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Statutory Review of the Electric Car Discount

Final report

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Executive summary

The Australian Government announced a Review of the Electric Car Discount (ECD) in December 2025. The Review was asked to consider the effectiveness of the ECD and whether it should continue by paying regard to the early adoption of electric vehicles (EVs), changes in the EV market and EV charging infrastructure, the cost of the ECD, and consumer acceptance of EVs. The effectiveness of the ECD was assessed by analysing its impact on EV sales, the benefits of the additional EVs, its costs, and equity considerations.

The ECD is estimated to have encouraged EV sales in its first 3 years. While Australia's EV penetration remains low by international standards, EV sales have increased strongly since the start of the ECD. The choice of EVs has also increased, with a wider range of models and price points now available. The ECD is not the only factor that encouraged the uptake of EVs. It coincided with reduced supply chain constraints, expansion of the international EV market, technological innovations lowering the price of EVs globally, support from other policies and growth in charging infrastructure.

It is estimated that the ECD resulted in around 64,000 additional battery EV (BEV) sales over the first 3 years to December 2025, and 78,000 additional EV sales including plug-in hybrid electric vehicles (PHEVs). There is significant uncertainty around this estimate, particularly in relation to PHEVs.

Each additional EV leads to reduced carbon emissions over its lifetime. It is estimated that the emissions abatement of the ECD's additional BEV sales through to the end of December 2025 was approximately 2.2 million tonnes, with an abatement value of around $400 million (at 2023 prices). Including additional PHEVs, the estimated value of emissions abatement due to the ECD rises to around $460 million.

Additional EVs also generate other positive externalities. The ECD may have supported growth in the EV market through 'network effects' (from growth in charging networks or social contagion) or by boosting market confidence. The health benefits of the ECD, due to lower air pollution, were worth an estimated $430 million (from additional BEVs) or $500 million (for additional BEVs and PHEVs). A BEV is estimated to generate fuel cost savings of around $26,500, on average, over its life. The benefits from savings on fuel costs that were 'overlooked' by car consumers were estimated to be worth around $1.1 billion (for additional BEVs) or $1.3 billion (for additional BEVs and PHEVs). The *full* savings from additional BEVs were estimated to be around $1.7 billion, and around $2.0 billion for additional BEVs and PHEVs. Increased uptake of EVs also helps to reduce Australia's reliance on imported fuels, diminishing the impact of global oil price fluctuations. Finally, EVs are quieter than vehicles with internal combustion engines, resulting in less traffic-related noise pollution.

The revenue costs of the ECD are increasing significantly. The tax expenditure from the Fringe Benefits Tax (FBT) exemption was estimated to be $2.0 billion over the first 3 years from 2022–23 to 2024–25. The annual tax expenditure is forecast to be $1.35 billion in 2025–26 and is expected to grow to $2.8 billion in 2028–29 based on the current trajectory and policy settings. The ECD also has other costs: compliance costs for car buyers, employers, importers, and intermediaries; economic costs resulting from market distortions; and additional revenue costs from the import tariff exemption and flow-on impacts on GST and fuel excise collections. These additional costs have not been quantified.

Vertical and horizontal inequity concerns about the ECD are prominent. As it operates through the tax system, the ECD provides greater benefits for car buyers on higher incomes who pay a higher marginal tax rate ('vertical inequity'). Concerns about vertical equity also arise because the policy goal is greater uptake of new EVs, and new cars are more expensive than second-hand cars. However, the ECD has become more accessible as EV prices have fallen, and the second-hand EV market has grown.

Distributional data from stakeholders indicated high take-up of the ECD in suburban and outer-suburban areas. Residents of these areas will typically have greater commuting distances and correspondingly higher fuel savings. Where they are not in higher income brackets, they will benefit from higher marginal value of fuel and FBT savings relative to total income. These factors indicate the ECD may also have an effect outside of the highest income brackets. The ECD is also only available to private EV buyers who can access salary packaging arrangements ('horizontal inequity'). This excludes business owners, sole traders and employees of organisations who do not offer salary packaging.

While the ECD appears to have successfully encouraged EV uptake, the changing context in which it operates means, over time, alternative policy approaches may be more fiscally efficient and equitable. The BEV market is in the process of transition along the technology adoption 'S-curve', from the 'slow start' phase to the 'rapid growth' phase. Several factors, including declining prices of BEVs globally, the New Vehicle Efficiency Standard, and greater awareness of fuel cost savings (made more prominent by the conflict in the Middle East) are already leading to increasing consumer interest in purchasing an EV. This is likely to lead to a further decline in BEV prices and increases in BEV purchases in Australia, even in the absence of the ECD (that is, the ECD will likely have declining 'additionality'). Benefits arising from the additional EVs purchased due to the ECD, as distinct from the EVs which consumers would ordinarily purchase, will decline as the ECD is less necessary to stimulate EV uptake. Nonetheless, the Government will continue to incur an increasing revenue cost from the ECD.

As the benefits decline and the costs grow, it is recommended that the Government consider changes to better manage the costs of the ECD. These changes could include amending eligibility thresholds, improving the equity of the ECD, and phasing down the ECD at a pace that considers the potential impacts for EV uptake. As outlined in this report, there are opportunities to better calibrate the policy incentives for EV uptake to reflect the state of the market as it changes and to address horizontal and vertical equity issues. This should be done in a way that provides the market with a clear and graduated pathway to minimise the risk of shocks as have been experienced in some other countries following rapid withdrawal of incentives. There would be benefit to moving to predictable and stable policy settings in the longer term.

There may be merit in retaining the import tariff exemption (that is, EVs with a customs value below the fuel-efficient luxury car tax threshold) to preserve a level playing field for EV manufacturers from different countries. This would ensure consumers have the widest possible choice of EVs, with a range of models and price points.

The Review was also asked to consider which types of vehicles should attract the ECD. It is considered unnecessary to reinstate PHEV eligibility for the ECD because PHEV sales have continued to grow, and PHEVs do not face the same non-cost barriers as BEVs. Vehicle-to-grid (V2G) capability has considerable potential benefits for consumers, government and the efficiency and affordability of the electricity grid. However, at this stage, there is conflicting information around which EVs are capable of safe and effective V2G operation, and the market is not yet ready for V2G operation at scale. Nonetheless, there are benefits in sending a clear signal to the market about the intended integration of this functionality to incentivise manufacturers to accelerate testing, warranty processes and other innovations so that V2G can be quickly and smoothly adopted at scale in coming years. The Government is examining required installation safety protocols and the potential for a clear, consistent method (endorsed by automakers) to classify V2G capability, to support market readiness for adoption at scale.

1. Introduction

About this Review

In December 2025, the Australian Government announced a review of the Electric Car Discount (ECD). The Review was undertaken by the Australian Centre for Evaluation in the Treasury, and the Department of Climate Change, Energy, the Environment and Water (DCCEEW). The Review's terms of reference asked it to consider:

- the effectiveness of the ECD in encouraging the uptake of EVs
- whether the ECD should continue, and, if so, what types of vehicles should attract the ECD.[1]

The Review was also asked to take into account:

- the role of the ECD in supporting early adoption of EVs
- changes in the electric car market, including price, choice and availability of new and second-hand EVs
- changes in EV charging infrastructure and support services
- the cost of the ECD in achieving its objectives, and
- consumer acceptance of EVs.

The Review was informed by the 107 written submissions it received, 4 roundtable discussions with stakeholders, data analysis and a review of relevant literature.

This report has 3 broad parts.

- Context and overview of recent trends and developments, covering: the broader EV policy landscape (section 2), stakeholders' views (section 3), developments in the EV market (section 4) and technology adoption and consumer acceptance (section 5).
- An assessment of the ECD's effectiveness over the past 3 years, considering: its impact on EV sales (section 6), its benefits (section 7), its costs (section 8), and equity considerations (section 9).
- Consideration of the ECD's future, addressing whether the ECD should continue (section 10) and, if it does continue, what vehicles it should apply to (section 11).

About the ECD

The ECD comprises exemptions for eligible zero or low emission vehicles from Fringe Benefits Tax (FBT) and from import tariffs. The immediate goal of the ECD was to reduce the costs of EVs and thereby increase EV uptake. The underlying goals were to reduce transport-related carbon emissions and reduce fuel use across the light vehicle fleet. An emerging Government priority, supported by the ECD, and heightened by the conflict in the Middle East, has also been how these reductions in fuel use support broader efforts to improve Australia's fuel security.

1 Terms of reference – Statutory review of the electric car discount | Treasury.gov.au

Vehicle terminology

'Zero or low emissions vehicles' refer to:

- battery electric vehicles (BEVs)
- plug-in hybrid electric vehicles (PHEVs)
- hydrogen fuel cell electric vehicles (FCEVs).

In this Review, 'electric vehicle' (EV) is used to refer to these 3 vehicle types only. However, PHEVs ceased to be eligible for the FBT exemption from 1 April 2025, and FCEVs currently have a negligible presence in the passenger vehicle market. Consequently, where the discussion only relates to BEVs, this is specified.

Hybrid electric vehicles (HEVs) and mild-hybrid electric vehicles (MHEV) are 2 additional vehicle categories that use an electric motor and battery, complementary to an internal-combustion engine (ICE). Neither vehicle type is included in the ECD's definition of 'zero or low emission vehicles' and so neither are included in the term 'electric vehicle' for the purpose of this Review.

The ECD provides an exemption from FBT on car fringe benefits which broadly apply where an employer-provided car is made available for an employee's private use. For FBT, a 'car' is a motor vehicle designed to carry a load of less than 1 tonne and fewer than 9 passengers. Most sedans, wagons, small and medium SUVs and many light commercial vehicles including utes and vans are 'cars'. However, some larger SUVs, utes and vans will not be cars for FBT purposes.[2]

VFACTS, which is the main source of data on car sales in Australia collated by the Federal Chamber of Automotive Industries (FCAI), uses its own definitions for different car categories.[3] These definitions do not always align with definitions used in tax law. Data for the following vehicle types are used in this report:

- Passenger vehicles: vehicles with up to 9 seating positions, including that of the driver
- Sports Utility Vehicles (SUVs): vehicles that generally have a wagon body style and elevated ride height
- Light Commercial Vehicles (LCVs): a vehicle constructed primarily for the carriage of goods with a 'Gross Vehicle Mass' not exceeding 3.5 tonnes.

