect and grow renewable energy and transport in Australia. We represent the millions of Australian households who are powering their lives with the sun, and the vast majority of Australians who support the transition to renewable energy and clean transport.

Our 200,000 supporter base includes tens of thousands of Australians from across the country who share with us the details of their journey to electrify their household. They are the majority motivated by cost of living rather than carbon reduction, though their uptakes are a solution to both. They give us uniquely granular first-hand insights into the impacts of policy on real world household decisions, and also into the barriers that remain for Australians to decarbonise their homes and vehicles.

We particularly focus on engaging regional communities. In 2023 Solar Citizens travelled around regional Australia with the country's first commercially available electric ute, on our Electric Ute Roadshow. We visited over 30 regional communities across the Eastern seaboard engaging directly with local councils, Members of Parliaments and community groups.

We have conducted extensive economic modelling on the impact of Electric Vehicles (EVs) in the regions. Our work informed the development of New Vehicle Efficiency Standards (NVES) and demonstrated how regional and rural Australians stand to gain the most from our shift towards electrified transport due to longer distances travelled, higher prices paid for fuel, and the older average age of their vehicles.

SolarCitizens.org.au

A: Level 3, Salesforce Tower, 180 George St, Sydney NSW 2000 E: info@solarcitizens.org.au P: +61 458 503 058 ABN: 13 753 514 032

EVs as Batteries on Wheels

Australian EV drivers are today's pioneers, just like the early adopters of rooftop solar and home batteries. They are investing their own money in technology that slashes carbon emissions and strengthens national security by enabling the phase out of imported fossil fuels.

The rapid uptake of the Cheaper Home Batteries Rebate since July 1 2025 has already proven that mortgage-belt families are ready and willing to invest their own money in clean energy infrastructure. Our supporters are vocal in their desire to be able to purchase Vehicle-to-Grid (V2G)-enabled car models and inverters, so they can have cars that double as batteries on wheels.

With the right policy settings, including adapting successful programs like the Small-scale Renewable Energy Scheme (SRES) and the Cheaper Home Battery Rebate to cover V2G inverters, the government can unlock this next wave of household investment. Doing so would turn early EV adopters into system enablers—strengthening grid reliability, cutting household costs, and accelerating the phase-out of fossil fuels.

Unfortunately, the electrification of our vehicle fleet—and the shift to batteries on wheels, cars that literally run on sunshine—has not yet reached its tipping point. EV uptake has recently slowed, showing how fragile this market still is. Now is not the time to send negative signals to households who are weighing up whether to make the switch. We need the government to back “mum and dad” investors who are ready to play their part, just as they did with rooftop solar and home batteries. With the right policy support, families can once again drive Australia's clean energy transition and deliver the decarbonisation outcomes we urgently need.

If the government needs revenue, we suggest it look at the \$8 billion Fuel Tax Credit Scheme for the coal, oil, gas and mining sectors. The upcoming budget is the moment to begin progressively unwinding these fossil fuel subsidies. Redirecting even part of this revenue into electrifying transport—both personal vehicles and heavy industry—would ease inflationary pressures, speed the transition, and ensure the burden is shouldered by polluters, not families leading the way to a cleaner, more secure energy future. Put simply, tax the big polluters, not mum-and-dad drivers.

Our submission concerns draft recommendation: 1.3 Introduce an emissions-reduction incentive for heavy vehicles and phase-out policy overlaps for light vehicles. In short, we strongly support the first half of this recommendation, and strongly oppose the second.

We support an emissions-reduction incentive for heavy vehicles.

Transport is the fastest growing source of carbon emissions, and Australia is over a decade behind other Organisation for Economic Co-operation and Development (OECD) countries on reducing carbon and particulate pollution from heavy vehicles. We strongly urge the implementation of a heavy vehicle CO2 standard. This must be accompanied by investment in charging hubs, and in rebates to support Australian truck-owners to overcome the additional upfront costs of making their next vehicle electric.

We oppose removing EV purchase incentives.

Working with Australians in the regions, it's clear how impactful the EV Fringe Benefit Tax (FBT) exemption is in driving adoption, particularly for middle-income families who are sensitive to upfront price and avail themselves of novated leases as an employment benefit in the public service and nonprofit sectors.

Petrol cars cost over \$20/100km while solar-charged EVs cost under \$1/100km —a 95% saving during a cost-of-living crisis (Solar Citizens 2023). However, given the upfront cost for many middle and lower income households, novated leases with FBT exemptions are often the only way to overcome the higher upfront costs of an electric vehicle. The FBT exemption also drives the availability of second hand EVs as novated leases push new vehicles into used stock very quickly; this drives much broader availability of used EVs for middle and low income even among those who do not use FBT. Roughly 60-65 % of cars bought in Australia are second-hand/used rather than new. International modelling cited by the Australian Council of Social Services indicates that the lowest quintile income household could achieve savings of up to 7% of total household income by 2030 through switching to EVs.

New Vehicle Efficiency Standards rely on complementary demand-side measures.

