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FOREWORD



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The Australian Automotive Dealer Association (AADA) welcomes the opportunity to provide a submission in response to the Climate Change Authority's annual progress advice 2026.

The AADA is the peak industry advocacy body exclusively representing franchised new car and truck dealers in Australia. There are over 3,900 car and truck dealerships, ranging from family-owned small businesses to larger and publicly owned businesses operating in regional areas and capital cities across the country. The new vehicle retailing sector employs more than 64,000 people including approximately 7,500 apprentices, contributes over \$21.5 billion to the national economy, has a total turnover/sale of \$91.3 billion and generates in excess of \$8.2 billion in tax/duty revenue.

Australia is undergoing one of the most significant transformations in the history of its automotive industry. Global investment in lower-emission vehicle technologies, increased competition between a growing number of manufacturers, changing consumer preferences and the introduction of the New Vehicle Efficiency Standard (NVES) are reshaping the Australian new vehicle market at an unprecedented pace. At the same time, dealers are making substantial investments in infrastructure, equipment, training and workforce capability to support the transition while continuing to meet the diverse transport needs of Australian consumers.

As the retail interface between manufacturers and consumers, franchised new car dealers are uniquely placed to observe how these changes are affecting vehicle supply, consumer demand and the practical implementation of Australia's transition to lower-emission transport. Their experience provides valuable insight into both the opportunities and challenges associated with achieving emissions reductions in the light vehicle fleet.

This submission addresses the changes occurring in the automotive industry and the vehicle market as Australia transitions to lower-emission and zero-emission vehicles. It focuses on the issues raised in Questions 2 and 4 of the consultation paper, with particular emphasis on vehicle supply, consumer uptake, charging infrastructure and the implications of the NVES for franchised new car dealers.

EVIDENCE OF EMISSIONS REDUCTION AND BARRIERS TO ABATEMENT



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In the automotive industry, particularly in the supply of new vehicles, several factors are contributing to growth in sales of lower-emission vehicles. These include structural changes in the global automotive sector, increased competition among manufacturers, improved affordability, broader model availability and changing consumer expectations. Together, these developments are accelerating the transition towards lower-emission vehicles in Australia.

Global supply of electric and lower-emission vehicles continues to increase, with more models flowing into Australia as global competition intensifies and Chinese manufacturers expand their export presence. More than 45 vehicle brands now offer battery electric vehicles (BEVs) in Australia, while many additional brands have expanded their Australian product ranges to include hybrid and plug-in hybrid electric vehicles (PHEVs). Australia's open and highly competitive vehicle market has made it an attractive destination for manufacturers introducing new lower-emission models.

Consumers are responding to these changes. As affordability has improved, competition has strengthened and model choice has expanded, Australians are increasingly recognising the value of lower-emission vehicles. Recent geopolitical disruptions and higher fuel prices have further reinforced this trend by increasing the focus on running costs and energy security.

The AADA's analysis of new vehicle sales indicates that the transition is continuing to accelerate. Year-to-date, battery electric vehicles, hybrid vehicles and plug-in hybrid vehicles collectively account for more than half of all new vehicle sales in Australia, demonstrating that lower-emission technologies are becoming an increasingly significant component of the Australian new vehicle market¹.

While these trends demonstrate that Australia's transition to lower-emission vehicles is accelerating, progress is not occurring uniformly across the market. Passenger vehicle segments have experienced rapid growth in lower-emission technologies as affordability, model availability and consumer acceptance have improved. By contrast, the transition remains slower in light commercial vehicles, where operating requirements, towing capability, payload demands and model availability continue to favour internal combustion engine vehicles. This distinction is important when assessing Australia's progress towards transport emissions reduction and identifying where barriers to further abatement remain.

THE GLOBAL CAR MARKET



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The global vehicle manufacturing industry is also undergoing significant structural change. Rapid advances in vehicle technology, changing consumer preferences and increasing competition are reshaping the global automotive landscape. While some long-established manufacturers are no longer leading automotive innovation, others are downsizing in response to declining demand for traditional vehicle models.