FBT exemption

The legislation enacting the FBT exemption passed both houses of Parliament on 28 November 2022 and commenced on 1 January 2023. However, the FBT exemption applied retrospectively to fringe benefits provided on or after 1 July 2022.

The FBT exemption applies where the car is provided by an employer for the private use of an employee. This includes salary sacrifice arrangements for an employee but can also include fleet

2 There are some differences in vehicle definitions for the FBT and import tariffs but they are sufficiently minor that they are not discussed in this report.

3 See FCAI (undated) VFACTS Motor Vehicle Segmentation Criteria and FCAI 2023, 2022 EV Report, p 3

vehicles that are made available for an employee's private use. To be eligible for the ECD, EVs must be below the luxury car tax (LCT) threshold for fuel-efficient vehicles. For the 2025–26 financial year, this was $91,387.[4] In addition, the FBT exemption only applies to a car that is both held and used for the first time on or after 1 July 2022.[5] A second-hand electric car may qualify for the exemption, provided that the car was first used on or after 1 July 2022.[6] PHEVs ceased to be eligible for the ECD FBT exemption for new arrangements entered into from 1 April 2025.

Import tariff exemption

Much of this Review focuses on the impact of the FBT exemption because import tariff exemptions only play a relatively minor role. The import tariff exemption applies to EVs with a customs value below the fuel-efficient LCT threshold.[7] Most EV imports into Australia (over 90% in 2025) were covered by a free trade agreement and most of the remainder were only subject to a tariff rate of 5%. Further detail is available in Appendix A5.

The zero-tariff rate applied from 1 July 2022, coinciding with the retrospective application of the FBT exemption. EVs that are not eligible for the exemption are subject to tariff rates as applicable to the country of manufacture. Eligible PHEVs continue to have zero tariff rates under the ECD even after they ceased to be eligible for the FBT exemption.

In late March 2026, Australia and the European Union (EU) concluded negotiations on a new free trade agreement. This agreement will have implications for tariffs applied to EVs produced in the EU. Australia has also agreed to create a new zero-emission vehicle LCT threshold of $120,000 from 1 July 2027. However, the Review did not attempt to take account of these changes when making its assessment about whether the ECD should continue.

4 The thresholds in 2022-23 and 2023-24 were $84,916 and $89,332, respectively.

5 For further details on eligibility, refer to the Explanatory Memorandum and guidance from the Australian Taxation Office: Treasury Laws Amendment (Electric Car Discount) Bill 2022 – Parliament of Australia; and Electric cars exemption | Australian Taxation Office

6 ParlInfo - Treasury Laws Amendment (Electric Car Discount) Bill 2022 p 12

7 The customs value (or transaction value) is the price actually paid or payable for the goods when sold for export to the country of importation, provided that certain conditions are met: Trade system, valuation and time of recording | Australian Bureau of Statistics

2. The EV policy landscape

In recent years, the Commonwealth, State and Territory governments introduced various policies affecting the EV market and the supporting infrastructure for EVs.[8] Many submissions argued that it is important to consider these measures to understand the impact of the ECD and its potential future role.[9]

Commonwealth policies and National Electric Vehicle Strategy

The National Electric Vehicle Strategy, released in 2023, sets out 3 key objectives (NEVS 2023, page 5):

- to increase the supply of affordable and accessible EVs – through the New Vehicle Efficiency Standard (NVES)
- encourage increased EV demand – through the ECD and discounted financing for EVs
- establish the resources, systems and infrastructure to enable rapid EV uptake – such as the Driving the Nation Fund, the Green Vehicle Guide and a national mapping tool for EV charging infrastructure.

Table 1: Other current Commonwealth initiatives encouraging EV uptake

Policies, by type	2021	2022	2023	2024	2025
Driving the Nation fund (EV charging network)	N	N	Y	Y	Y
CEFC partnerships (CBA, Splend, Firstmac)	N	Y	Y	Y	Y
New Vehicle Efficiency Standard	N	N	N	N	Y

Note: Start and end dates are approximations: a cell is shaded and marked with a 'Y' if the policy was in effect at some point in that calendar year, otherwise a cell is marked with an 'N'.

The New Vehicle Efficiency Standard (NVES)

The NVES requires car makers to meet emissions limits (in gCO2-e per km) that tighten each year, from 1 July 2025. By 2029, NVES headline emissions limits will reduce by 59% for passenger cars and SUVs and 48% for light commercial vehicles and some heavy duty 4-wheel drive vehicles. The NVES will see Australia catch up with other major markets (like the EU, Japan, Korea or China) by 2029.

Initial NVES reporting results showed that on aggregate, vehicle suppliers largely met 2025 NVES requirements by selling more efficient ICE vehicles and (non-plug-in) hybrid electric vehicles.[10] Similarly, international evidence indicates that fuel efficiency standards ensure EV supply but do not necessarily catalyse BEV sales. For example, in 2024, despite robust efficiency standards, 14 EU countries and Japan had lower passenger BEV sales shares than Australia's share (7.7%).[11] (The overall European average (21%) was, however, higher than Australia.)

8 The Review follows the practice of most submissions in contrasting 'demand-side' and 'supply-side' initiatives. In practice, both sets of policies will eventually impact supply and demand across the whole market.

9 For example, Victorian Department of Transport and Planning p 1, Federal Chamber of Automotive Industries p 4, Australian Finance Industry Association p 7, Motor Trades Association Group p 5, Royal Automobile Club of Victoria p 8, Royal Automobile Club of WA pp 3-4

10 DCCEEW analysis of 2025 NVES performance period results | New Vehicle Efficiency Standard Regulator

11 DCCEEW analysis of data from the European Environment Agency (New registrations of electric cars in Europe) and the IEA Global EV Data Explorer 2025 (Global EV Data Explorer – Data Tools).

Discounted financing for EVs

Alongside the ECD, discounted financing for EV purchases through the Clean Energy Finance Corporation (CEFC) partnerships with finance suppliers helps to encourage EV demand. The CEFC has helped finance more than 14,000 EVs and has committed $150 million to support EV uptake among essential workers and Australians on lower incomes. The CEFC financing provides an overall reduction in interest payments of around $1,900 over a 5-year loan for an average EV.

Enablers of EV uptake

The Commonwealth Government contributes to the enablers of EV uptake through:

- the $500 million Driving the Nation Fund, which includes the National EV Charging Network and a $40 million commitment to accelerate the rollout of EV kerbside and fast charging infrastructure
- the Green Vehicle Guide and EV.gov.au
- a national mapping tool for EV charging infrastructure.

State and Territory EV policies

States and Territories also offered various subsidies or rebates for low emission vehicles at different points over the life of the ECD (see Table 2). Alongside these direct incentives, States and Territories also adopted other initiatives, including supports for public charging infrastructure, additional incentives for business fleets and targets relating to their own government fleets. A more complete summary is available in the National Electric Vehicle Strategy.[12]

Table 2: State and Territory subsidies and exemptions for EV uptake

Market policies, by type and level of government	2021	2022	2023	2024	2025
ACT free registration	Y	Y	Y	Y	N
ACT discounted registration	N	N	N	Y	Y
SA registration fee exemption	Y	Y	Y	Y	Y
SA electric vehicle subsidy	Y	Y	Y	N	N
NSW rebate and stamp duty exemption	Y	Y	Y	N	N
VIC zero-emissions vehicle subsidy	Y	Y	Y	N	N
WA zero-emission vehicle rebate scheme	N	Y	Y	Y	Y
NT waive registration and stamp duty	N	Y	Y	Y	Y
QLD zero-emission vehicle rebate scheme	N	Y	Y	Y	N
TAS electric vehicle rebate	N	N	Y	Y	N

Note: This is not an exhaustive list of policies affecting EV uptake. A more complete summary is available in the National Electric Vehicle Strategy Update 2025 (DCCEEW 2025, Appendix B). Start and end dates are approximations: a cell is shaded and marked with a 'Y' if the policy was in effect at some point in that calendar year, otherwise a cell is marked with an 'N'.

12 The National Electric Vehicle Strategy - DCCEEW pp 38-44

3. Written submissions and consultations

The Review received 107 written submissions (56 from organisations and 51 from individuals). Submissions were made by peak bodies, energy providers, car manufacturers, salary packaging and leasing companies, community or not-for-profit organisations, car consumers, academics and think tanks. The Review held 4 stakeholder roundtable discussions.

The majority of the submissions supported the continuation of the ECD. The main themes identified from the written submissions and roundtables are summarised below.