The Productivity Commission's interim report argues that demand-side measures are "overlapping" with the supply side impact of NVES and should therefore be removed. This is directly contradicted by the design assumptions of the NVES. The NVES explicitly states in its 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**"*

Supply side and demand side measures are complementary, not overlapping. If the Commission reviews submissions from industry and stakeholders to the NVES, it will find almost unanimous

agreement that demand-side measures will continue to be important under the NVES, and indeed were an explicit assumption that allowed the design of the NVES to be among the strongest in the world. Few other countries have adopted an emissions reduction curve as steep as the NVES in its early years. It's important that NVES adopted this strong trajectory because Australia was among the slowest adopters of EVs in the OECD due to the lack of both demand and supply-side policy measures.

As an example of this consensus, take the Electric Vehicle Council (EVC) and the Federal Chamber of Automotive Industries (FCAI). Together these two industry peaks represent the entire spectrum of automotive OEMs. The two organisations disagreed vehemently and publicly on almost every aspect of NVES, but were in agreement that continued and increased demand-side policy would be critical to enable OEMs and the public to meet NVES targets without increasing new vehicle costs to consumers.

The FCAI stated that:

"The FCAI believes that a holistic Fuel Efficiency Standard equally relies on demand side incentives to achieve its objectives. Overseas experience clearly demonstrates transitioning EV consumers relies heavily on Government incentives, and the FCAI supports the implementation of demand side incentives to assist consumers overcome the costs of transitioning to an EV or PHEV in order to accelerate the uptake of lower emissions vehicles."

The 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."

EV incentives are also grid infrastructure policy.

Maintaining strong uptake of EVs is essential because they are not only cleaner cars, but also "batteries on wheels." With bidirectional charging, 5 million EVs could provide 8–16 GW of flexible storage by 2050, deferring up to \$94 billion in grid infrastructure while delivering households \$300–\$1,500 a year in new income streams.

The Australian Energy Market Operator's Integrated System Plan already assumes that distributed storage, including EVs, will play a central role in firming renewables and maintaining reliability. If EV incentives are removed, uptake will stall, the pool of V2G-enabled vehicles will shrink, and the ISP's projected contribution from household and mobile storage will be at risk.

That gap would have to be filled with more expensive firming options, driving up costs for households and undermining the reliability of the clean energy transition. Cutting EV incentives doesn't just stall car sales—it robs the grid of billions of dollars' worth of mobile batteries that AEMO is already counting on to keep power reliable and affordable.

The real-world evidence

Supply measures alone don't work. When states cut EV incentives in late 2024, sales immediately stalled despite the NVEs being active (FCAI 2024). The Government's own analysis confirms: "demand-side and supply-side measures need to work together" (Office of Impact Analysis 2024, p. 87).

Regional Australians need this most. Our Electric Ute Roadshow traveled 10,000km proving EVs work for farmers and tradies. Regional communities drive further than city residents and stand to benefit the most (Office of Impact Analysis 2024, p. 45). Road user charges would double-punish them—higher purchase prices and distance-based fees.

Middle Australia benefits, not the wealthy. Independent analysis shows the FBT exemption helps working Australians like teachers, nurses, and emergency workers in outer suburbs who drive most. It's already created 61,000 second-hand EV sales (+157%), making cleaner transport accessible to lower-income families (Magenta Advisory & Pragmatic Policy Group 2024, p.8, 21).

The productivity opportunity

EVs aren't just cars, they're batteries on wheels. With Vehicle-to-Grid technology, 5 million EVs would could provide 8-16 GW of storage by 2050 (ARENA 2025a, pp. 5–6), deferring \$94 billion in grid infrastructure (enX 2023, p. 3) while earning households \$300-\$1,500 annually (ARENA 2024a, p. 5; ARENA 2025b, p. 52). But only if we maintain momentum now.

Every dollar invested returns \$2.25 today, rising to \$3.00 by 2030 (Magenta Advisory & Pragmatic Policy Group 2024, p. 8). That's before counting health savings from preventing 11,000 annual pollution deaths (Walter & Say 2024) or reducing Australia's \$14.5 billion annual fuel import bill.

Our Solutions

1. **Maintain incentives until EVs reach 30% market share** (currently 7%)—you don't stop swimming lessons halfway across the pool

2. **Transform the FBT exemption into a V2G accelerator**—require bidirectional charging capability to unlock grid benefits
3. **Defer road user charges until 2030**—let the second-hand market mature first

The bottom line

Australia can't tax the solution while subsidising the problem. Removing EV incentives and imposing a road user charge on EVs while maintaining \$8 billion in diesel fuel rebates would lock families into expensive, polluting vehicles.

The Climate Change Authority (2025, p. 142) states Australia needs "over 5 million battery-electric passenger vehicles" by 2035 to meet emissions targets. Without purchase incentives our progress to this important target will stall.

Electric Vehicles are more than cleaner cars—they are a model of national productivity. With the right policies, EVs can simultaneously deliver cheaper transport, cut emissions, reduce our fuel import bill, and strengthen household budgets. Critically, as “batteries on wheels” they can also stabilise the grid and power our homes, deferring billions in network investment and creating new income streams for families.

This is the next chapter in Australia's energy success story, just as households drove the world's highest uptake of rooftop solar. We must not put the brakes on this momentum. Supporting everyday Australians to access EVs will unlock cleaner, cheaper transport, new productivity gains, and a stronger, more secure energy system.

The Commission faces a simple choice: support Australian families accessing cleaner, cheaper transport, or strand us as a dumping ground for the world's leftover petrol cars while our competitors race ahead.

Yours sincerely,



Heidi Lee Douglas

Chief Executive Officer

Solar Citizens

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