A distinguishing feature of many new entrant manufacturers, most of which are Chinese brands, is the speed with which they develop, manufacture and bring advanced technology vehicles to market. This pace of innovation has enabled these manufacturers to respond quickly to changing consumer demand and expand into international markets.

This rapid product development has increased the availability of lower-emission vehicles across highly competitive market segments, including small passenger cars and small and medium SUVs. Consumers have increasingly embraced lower-emission technologies in these segments, while demand for internal combustion engine vehicles remains stronger in others, particularly light commercial vehicles, where practical operating requirements continue to favour diesel and petrol powertrains.

The rise of Chinese vehicle manufacturing is therefore one of the most significant developments influencing Australia's automotive market. The AADA's research into the changing origin of Australia's new vehicle fleet indicates that Chinese manufacturers are well positioned to continue increasing their market share, consistent with trends being observed in other export markets². As domestic vehicle sales in China have softened, manufacturers have increasingly expanded their global footprint, with China now established as one of the world's leading manufacturers and exporters of electric vehicles.

CONSUMER ACCEPTANCE OF EVS, PHEVS AND HYBRIDS



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Growing consumer acceptance is an important factor supporting the adoption of lower-emission vehicles. The AADA's latest consumer research indicates that Australians are becoming increasingly open to purchasing EVs, PHEVs and hybrids, with purchasing decisions now driven more by practical and economic considerations than environmental motivations.

The AADA/Zing EV Sentiment Survey – Wave 5 (July 2026)³ provides further insight into changing consumer attitudes. The research shows that intention to purchase an EV as the next main household vehicle is beginning to strengthen after several years of relatively stable demand. Between 2022 and late 2025, consideration remained consistently between 38 and 39 per cent. Over the past six months, however, this has increased to 41 per cent, meaning that around two in five Australians would now consider an EV as their next household vehicle.

While consumer interest is growing, uptake is not yet uniform across the community. EV consideration remains strongest among younger drivers, men and people living within 10 kms of a CBD, suggesting that adoption continues to be concentrated among particular demographic groups rather than reflecting a fully mature mass-market transition.

Consumer motivations are also evolving. Since 2024, cheaper running costs have overtaken environmental benefits as the leading reason Australians would consider purchasing an EV, particularly in the context of higher fuel prices. This suggests that affordability and the long-term cost of vehicle ownership are becoming increasingly important drivers of consumer behaviour.

Australia's transition to lower-emission transport should not be viewed solely through the lens of battery electric vehicles. Hybrid and plug-in hybrid vehicles are also making an important contribution to emissions reduction, particularly in vehicle segments where battery electric vehicles remain less practical because of operating requirements or charging constraints. Supporting a range of lower-emission technologies will assist Australia to reduce transport emissions while maintaining consumer choice throughout the transition.

Despite this growing acceptance, important barriers remain. Purchase price, battery lifespan and driving range continue to be the three most significant considerations for prospective EV buyers. These concerns highlight that, while consumer interest is increasing, affordability and practical vehicle performance remain critical to accelerating further uptake. Geographic differences also remain evident, with EV consideration exceeding 50 per cent in Melbourne and Sydney but remaining lower across regional and rural Australia.

Overall, Australians are increasingly viewing EVs through a practical financial lens rather than primarily as an environmental choice. This shift suggests that the next phase of Australia's transition will depend less on changing consumer attitudes and increasingly on addressing the practical barriers to adoption. Policy settings that improve affordability, expand charging infrastructure and build consumer confidence are therefore likely to have the greatest influence on accelerating future uptake of lower-emission vehicles.

THE USED VEHICLE MARKET



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The used vehicle market has an important role to play in supporting Australia's emissions reduction objectives by making lower-emission vehicles accessible to a broader range of consumers. As supply increases and the market matures, used electric vehicles are becoming an increasingly practical option for buyers who may not be in a position to purchase a new EV.