1. *ECD's impact on EV uptake*: Most submissions argued that the policy has accelerated EV uptake, expanded model availability, and shifted EVs from a niche to a mainstream option.
2. *Affordability*: Submissions repeatedly described the ECD as closing the upfront price gap between EVs and Internal Combustion Engine (ICE) vehicles.
3. *Second-hand EV market*: The policy was widely framed as seeding a future second-hand EV market through novated leasing and fleet turnover. Growth in the second-hand market was seen as vital for mass EV adoption, and to make EVs more widely accessible and affordable.
4. *Equity*: Several submissions argued the ECD is regressive and that it is unavailable to those who do not have access to salary packaging. By contrast, other submissions argued that EV uptake in outer suburban areas indicated that it was not confined to high-income earners.
5. *ECD's benefits and costs*: Many submissions framed the ECD as contributing to emissions reduction and broader public benefits. Several drew attention to the growth in the fiscal cost of the ECD and argued that there were less costly alternatives to stimulate EV uptake, while others suggested the fiscal costs should be assessed against the ECD's wider benefits.
6. *Charging infrastructure*: Many submissions argued that the ECD helped stimulate the virtuous cycle between EV uptake and charging infrastructure investment, but that charging infrastructure gaps remain an important barrier, particularly in regional and remote areas.
7. *Policy certainty and the ECD's end point*: Many submissions argued that abrupt or poorly signalled withdrawal of the ECD would risk a sharp decline in EV uptake and undermine consumer confidence and private investment. There were various suggestions for the ECD's end point such as a market-share milestone, achievement of price parity, or a fixed date.
8. *Future directions*: Some submissions argued that the market is still not sufficiently mature to sustain growth without further support. Others queried novated leasing as the delivery mechanism, which was criticised for partial leakage of benefits to intermediaries and limited competition.
9. *Plug-in hybrid electric vehicles (PHEVs)*: Submissions were divided on whether ECD eligibility should be extended to PHEVs again. This reflected differing views on charging infrastructure readiness, the emissions performance of PHEVs and the practicality of BEVs in regional areas.
10. *Interaction with the broader policy framework*: Several submissions argued that the ECD should not operate in isolation, and highlighted links with related policies, notably the New Vehicle Efficiency Standards, grid planning, renewable energy, and household electrification.

4. Developments in the EV market

Key points

- Sales of new EVs increased strongly over the past 5 years, from 2.0% of new car sales in 2021 to 13.1% in 2025.
- The EV market has become more accessible, with a wider variety of models, price points and longer-range options available.
- Australian uptake of EVs was supported by strong growth in global supplies of EVs.
- EV sales were strongest for Sport Utility Vehicles (SUVs), where the most EV models are available.
- Despite growth across the EV market, Australia's EV penetration is low by international standards.
- PHEVs ceased to be eligible for the ECD from April 2025 however PHEV sales remain well above pre ECD levels.
- The second-hand EV market is small but growing: In 2025, used EV sales comprised 1.5% of the market, up from 0.7% in 2023.
- Fleets represent around 45% of new vehicle sales however EV uptake by fleets has lagged purchases by private buyers.

Sales of new EVs increased strongly over the past 5 years: from 2.0% of new car sales in 2021 to 13.1% in 2025 (Figure 1). Over this period:

- Battery electric vehicles (BEVs) grew from 1.7% to 8.7% of new car sales.
- Plug-in hybrid electric vehicles (PHEVs) grew from 0.3% to 4.5% of new car sales.

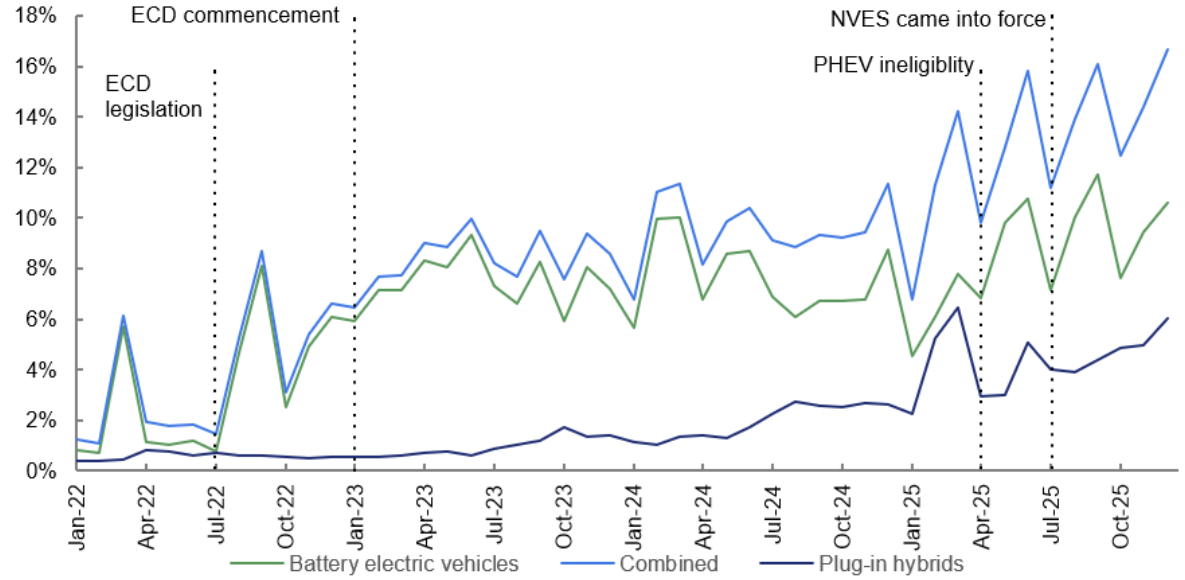
Since 2022, the EV market has become more accessible with a wider variety of models, price points and longer-range options available. The range of BEV and PHEV models available for sale almost tripled between 2021–22 and 2024–25, from 56 to 153 models.[13] The number of EV variants at different price points also increased (Figure 2). This is reflected in the number of EV models at lower price points: by January 2026, there were 59 EV models available under $60,000, including 13 EV models under $40,000.[14] As a result, sales in these price ranges have also grown. In 2021–22, less than 20% of EV sales were for models below $60,000. By 2024–25, this had grown to almost 50% of sales (Figure 3).

Australian uptake of EVs was supported by strong growth in global supplies of EVs, with a 50% increase in EV sales between 2022 and 2024 globally.[15] Over this period, the EV supply chains benefited from the easing of pandemic related disruptions and semi-conductor shortages. More

13 National Electric Vehicle Strategy - Annual Update 2024-25, p 9
14 Blue flag data, January 2026
15 Treasury analysis of IEA (2025), Global Electric Vehicle Outlook 2025

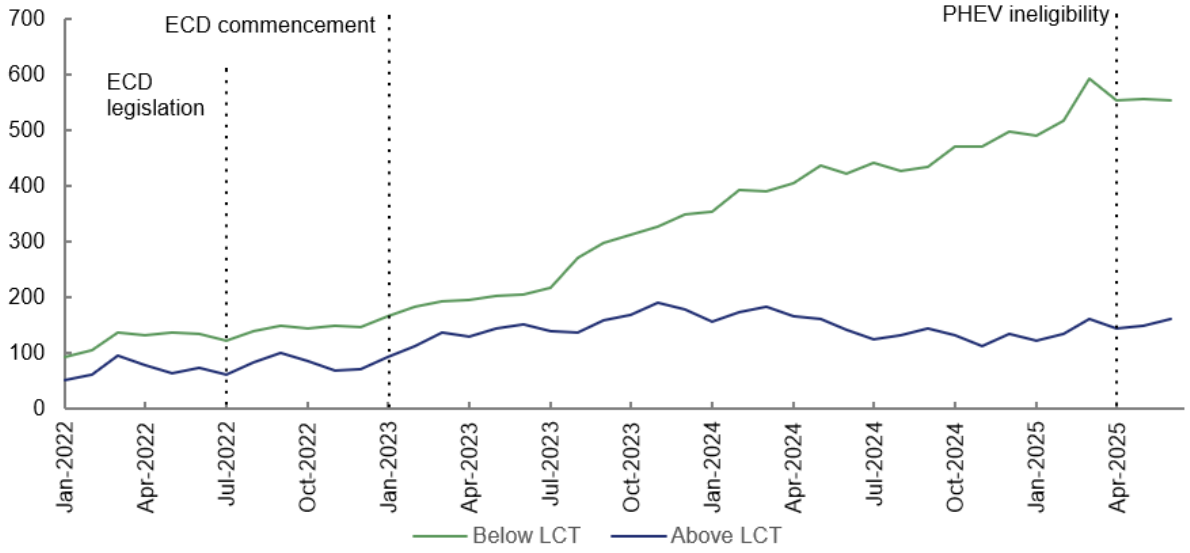
recently, the introduction of the New Vehicle Efficiency Standard (NVES) and production subsidies, most notably by China, may also have boosted BEV supply in Australia.

Figure 1: New EV sales as a proportion of new vehicle sales, 2022 to 2025



Notes: 1) The ECD commencement date is shown as the start of 2023 because this when the legislation came into effect, and hence salary packaging providers would have started to reflect the ECD in their offerings. 2) The NVES effectively started in July 2025, when the first reporting period started, and credits and penalties began to accrue. 3) The data for March 2022 reflects Tesla sales over the first 3 months of 2022.[16] 4) Xpeng sales figures were not available in the data reported to Federal Chamber of Automated Industries (FCAI) and EV Council.
Source: Treasury and DCCEEW analysis of FCAI VFACTS and EV Council monthly data, various editions.

Figure 2: Number of EVs available by price-point, above/below the LCT threshold

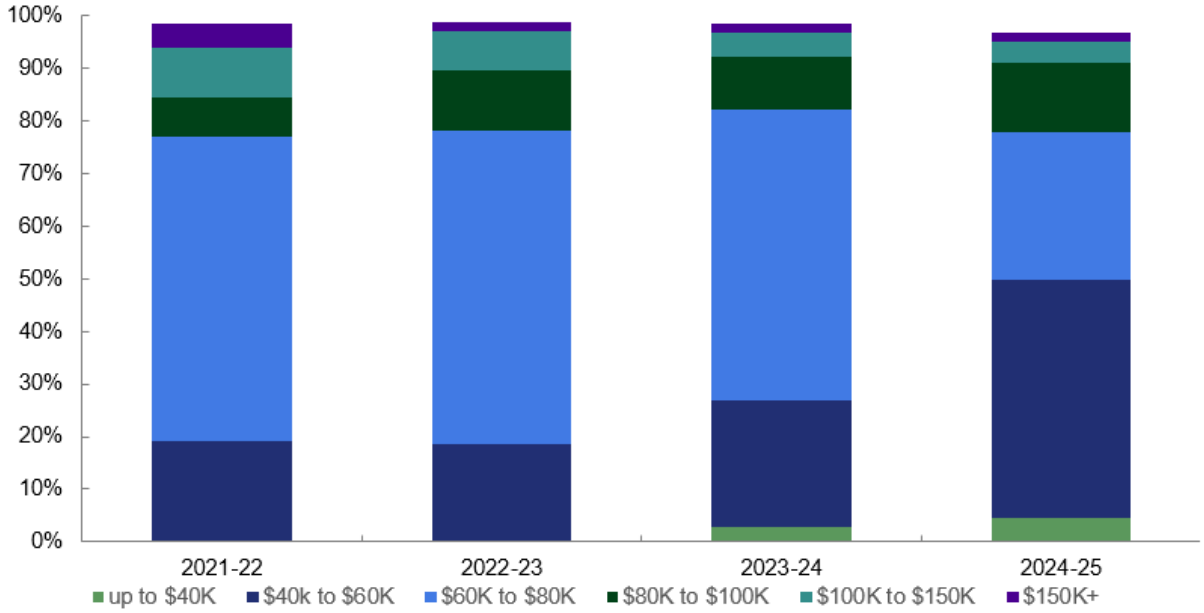


Note: The y-axis shows the total number of EV variants available by price-point. The same EV model may be available at various price points due to differences in, for example, trim levels. Consequently, the numbers shown here are greater than the number of models cited elsewhere.

16 FCAI 2022 (5 April), FCAI releases March 2022 new car sales figures

Source: Treasury and DCCEEW analysis of FCAI VFACTS and EV Council monthly data, with vehicle prices added by the Australian Taxation Office (ATO).

Figure 3: Distribution of EV sales by price, 2021 to 2025



Notes: Sum of number of sales by sales price category and year. Percentages do not total to 100% because a small proportion each year (between 1% and 4%) have no record of price.
Source: Treasury and DCCEEW analysis of FCAI VFACTS and EV Council data, with vehicle prices added by the ATO.

EV sales were strongest for Sport Utility Vehicles (SUVs), where the most EV models are available. By contrast, sales were lowest for heavy off-road SUVs or mid-sized utility vehicles (utes). There is currently limited availability of BEV models for these vehicle types globally, although this is expected to change as new technology emerges and more 4-wheel drive EVs become available.

Despite growth across the EV market, Australia's EV penetration is low by international standards. In 2024, Australia's new electric car sales, as a share of total *passenger* vehicle sales, were just over half the world average: 13% versus 22%.[17] Australia's share of new EV sales is well below Norway (92%), Denmark (56%), and the United Kingdom (28%). Australia is also behind some regional neighbours such as China (48%) and Vietnam (17%) (Figure 4). The prospects for growth in Australia's EV market are considered further in section 5.

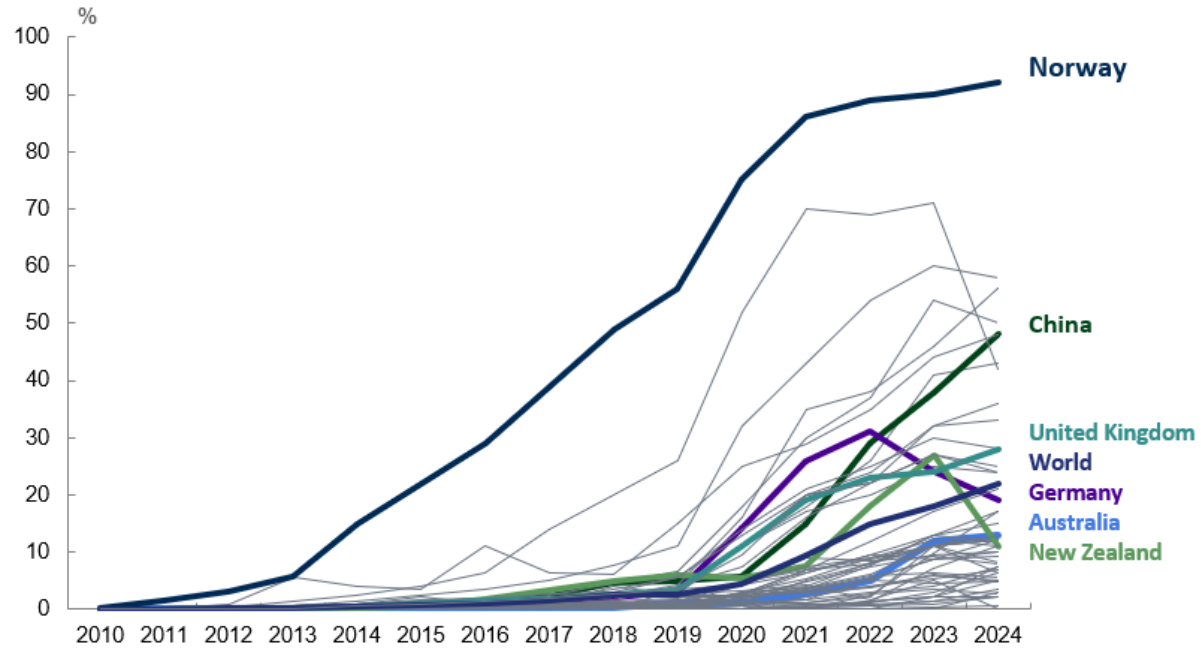
PHEVs ceased to be eligible for the ECD in April 2025, however PHEV sales remained well above pre-ECD levels. PHEV sales spiked in March, declined briefly but then continued to grow in the latter half of 2025. Sales of passenger PHEVs followed the same pattern, indicating that subsequent growth was not just due to the arrival of PHEV utes into the market in early 2025 (Figure 5).

The second-hand EV market is small but growing: In 2025, used BEV sales comprised 1.5% of the market, up from 0.7% in 2023.[18] Most people buy their car second-hand: two-thirds of car purchases in 2025 were second-hand vehicles. While the second-hand EV market does not directly contribute to emissions abatement, the total stock of EVs will grow faster if new EV buyers resell them quickly and

17 This figure is higher than shares of EV sales cited elsewhere because this is a fraction of *passenger vehicles* only (excluding buses) whereas other figures also include *light commercial vehicles*.
18 AADA/AutoGrab 2024, *2023 Automotive Insights Report*, p 12 and AADA/AutoGrab 2026, *2025 Automotive Insights Report*, p 5

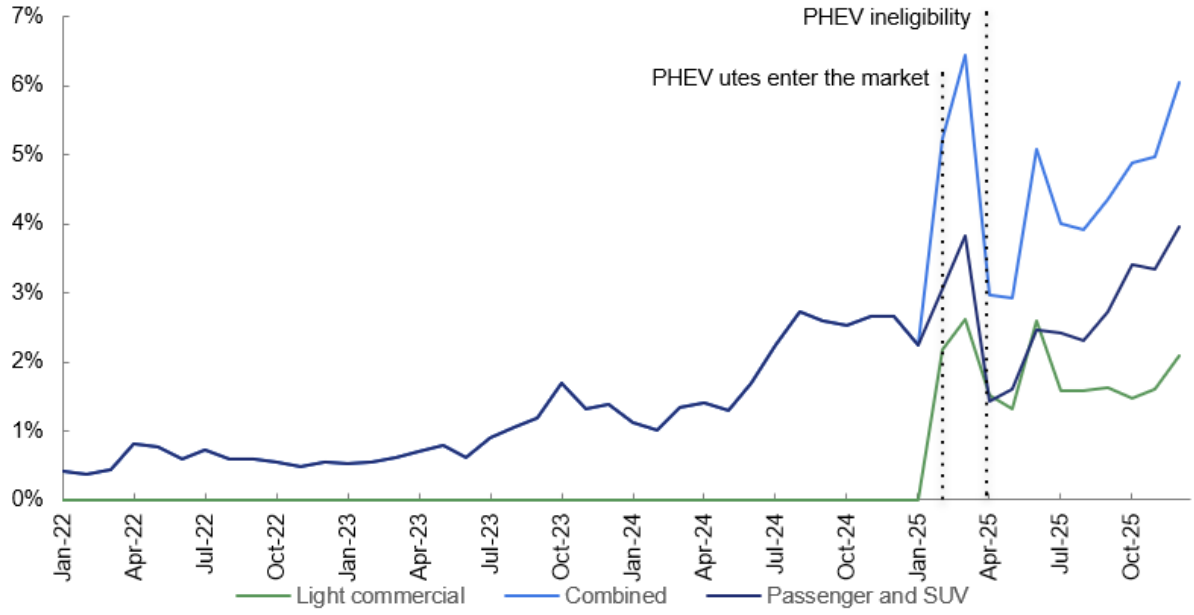
buy or lease another new EV. Novated leases are typically 3–5 years, which can lead to earlier replacement with another EV, and hence earlier entry into the second-hand market compared to the typical car ownership period of around 5–7 years.[19]

Figure 4: Trends in international EV sales from 2010 to 2024



Notes: Graph includes all IEA countries (and World).
Source: Treasury analysis of IEA 2025, Global Electric Vehicle Outlook 2025

Figure 5: PHEV sales as a proportion of vehicle sales by vehicle segment, 2021 to 2025



Source: Treasury and DCCEEW analysis of FCAI VFACTS and EV Council monthly data, various editions.

19 Which Car 2020 (September), *How to minimise car depreciation*; NALSPA p 16

Fleets represented around 45% of vehicle sales in 2025 however EV uptake by fleets has lagged purchases by private buyers.[20] In 2024, EV purchases were estimated to represent less than 5% of fleet sales, compared to 9.6% of total sales in that year.[21] Various organisations maintain vehicle fleets, including business, government and rentals. Excluding government sales, 2025 fleet sales were dominated by SUVs (53%) and utes and other light commercial vehicles (35%) across all fuel types.[22] Many fleet operators appear to be evaluating 'local support, parts supply, and service networks before making [BEV] procurement decisions'.[23] (The specific challenges with electrifying business fleets are discussed in Section 5).