More than 2.4 million used vehicles were sold in Australia last year, highlighting the important contribution the second-hand market makes to fleet renewal and emissions reduction by enabling more consumers to upgrade into newer and more efficient vehicles.

This trend is becoming increasingly evident in the used EV market and after a period of limited supply and buyer caution, demand for used EVs has strengthened considerably. In June 2026, EVs, PHEVs and hybrids accounted for 7.1 per cent of all used vehicle sales. Used EV sales increased by 54.6 per cent during the first half of 2026 compared with the same period in 2025, while PHEV sales increased by 468.4 per cent from a relatively small base⁴.

Market activity also indicates growing consumer confidence. Average days to sell a used EV fell from more than 60 days in January to fewer than 40 days by June, suggesting demand is strengthening as supply improves and consumers become more familiar with lower-emission vehicle technologies.

NEW VEHICLE EFFICIENCY STANDARD



NEW VEHICLE EFFICIENCY STANDARD

The New Vehicle Efficiency Standard (NVES) is an important policy designed to encourage the supply of lower-emission vehicles to the Australian market. While the scheme is still in its early stages of implementation, vehicle manufacturers have begun accumulating credits and debits under the first two years of the framework.

While the full impact of the NVES on franchised new car dealers is not yet known, AADA-commissioned research estimates that the cost to dealers could be as high as \$2.1 billion over the implementation period, depending on how manufacturers manage and pass through NVES-related costs. As Australia's transition to lower-emission vehicles continues, it will be important to ensure the design of the scheme supports emissions reduction objectives without creating unintended distortions within the automotive supply chain.

NVES POINT OF COMPLIANCE



NVES POINT OF COMPLIANCE

Since the development of the NVES, the AADA has consistently advocated for compliance to be measured at the point of sale or registration rather than at the point of import. While some parts of the automotive industry have expressed reluctance to move away from the current model, the AADA considers that point-of-registration compliance would better align the scheme with its environmental objectives.

Under the current point-of-import approach, OEMs may be incentivised to transfer commercial stock-holding risk downstream to dealers. This can occur where dealers are encouraged to hold additional lower-emission vehicles to generate compliance credits or to discount higher-emission vehicles more aggressively before annual compliance targets tighten.

This creates the risk that dealers bear the commercial cost of aligning vehicle supply with actual consumer demand, while manufacturers have already wholesaled the vehicle and received the associated benefit through the NVES unit registry. More broadly, the current framework may allow vehicles to contribute to an OEM's compliance position before they have entered Australia's vehicle fleet or begun delivering any emissions reduction benefit.

Measuring compliance at the point of registration would better reflect the real-world emissions profile of Australia's vehicle fleet and provide a more robust measure of how the fleets emission profile is evolving. Vehicles only begin contributing to transport emissions once they are registered and used on Australian roads. By contrast, a vehicle imported but left unsold for an extended period continues to count towards an OEM's fleet average despite not yet contributing either increased or reduced emissions.

Aligning compliance with vehicle registration would better connect the operation of the NVES with its underlying objective of reducing emissions from Australia's on-road vehicle fleet, while reducing unintended commercial distortions throughout the automotive supply chain.

EV CHARGING INFRASTRUCTURE



EV CHARGING INFRASTRUCTURE

The continued growth in lower-emission vehicle sales will require a corresponding expansion of Australia's EV charging network. While the availability of vehicles has improved significantly, charging infrastructure remains one of the most important factors influencing consumer confidence and the willingness of households to transition to electric vehicles.

The AADA has consistently recommended that greater emphasis be placed on expanding charging infrastructure, both publicly and at home, to support growing consumer demand. For many Australians, particularly those living in inner suburban areas with older housing stock, high-density developments or limited off-street parking, access to convenient home charging remains a significant barrier to EV adoption.