20 Review estimate using VFACTS data (December 2025). This is an indicative estimate of the fleet market share since Telstra and Polestar are excluded from the available data. Dr Anna Mortimore (p 4) reported a similar proportion for 2023.

21 'less than 5%': OC&C Strategy Consultants 2025, Electrifying Australia's Fleets: Closing the Say-Do Gap p 8. In 2023, EV purchases were around 1.7% fleet vehicle purchases, Dr Anna Mortimore pp 4-5. EV sales for 2024 are from VFACTS December 2024, and EV Council Monthly EV sales data (various editions).

22 From sales by buyer type in *VFACTS*, December 2025

23 Fleet EV News 2026 (5 April), 'Geely EX2 Set for Australian Debut as Brand Expands Local Line-up'

5. Technology adoption and consumer acceptance

Key points:

- As a new technology, the uptake of electric vehicles can be analysed using the technology adoption 'S curve' and the 'diffusion of innovations' model.
- The EV market is in the process of making the transition from 'early adopters' to 'early majority' consumers.
- While the Government has not set a target for future EV sales, the Climate Change Authority (CCA) states that 'around half of all light vehicles sold between now and 2035 would need to be [battery] EVs' to achieve the Government's 2035 emissions reduction target.
- There is not a specific point at which growth in the EV sales share becomes self-sustaining. Rather, rapid sales growth tends to be accompanied by changes that overcome the barriers to EV adoption.
- Concerns about EV costs are declining but remain a key barrier as the market moves towards mainstream, price-sensitive buyers. However, EV prices are likely to continue to fall, relative to ICE vehicles.
- There has been strong growth in public charging infrastructure. As a result, concerns about charging infrastructure remain material, but are declining.
- 'Range anxiety' has moderated somewhat, likely due to increased availability of public chargers and increases in the average range of BEVs.
- Currently there are limited options for drivers wanting to buy an EV ute, but this is likely to improve as global automakers introduce new models.
- There is mixed evidence about purchase intentions. Recent surveys suggest between 20% and 43% of potential car buyers would consider or planned to buy an EV as their next car. However, this evidence predates fuel price volatility arising from the 2026 conflict in the Middle East.
- Vehicle fleets face similar barriers to electrification however non price factors (such as a lack of suitable models, and concerns about range and charging) are more significant.
- The ECD has less scope to influence fleet decisions because FBT is not intended to tax work use, and it does not directly address non-price barriers.

A market in transition

The S-curve describes how the number of users of a new technology grow over time, from a slow start to rapid growth to saturation. The rapid growth phase coincides with greater product reliability and

more competitive pricing stemming from improvements in technology, economies of scale and falling production costs.

The 'diffusion of innovations' model classifies different groups of technology consumers as at each stage of the S-curve: innovators and early adopters (during the 'slow start' phase), early majority and late majority (during the 'rapid growth' phase), and laggards (as the technology approaches saturation).

A common challenge for technology adoption is to make the transition to the 'rapid growth' phase by meeting the needs of a different group of consumers. While 'early adopters' will often be willing to buy an innovative but less refined product, the 'early majority' is more likely to want a product that is reliable, price competitive, and well supported (for example, through charging infrastructure and parts and servicing).

The EV market is in the process of making the transition from 'early adopters' to 'early majority' consumers. A recent report by the Behavioural Economics Team of the Australian Government (BETA) concluded that:

> While early adopters are still more likely than other consumers to consider or purchase a BEV, sales are no longer dominated by new technology enthusiasts. Most consumers who bought a BEV in the last 12 months were people who could be considered 'early majority' consumers.[24]

In a similar vein, several submissions argued that EV consumers were somewhere between 'early adopters' and the 'early majority' and argued that government intervention in some form was still warranted until EVs were more widely adopted.[25] Some submissions discussed additional changes that individuals make alongside the purchase of their first EV, including new investments in home charging and rooftop solar.[26]

While the Government has not set a target for future EV sales, the Climate Change Authority (CCA) states that 'around half of all light vehicles sold between now and 2035 would need to be [battery] EVs' to achieve the Government's 2035 target of a 62% to 70% reduction in emissions on 2005 levels.[27] Numerous stakeholders referred to this statement from the CCA and argued that Australia was not yet on track to achieve such a goal.[28] However, looking out to 2050, the Productivity Commission argued that:

> Modelling by Net Zero Australia indicates that if NVES limits continue to decline to [zero grams of CO_2 per kilometre] by 2050 (which is much slower than the current decline rate), the NVES will reduce emissions from light vehicles at a rate close to a least cost net zero by 2050 pathway.[29]

Fundamentally, this depends on the barriers to EV adoption and the point at which growth in EV sales becomes self-sustaining.

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24 BETA 2026, 'Driving the charge: Exploring electric vehicle uptake and vehicle purchase decision making among mainstream Australian consumers' p 40

25 NALSPA p 12, AGL p 4, Royal Automobile Club of Victoria p 4

26 Smart Energy Council p 2, Anonymous Submission #7

27 2035 Emissions Reduction Targets Report | Climate Change Authority p 8

28 Origin Energy p 1, Climate Council of Australia p 4, Climate Council of Australia p 1

29 Productivity Commission p 3

Barriers to EV adoption

There is not a specific point at which growth in the EV sales share becomes self-sustaining. Rather, rapid sales growth tends to be accompanied by changes that overcome the barriers to EV adoption:

- The price premium for the upfront costs of EVs
- Access to charging infrastructure (at home or elsewhere)
- 'Range anxiety', the fear that batteries have insufficient range or there are insufficient charging stations available
- Limited availability of EVs in some vehicle segments, such as utes.

While potential buyers continue to have concerns about each of these barriers, these concerns have diminished in recent years. This is consistent with results from an annual survey of potential buyers undertaken by the Australian Automotive Dealers Association (AADA), which found that 15% of respondents in 2025 worried that EVs 'aren't suited to my driving needs', down from 23% in 2022.[30]

Price premium

The median BEV price fell by 22% over the 3 years between 2021–22 and 2024–25 and so the upfront price premium for BEVs, relative to internal combustion engine (ICE) vehicles, has also fallen. The median 'sticker price' of a new BEV bought in 2024–25 was around $59,000, compared to a median price of $47,000 for new vehicles of all fuel types.[31] The difference in the total cost of ownership is smaller, as BEVs have ongoing net fuel and maintenance cost savings of around $1,300 a year on average.[32]

Concerns about EV costs are declining but remain a key barrier. The number of potential car buyers citing cost as a key barrier to buying an EV fell from 62% in 2022 to 53% in 2025.[33] However, as the market moves towards mainstream buyers, price sensitivity may become a more important consideration, relative to other motivations for EV purchases such as environmental concerns or attraction to a new technology. For example, in 2025, the AADA found drivers were only willing to pay a 2–8% premium for an EV.[34] By comparison, Australian sales of non-plug-in hybrid vehicles (which do not face the same non-cost barriers as BEVs) grew rapidly when the price premium, relative to ICE vehicles, dropped to around $2,500.[35] This enabled buyers to recover the premium from fuel savings within 2–3 years.[36]

EV prices are likely to continue to fall, relative to ICE vehicles. BEV technology is likely to continue to improve, and international BEV market growth will drive further economies of scale. In addition, the New Vehicle Efficiency Standard (NVES) will encourage the supply of more fuel-efficient vehicles,

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30 AADA 2025, EV & Hybrid Vehicle Wave 4 Insights Report p 30 and AADA 2022, EV & Hybrid Vehicle Insights Report - AADA p 30

31 DCCEEW and Treasury analysis of FCAI VFACTS and EV Council data, with prices added by the ATO. The dataset includes BEVs, PHEVs, non-plug-in hybrids and ICE vehicles.

32 DCCEEW and Treasury analysis for the Review, based on a market average BEV and ICE vehicle that travels 13,360km per year.

33 AADA 2025 p 30 and AADA 2022 p 30

34 AADA 2025 p 31

35 VFACTS 2020

36 DCCEEW and Treasury analysis comparing a 2021 Toyota RAV4 GX manual ICE with a 2021 hybrid GX Rav4, using data from the government's Green Vehicle Guide. Green Vehicle Guide Home

including BEVs. Finally, the recent conflict in the Middle East has made fuel costs—and the total cost of vehicle ownership—far more salient for consumers.

Charging infrastructure

There has been strong growth in public charging infrastructure in the past 3 years: the number of DC fast chargers more than tripled (from 1,272 to 4,095 chargers) between 2021–22 and 2024–25, while the number of public AC (lower capacity) chargers more than doubled (from 2,458 to 5,735 chargers).[37] Access to charging infrastructure (at home or elsewhere) has expanded to provide a backbone along most major highways. Charging networks have also expanded to cover key regional areas. Despite this, Australia's public charging infrastructure is still low by international standards, with one charging point for every 45 EVs in 2024, compared with a global average of one per 11 EVs.[38]

Government support played a significant role in catalysing early investment in charging infrastructure. In 2022, the Government committed $39.8 million over 5 years to establish a National Electric Vehicle Charging Network. This was subsequently complemented by a further $60 million to support installation of EV chargers at dealerships and EV repairers and $40 million for kerbside charging under the Net Zero Plan. State and local governments have also provided support. With increased numbers of EVs on the road, private charging companies including energy providers and service stations are playing an increasing role, supported by government co-funding. However, ongoing investment in public charging infrastructure will be needed to support future BEV uptake.

Concerns about charging infrastructure remain material but are declining. An AADA survey found that 'lack of charging stations/infrastructure' was cited as barrier by 43% of respondents in 2025, down from 55% in 2022.[39] Nonetheless, concerns remain, especially for those without the ability to install home charging (renters, those living in apartments or those without off-street parking). Many submissions mentioned that charging infrastructure remains limited and is unevenly distributed in some states, especially in regional areas.[40] Similarly, a recent survey concluded:

> Charging concerns were particularly resonant, with around 2 out of 3 people holding at least one concern about difficulty charging at home, availability of public charging infrastructure, or vehicle charging time.[41]

Many submissions pointed to a virtuous cycle between EV uptake and investment in charging infrastructure.[42] This is discussed further in Section 7.