As the AADA noted in its submission to the Victorian Parliamentary Committee Inquiry into Electricity Supply for Electric Vehicles:

The AADA supports efforts to expand electric vehicle (EV) charging both at public charging stations and in the home, but consumer hesitancy shows that charging remains one of the strongest barriers to purchasing electric vehicles. For many buyers, the decision comes down to whether their home or local environment can support EV charging. In suburbs with older housing stock, high-density multi-dwelling units and limited off-street parking, home charging is impractical or prohibitively expensive, leading buyers to choose hybrids or PHEVs instead of BEVs.

Supporting the transition also requires significant private investment across the automotive industry. Franchised new car dealers are investing in public and dealership charging infrastructure, specialist equipment and the capability required to support Australia's growing lower-emission vehicle fleet. In 2024, the AADA-commissioned analysis by Energetics which estimates that the capital investment required for dealership charging infrastructure alone will exceed \$1 billion nationally, ranging from approximately \$130,000 for a typical regional dealership to around \$580,000 for a rural dealership, excluding the substantial upstream electricity network upgrades that are often required⁵.

Investment in charging infrastructure will therefore remain critical to supporting consumer confidence, reducing barriers to adoption and ensuring Australia's transition to lower-emission vehicles can continue at pace.

MONITORING AUSTRALIA'S TRANSITION



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The transition to lower-emission transport should be assessed using a range of indicators rather than vehicle sales alone. While increasing sales of lower-emission vehicles remain an important measure of progress, other leading indicators mentioned above provide valuable insight into whether Australia's transition is accelerating or where barriers remain.

From the automotive sector's perspective, these indicators include:

- increasing market share of battery electric, hybrid and plug-in hybrid vehicles;
- continued growth in the used EV market;
- improving consumer willingness to purchase lower-emission vehicles;
- greater availability of charging infrastructure;
- increased model availability across all vehicle segments, particularly light commercial vehicles; and
- continued improvements in affordability.

Collectively, these indicators provide a practical framework for assessing progress towards transport emissions reduction while identifying areas where further policy attention may be required.

CONCLUSION



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Australia's transition to lower-emission vehicles has entered a new phase. The evidence presented in this submission indicates that the principal challenge is no longer the availability of lower-emission vehicles, but ensuring that policy settings, infrastructure and market conditions support their widespread adoption.

Structural changes in the global automotive industry have fundamentally altered the Australian new vehicle market. Increased competition, particularly from Chinese manufacturers, has significantly expanded the range and affordability of lower-emission vehicles available to Australian consumers. At the same time, consumer attitudes have evolved, with purchasing decisions now increasingly driven by practical considerations such as affordability and lower running costs rather than environmental motivations alone. The emergence of a stronger used EV market is also improving access to lower-emission vehicles for a broader range of households.

These developments demonstrate that Australia's transition is increasingly being driven by market forces. However, the pace of transition continues to differ across vehicle segments, geographic regions and consumer groups. Battery electric vehicles are gaining significant momentum in passenger vehicle segments, while hybrids and plug-in hybrid vehicles continue to play an important role where charging infrastructure, vehicle capability or operating requirements limit the suitability of battery electric vehicles. Future policy should recognise these differing transition pathways rather than assuming a uniform rate of adoption across the entire vehicle fleet.

As Australia seeks to accelerate transport emissions reductions, policy should increasingly focus on removing the practical barriers that continue to influence consumer purchasing decisions. Continued investment in charging infrastructure, improving affordability, supporting consumer confidence and maintaining technology neutrality will all be critical to sustaining momentum.

The NVES will also play an important role in shaping Australia's transition. As the scheme matures, its operation should continue to be reviewed to ensure it accurately reflects real-world emissions outcomes. In particular, the AADA considers that measuring compliance at the point of vehicle registration, rather than importation, would better align the scheme with its environmental objective by recognising emissions reductions when vehicles actually enter Australia's on-road fleet.

Australia's transition to lower-emission transport is well underway. The challenge for policymakers is no longer simply encouraging the supply of lower-emission vehicles, but ensuring that consumers are supported to adopt them and that regulatory settings continue to reflect the realities of an evolving automotive market.

The AADA appreciates the opportunity to provide this submission and welcomes the opportunity to discuss these issues further with the Climate Change Authority.

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