Range anxiety

'Range anxiety' refers to the fear that batteries will have insufficient range (immediately or in the future as batteries age) or that there will be insufficient charging stations available for intended journeys.

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37 DCCEEW and Treasury analysis of mapping tool database: EVEnergi DCCEEW National EV Infrastructure Mapping Tool (2026). https://evciroadmap.evenergi.com/

38 IEA Global Electric Vehicle Outlook 2025, p 103

39 AADA 2025 p 30 and AADA 2022 p 30

40 Christian Thomas, AANT Salary Packaging p 4, Mitsubishi pp 5-6, Australian Finance Industry Association p 5

41 BETA 2026 p 26

42 Motor Trades Association Group p 6, Tesla Owners Club of Australia p 5, UTS Institute for Sustainable Futures p 2

'Range anxiety' has moderated somewhat, from 41% of responding potential buyers in 2022 to 36% in 2025.[43] This is likely due to increased availability of public chargers and increases in the average range of BEVs. There are ongoing trade-offs between BEV range and price, with the cheapest BEVs on the market offering a lower-than-average range.

Availability of electric utility vehicles (utes)

Currently there are limited options for drivers wanting to buy an EV ute, but this is likely to improve as changing as global automakers introduce new models. Several PHEV ute models are now available, and several automakers have announced plans to launch mid-sized BEV ute models in the Australian market in 2026 or 2027.[44]

EV purchase intentions

There is mixed evidence about purchase intentions among potential car buyers, although this evidence predates fuel-price volatility arising from the conflict in the Middle East that commenced in 2026, and may not be reflective of the current level of interest in EVs. Recent surveys prior to these events suggest between 20% and 43% of drivers would consider or planned to buy an EV as their next car.[45]

- BETA's 2025 survey of people who had recently purchased a car or were planning on doing so found that 43% considered or were considering an EV—either BEV or PHEV. This is consistent with several surveys conducted by the AADA, which found that the fraction of drivers who planned to purchase an EV as their next vehicle has been stable at 37-39% between 2022 and 2025.
- By contrast, NRMA's 2024 survey found that 20% of those intending to purchase a car in the next 5 years said they will consider a battery EV for their next vehicle. And Youi's 2025 survey found that 22% of drivers said they were likely to consider an EV as their next car.

Vehicle fleets

The ECD FBT exemption also includes eligible fleet vehicles that are made available for employee's private use. As noted in Section 4, vehicle fleets represent around 45% of new vehicle sales however, EV uptake by fleets has lagged purchases by private buyers.

Vehicle fleets face similar barriers to electrification however non-price factors are more significant. Fleet sales are dominated by SUVs and utes, so electrification is constrained by a lack of suitable models in some of those vehicle segments. Concerns about range and charging infrastructure (whether at the depot, *en route* using public chargers, or at home) are also significant.[46] The ECD does not directly address these non-price barriers.

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43 AADA 2025 p 30 and AADA 2022 p 30

44 Cars Guide 2026 (31 March), The utes to beat fuel prices: Diesel's skyrocketing cost and emissions regulations putting the squeeze on 2026 Ford Ranger and Toyota HiLux diesel utes, with BYD Shark 6 PHEV, KGM Musso EV and MU U9 EV threatening to take over

45 43%: BETA 2026 p 42. 37-39%: AADA 2022, 2023, 2024 and 2025 pp 25-26. 20%: NRMA 2024, Changing Gears: The road ahead for Electric Vehicle adoption in Australia pp 9-10. 22%: Youi 2025 The Road to Electric: Australia's EV Attitudes in 2025.

46 OC&C Strategy Consultants 2025 pp 15-16, 20.

The ECD has less scope to influence vehicle fleet decisions than private decisions because FBT is not intended to tax work use, and it does not directly address non-price barriers. FBT does not apply to fleet vehicles that are not made available for private use. Furthermore, even where fleet vehicles are made available for private use, FBT does not apply to vehicles that meet the work-use requirements, and in other cases FBT could be minimal where there is a high proportion of work use. For such cases, the ECD FBT exemption may not provide an incentive to shift to EVs. Dr Anna Mortimore argued that the FBT exemption 'may not be an incentive to transition fleet employees to BEVs' and added:

> [Low rates of EV purchases by fleet operators] suggests the ECD is being used primarily by employees who can acquire an EV through novated salary packaging arrangements, rather than for employer-owned, home-garaged work fleets that would otherwise be subject to FBT.[47]

47 Dr Anna Mortimore pp 5-7

6. Impact of the ECD on new EV sales

Key points

- Most stakeholders argued that the ECD had been effective in increasing the uptake of EVs by lowering the effective cost of an EV purchase. The ECD is also likely to have contributed to decisions by car manufacturers to bring a wider range of EV models to the Australian market.
- There are several features of the ECD, however, that limit its impact. Some car buyers do not have access to salary packaging and, of those who do, only a minority are aware of the ECD. Furthermore, part of the benefit of the FBT exemption is captured by salary packaging providers. Finally, the ECD has less scope to influence fleet purchase decisions because FBT only applies to fleet vehicles that are made available for private use.
- Over the ECD's first 3 years to December 2025, car buyers purchased 330,000 EVs. Of these, an estimated 133,000 EVs were acquired under leases benefiting from the FBT exemption, although some of these purchases would have occurred regardless of the ECD.
- The ECD is estimated to have resulted in around 64,000 additional battery EV sales and around 78,000 EVs (including PHEVs) over its first 3 years, equivalent to 24% of EV sales.
- As an upper bound, it is estimated that the ECD resulted in at most 98,000 EVs (or 30% of EV sales), over its first 3 years.
- Internationally, evidence from the withdrawal of EV subsidies is mixed. EV sales fell in some cases, but not others, suggesting the impact of the withdrawal of subsidies is contingent on the specific context.

The ECD's role in EV market development

The ECD influences the behaviour of car buyers and car manufacturers.

Most stakeholders argued that the ECD had been effective in increasing the uptake of EVs by lowering the effective cost of an EV purchase. Many individual submissions emphasised the importance of the ECD in their decision to purchase an EV when they otherwise would not have (or they would have deferred a purchase to much later).[48] Various energy companies, leasing providers, and other industry representatives described a noticeable uptick in EV sales (often through the novated leasing channel), and this was echoed in various roundtables.[49] In arguing the effectiveness of the ECD, many stakeholders drew on a report by Magenta Advisory, which was commissioned by National Automotive Leasing and Salary Packaging Association (NALSPA), the Electric Vehicle Council and the Australian Finance Industry Association.[50] Magenta Advisory's analysis is discussed below.

48 For example, Ash Cox, Tommy Lai, Olivia Killeen, Anonymous submissions #1, #4, #7, #14

49 NOX Energy p 1, Solar Citizens p 5, Origin Energy p 5, WhipSmart p 1, AANT Salary Packaging p 1, Kooya Salary Packaging p 1

50 Magenta Advisory 2025, Building a Self-Sustaining Australian EV Market

However, **several features of the ECD limit the scale of its direct impact on private car buyers' behaviour**.

- Some car buyers could not access the FBT exemption because they do not have access to salary packaging for novated leasing. This includes sole traders, business owners, and employees in organisations that do not offer salary sacrifice arrangements. In addition, where salary packaging is offered, some employees may not have the financial capacity to take advantage of it.
- Consumers did not receive the full benefit of the FBT exemption because some of it is captured by salary packaging providers.
- As with any government initiative, the ECD will be ineffective to the extent that some car buyers are unaware of it. A recent survey of consumers considering buying a BEV found that only 28% were aware of the FBT exemption.[51]

For fleet buyers, the ECD has less scope to influence fleet purchase decisions because FBT only applies to fleet vehicles that are made available for private use. See Section 5, above, for further discussion.

The ECD is also likely to have contributed to car manufacturers' decisions to bring a wider range of EV models to the Australian market, by creating an expectation of increased demand for EVs. There was strong growth in the number of models below the fuel-efficient LCT threshold, suggesting that manufacturers adjusted their EV supply in response to the policy (see Figure 2, above). This may also reflect other changes like improvements in EV technology and other EV policies in Australia.

Estimated impact of the ECD on new EV sales

While EV sales have grown in recent years, this may be partly or largely due to the following changes that coincided with the ECD's introduction:

- Growth in the international EV market and technological innovation lowering the price of EVs
- The easing of chip-related and pandemic-related supply chain disruptions
- Expansion of charging infrastructure
- Policies by the States and Territory that sought to encourage EV uptake
- Other Commonwealth Government policies that sought to encourage EV uptake.

The estimates below attempt to determine how much of the growth in EV sales was attributable to the ECD (its 'additionality') and how much would have occurred anyway.

The Review's estimates focus on the impact of the FBT exemption on EV sales because the import tariff exemptions only played a minor role. Over 90% of EV imports into Australia were sourced from countries with an established free-trade agreement, meaning they were already tariff-free. In the absence of the ECD, most other EV imports were subject to a tariff rate of 5%. Refer to Appendix A5 for further details.

51 BETA 2026 p 34

Over the ECD's first 3 years to December 2025, car buyers purchased 330,000 EVs.[52] Of these, an estimated 133,000 EVs were acquired under leases benefiting from the FBT exemption although some of these purchases would have occurred regardless of the ECD.[53] This comprised 282,000 BEV sales (of which an estimated 109,000 BEVs used the FBT exemption) and 48,000 PHEVs through to March 2025 (of which an estimated 24,000 PHEVs used the FBT exemption).

The ECD is estimated to have resulted in around 64,000 additional battery EV sales, and around 78,000 additional EVs (including PHEVs), over its first 3 years. That is, about 24% of total EV sales were estimated to be *additional* sales due to the ECD. There is significant uncertainty around this figure, particularly for PHEVs. The estimate of the ECD's additionality for *battery* EVs used a method known as the 'difference-in-differences' design and the PHEV estimate was extrapolated from this. Details of the methods for both estimates, the rationale for the effective commencement date, and various robustness checks, are set out in Appendix A1.

As an *upper bound*, it is estimated that the ECD resulted in at most 98,000 additional EV sales, over its first 3 years. This represents 30% of all EV sales in that period. This estimate includes both BEVs (80,000) and PHEVs (18,000) and makes more optimistic assumptions about the ECD's additionality. The other drivers of EV sales growth (listed above) mean that the actual impact may be materially lower than this. See Appendix A2 for technical details.

Although the ECD was applied retrospectively from 1 July 2022, its *effective* commencement date was 28 November 2022, when the legislation passed both houses of Parliament. This is the point where employers, salary packaging providers and car buyers would have first started to change their behaviour in response to the ECD. Including EV sales prior to this is likely to inflate the ECD's estimated impact by including sales in 2022 due to other factors such as the arrival of large EV shipments, the launch of new EV models, or the increase in petrol prices following the outbreak of the war in Ukraine.[54]

The only prior evidence on the causal impact of the ECD on EV sales was produced by Magenta Advisory. They estimate that the ECD led to an additional 105,000 EV sales to the end of 2024 by extrapolating the trend from baseline.[55] This estimate is markedly larger than the Review's upper bound estimate of 98,000 extra sales *to the end of 2025*.

There are 2 possible explanations for the difference between Magenta's estimates and the Review's estimates. First, as Magenta Advisory themselves note:

> Because multiple factors ([for example], concurrent policies, GDP and wage growth, inflation, EV prices, new model launches) can influence the extrapolated baseline, these estimates should be interpreted as directional rather than precise.[56]

Most of the factors Magenta Advisory mentioned are likely to lead to an overestimation of the ECD's impact.

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52 This figure excludes PHEV sales after March 2025 however it includes other EVs that were ineligible for the ECD because they were above the fuel-efficient LCT threshold. Source: DCCEEW and Treasury analysis of FCAI VFACTS and EV Council data.

53 Estimate derived from ATO data.

54 For simplicity, the Review used 1 January 2023 as the ECD's commencement date for its main estimate and upper bound estimate however shifting this date to November or December 2022 does not materially change the results.

55 Magenta Advisory 2025 p 21

56 Magenta Advisory 2025 p 21

Second, Magenta Advisory's estimates appear to capture EV sales from 1 July 2022 onwards (although the start date in their analysis is difficult to determine from the limited methodological details provided in their report). However, as noted above, the ECD's *effective* commencement date was 28 November 2022. Including EV sales prior to this is also likely to inflate the ECD's estimated impact.

International experience with EV subsidies

Countries with high EV uptake have provided subsidies for an extended period, consistent with the conclusion that subsidies can have a material impact on EV sales. For example, Norway, the global leader for EV uptake (92% of all vehicle sales in 2024), has offered VAT and registration exemptions for EVs since 1990.

The evidence from the withdrawal of EV subsidies is mixed and appears to be dependent on the state of the EV market, how quickly the subsidy was withdrawn, and the broader policy and economic landscape in each country. In some cases, the removal of EV supports was associated with sharp falls in EV sales (often preceded by an increase in sales immediately before supports were withdrawn).

- New Zealand removed its NZD7,000 Clean Car Discount and introduced a road user charge at the end of 2023. The BEV share of car sales grew from 18% in 2022 to 27% in 2023 (suggesting a strong 'bring-forward effect' in that year), before falling to 11% in 2024, and remained flat through 2025.[57]
- Germany phased out its PHEV subsidies at the start of 2023, before ending all EV subsidies at the end of 2023.[58] Total EV sales fell from 31% in 2022 to 24% in 2023 and 19% in 2024. Germany introduced a new EV Purchase Subsidy from 1 January 2026.[59]
- In the United States, tax credits for purchasing or leasing EVs (the New Clean Vehicle Credit and the Qualified Clean Commercial Vehicle Credit) expired on 30 September 2025. Battery EV sales reached a record high of 12% of light vehicle sales in September, before falling to less than 6% for the rest of the year.[60]
- Canada paused its EV rebate program unexpectedly when funds were exhausted at the end of 2024.[61] BEV sales fell from 11% of light vehicles in 2024 to 6% in the first three quarters of 2025.[62] This was likely exacerbated by consumers delaying prospective EV purchases amid uncertainty about whether rebates would be introduced.[63] Canada reintroduced EV subsidies in early 2026 with tighter vehicle eligibility requirements.

In other cases, the effect of reduced subsidies has been muted.

- The United Kingdom removed its Plug-in Car Grant in 2022 but saw EV sales continue to increase from 24% in 2022 to 28% in 2024. This was underpinned by continuing tax rebates for company

57 IEA 2025 Global Electric Vehicle Outlook 2025 data download
58 IEA 2024, Global Electric Vehicle Outlook 2024, p 19
59 European Commission European Alternative Fuels Observatory – Germany: Incentives and Legislation
60 US Energy Information Administration 2026 (6 February), Electric vehicle sales fell as hybrid vehicle sales continued to rise in 2025
61 Transport Canada 2025 (10 January), Pause of the Incentives for Zero-Emission Vehicles Program
62 Transport Canada, Zero-Emission Vehicle (ZEV) Council Dashboard (as at 2 February 2026 update)
63 Clean Energy Canada 2025 (19 September), Poll: Two-thirds of Canadians support keeping EV mandate, though many want adjustments, as EV rebate pause causes would-be buyers to wait

cars, the introduction of the Vehicle Emissions Trading Scheme and a commitment to end sale of ICE vehicles from 2030. The Government at the time also highlighted that it was redirecting grant funding towards the public charging network.[64]

- France has progressively reduced its subsidy by limiting eligibility for higher income buyers and reducing the number of vehicles eligible for the subsidy, with only minimal impact on EV uptake.[65]
- Sweden saw only a small decline in the EV sales share following the end of a subsidy program in November 2022 (although absolute sales numbers declined amid a general fall in vehicle purchases).[66]
- The EV uptake in France and Sweden was supported by changes to EU regulatory policy for ICE vehicles.[67]

64 IEA 2025, Global Electric Vehicle Outlook 2025 p 29; UK government 2025 (7 April update) Phasing out sales of new petrol and diesel cars from 2030 and supporting the ZEV transition

65 IEA 2025, Global Electric Vehicle Outlook 2025 p 17

66 IEA 2025, Global Electric Vehicle Outlook 2025 p 29

67 European Parliament 2022 (3 November) EU ban on the sale of new petrol and diesel cars from 2035 explained. European Commission 2025 (16 December) Commission takes action for clean and competitive automotive sector, press release

7. Benefits of the ECD

Key points

- Carbon abatement: the additional BEV sales in the ECD's first 3 years accounted for approximately 2.2 million tonnes of emissions abatement over the lifetime of those vehicles, with an abatement value of about $400 million. Additional BEV and PHEV sales had an abatement value of about $460 million. (As an upper bound, the ECD is estimated to have had an abatement value of at most $690 million.)
- Future growth of the EV market: by stimulating EV uptake, the ECD also supported the future growth of the EV market through market confidence and 'network effects' (such as growth in charging networks or social contagion).
- Health benefits: The health benefits of the reduced air pollution due to additional BEVs were worth around $430 million in the ECD's first 3 years. (Health benefits of additional BEVs and PHEVs were around $500 million, with an upper bound of $630 million.)
- Fuel cost savings: A BEV is estimated to generate fuel cost savings of around $26,500, on average, over its life. Car buyers may overlook some of these savings (in favour of the 'sticker price'). Over the first 3 years of the ECD, the estimated 'overlooked' fuel cost savings from additional BEVs were worth around $1.1 billion. (The savings from additional BEVs and PHEVs were around $1.3 billion, with an upper bound of $1.6 billion.)
  - These estimates do not reflect the impact of the conflict in the Middle East that commenced in February 2026, which resulted in increased and more volatile fuel prices.
- Energy security: Increased uptake of EVs helps to reduce Australia's reliance on imported fuels, diminishing the impact of global oil price fluctuations and easing pressure associated with maintaining national fuel reserves.
- Noise pollution: EVs are quieter than ICE vehicles, resulting in less traffic related noise, especially in urban areas.

Carbon abatement benefits

The underlying aim of the ECD is to reduce transport carbon emissions. Electrification of light vehicles is identified in the Net Zero Plan as a key opportunity for reducing transport sector emissions.[68]

Each additional BEV due to the ECD is estimated to abate emissions by around 34 tonnes over the life of the vehicle. These abatement estimates account for changes in electricity grid intensity and driving distances as vehicles age. The abatement for an additional PHEV could be around 23 tonnes over the vehicle life, but this estimate is less certain. Actual abatement depends heavily on the driver behaviour

68 Net Zero Plan - DCCEEW p 121

and how the vehicle is used. Drivers who refuel more with petrol than electricity will have correspondingly lower emission abatements.

Based on the abatement estimates above, **the additional BEV sales in the first 3 years due to the ECD accounted for *approximately* 2.2 million tonnes of emissions abatement over the lifetime of those vehicles, with an abatement value of about $400 million (at 2023 prices)**. Additional BEV *and* PHEV sales due to the ECD had an abatement value of about $460 million and, as an upper bound, the ECD is estimated to have had an abatement value of at most $690 million. See Appendix A3 for technical details.

The Productivity Commission (PC) estimated that the ECD's cost of CO_2-equivalent emissions abatement (CO_2e) was somewhere between $987 and $20,084 per tonne.[69] The wide range reflects a wide range of assumptions about the ECD's additionality (from 5% to 70%). However, even the most generous additionality assumption produced a cost per tonne that was well above the PC's proposed least-cost abatement benchmark of $67 per tonne. The PC acknowledges that 'policies that achieve emissions reduction at higher cost than [the benchmark] can be justified where they achieve other benefits' but adds that, based on the abatement estimates above, the ECD 'is unlikely to be the most cost-effective way of achieving those outcomes'.[70] The other potential positive externalities of the ECD are discussed immediately below.

Future growth of the EV market

Submissions argued that, by stimulating EV uptake, **the ECD also supported the future growth of the EV market** through improved market confidence and 'network effects'. These effects take time to flow through to future EV sales and so would not be fully reflected in estimates of the ECD's impact on sales to the end of 2025.

First, government policies, including the ECD, can give car manufacturers, dealers and others greater confidence to make long-term investments to supply and service EVs in Australia.[71] For example, car manufacturers typically make decisions one or more years before they bring a new model to the Australian market.

Second, many submissions argued that there is a virtuous cycle between EV uptake and charging infrastructure investment and related services.[72] Thus, by increasing the number of EVs on the road, the ECD indirectly supported private investment in charging infrastructure. In a similar fashion, greater EV uptake gave car repairers more reason to invest in the necessary parts and training to service EVs. This in turn would reduce concerns that may deter others from switching to an EV.

Finally, technology diffusion often involves 'social spillovers' as people become more likely to buy an EV if they know more people who already had good experiences with an EV, and they see more EVs on the road. BETA found that car buyers who knew someone who had bought a BEV were more than twice as likely to consider a BEV themselves, and over 3 times more likely to purchase one.[73] Some submissions from EV purchasers also referred to this dynamic, highlighting that their experience with an EV was influential on others within their circle.

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69 Productivity Commission 2023, 5-year Productivity Inquiry: Managing the climate transition pp 14, 39-43
70 Productivity Commission p 2
71 Polestar Automotive Australia p 1
72 Motor Trades Association Group p 6, Tesla Owners Club of Australia p 5, UTS Institute for Sustainable Futures p 2
73 BETA 2026 p 57

> Flow-on effects I observed include increased confidence and adoption among colleagues via the same novated leasing mechanism, and some influence on family members' EV decisions. (Anonymous submission #8)

Health benefits

ICE vehicles are a major source of air pollutants—carbon monoxide (CO), nitrogen oxides (Nox), particulate matter (PM) and volatile organic compounds (VOC)—especially in densely populated areas. These emissions can cause smog, heart and lung disease and cancer.[74] Air pollution is a serious public health issue. In Australia, it is linked to more than one thousand deaths per year.[75] Vulnerable groups such as children, people with asthma or the elderly are particularly affected by air pollution.[76] Battery EVs do not produce any tailpipe pollution, contributing to the preservation of cleaner and healthier air in urban areas. As a result, a consistent and broad uptake of EV should contribute to reduced rates of illnesses and fewer premature deaths. However, there are widely varying estimates of the extent of these benefits.

Health benefits resulting from reduced particulate-matter (PM) air pollution from additional BEVs are estimated to be worth around $430 million in the first 3 years of the operation of the ECD. Including additional PHEVs increases this estimate to around $500 million, with an upper bound of at most $630 million from PM pollution. These estimates assume that each BEV delivers a health benefit of $5,660 relative to an ICE vehicle however they do not include the health benefits from reducing CO, Nox or VOC pollution. All figures are at 2023 prices. For technical details, see Appendix A3.

By contrast, Magenta Advisory reported a significantly higher estimate of the health benefits of the ECD. It cites health benefits of $5.0 billion attributable to the ECD over the period from 2022 to 2025.[77] However, it does not provide any supporting details for how this figure was derived, which makes it difficult to assess why it is so much larger than the Review's estimates.

Fuel cost savings

EVs require substantially lower fuel costs than ICE vehicles, since the cost of electricity required to recharge a battery is much less than the cost of petrol or diesel (and the cost of electricity may drop to zero if the car is charged on energy generated by rooftop solar). The Review estimates that, on average, a BEV may generate fuel cost savings of around $26,500 over its life, based on the fuel price in December 2025 (around $1.90 per litre).

With the outbreak of the conflict in the Middle East in February 2026, fuel prices increased considerably, increasing the fuel cost savings from EVs and the awareness of these savings amongst prospective car buyers. However, given the considerable uncertainty associated with the conflict and its implications for long-term fuel prices, the Review has not updated its estimates to reflect these recent changes.

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74 Vehicle emissions | Green Vehicle Guide, p 1

75 For example, the National Environment Science Programme suggested that air pollution resulted in 1,500 deaths in Australia per year but argued that this was likely to be a significant underestimate. Schofield, Walter, Silver, Brear, Rayner, & Bush (2017), The Clean Air and Urban Landscapes Hub's Submission on the 'Better fuel for cleaner air' discussion paper p 13.

76 Electric vehicles and the environment | energy.gov.au

77 Magenta Advisory 2025 p 31

To the extent that car buyers overlook fuel cost savings (in favour of the 'sticker price') in their purchase decisions, these savings constitute an additional benefit of the ECD. Car consumers often do not fully account for the lower fuel costs of more fuel-efficient cars due to limited information, 'present bias', or the complexity of the car purchase decision. Estimates vary, but studies suggest that consumers value a dollar of fuel savings at around 16–72 cents.[78] The Review used an assumption of 33 cents (that is, consumers take account of one-third of the fuel savings but overlook two-thirds of the savings).

Over the first 3 years of the ECD, savings on fuel costs (that were overlooked by car consumers) from additional BEVs, over their life, are estimated to be worth around $1.1 billion. Including additional PHEVs, the overlooked savings were estimated to be around $1.3 billion and, as an upper bound, overlooked fuel savings were at most $1.6 billion. The *full* savings from additional BEVs were estimated to be around $1.7 billion, and around $2.0 billion for additional BEVs and PHEVs. The Review did not use the full savings for consumers in its assessment of the ECD because, if it had, it would also have needed to consider the costs incurred by consumers when they purchase an EV. For technical details, see Appendix A3.

These overlooked benefits may, in part, reflect the greater uncertainty associated with a new technology. As the EV market matures, consumers will likely learn more about fuel cost savings of EVs. If so, they might anticipate a greater share of fuel savings, and so the share of fuel savings overlooked may be lower. This fraction of overlooked savings may also have fallen since the outbreak of the conflict in the Middle East, with flow-on implications for the overall estimates. For example, with an assumption that consumers overlook one-half of fuel savings (instead of two-thirds), then the fuel cost savings from additional BEVs fall to $0.8 billion (from $1.1 billion).

Other benefits

Energy security

Petrol and diesel prices in Australia are subject to unpredictable fluctuations that are heavily influenced by global market conditions and events. Australia imports approximately 80% to 90% of its refined fuel (petrol, diesel and jet fuel). Increased uptake of EVs helps to reduce Australia's reliance on imported fuels, diminishing the impact of global oil price fluctuations and potentially easing pressure associated with maintaining national fuel reserves. In addition, a shift from liquid fuels to electricity may increase the value of domestic energy infrastructure, contribute to improved system reliability and reduce network costs over time.[79]

78 For example, Gillingham *et al* found consumers value $1.00 in discounted fuel costs as equivalent to a $0.16-0.39 change in the purchase price. (Gillingham K, Sébastien H, and Arthur A 2021. 'Consumer Myopia in Vehicle Purchases: Evidence from a Natural Experiment.' *American Economic Journal: Economic Policy* 13(3), pp 207–38). Allcott, H and Wozny N (2011), 'Gasoline Prices, Fuel Economy, and the Energy Paradox' found consumers valued a dollar in fuel savings as equivalent to 72 cents. Similarly, BETA 2026 (p 34) found that 36% of BEV buyers found exactly the car's fuel efficiency, whereas 52% 'roughly estimated' this amount (and presumably the remaining 12% made no attempt to estimate it).

79 Vehicle-to-everything opportunities | energy.gov.au, pp 1-2

Noise pollution

EVs are quieter than ICE vehicles, resulting in less traffic-related noise, especially in urban areas. This has implications for general wellbeing, contributing to calmer streets, higher amenity, and an overall improvement in quality of life.

8. Costs of the ECD

Key points

- The tax expenditure from the FBT exemption was estimated in the 2025–26 Tax Expenditures and Insights Statement to total $2.0 billion over the first 3 years from 2022–23 to 2024–25.
- The estimated annual tax expenditure is forecast to grow to $1.35 billion in 2025–26 and to $2.8 billion by 2028–29.
- The value of the subsidy provided by the ECD is high relative to EV incentives that have been offered internationally.
- The other costs of the ECD include: the direct revenue costs of the import tariff exemption, broader reductions in Goods and Services Tax (GST) and excise revenue due to lower fuel sales, compliance costs, and market distortions.

The tax expenditure from the FBT exemption was estimated in the 2025–26 Tax Expenditures and Insights Statement to total $2.0 billion over the first 3 years from 2022–23 to 2024–25.[80] **The annual tax expenditure is forecast to grow to $1.35 billion in 2025–26 and to $2.8 billion by 2028–29.**[81] The tax expenditure estimates assume that the taxpayer would otherwise be taxed at their marginal personal income tax rate on the amount of salary they would require to purchase the benefit themself. In practice, the revenue cost to the budget will be lower than this to the extent that some taxpayers would not enter a novated lease, or would use an alternative FBT concession, in the absence of the ECD.

The estimate of $2.0 billion only reflects revenue forgone to the end of June 2025 (whereas the Review estimated the ECD's benefits through to the end of December 2025). Furthermore, this estimate does not capture the full revenue forgone from existing EV leases since they will continue to be eligible for the ECD for the duration of the lease (potentially another 2–4 years). This additional revenue forgone is reflected in forecasts for future years, along with revenue forgone from forecasts of additional EV leases in those years.

The value of the subsidy provided by the ECD is high relative to EV incentives that have been offered internationally. Under the ECD, for an EV valued at about $50,000, an individual using a salary sacrifice arrangement could save up to $3,200 to $4,700 a year, depending on their marginal tax rate and other factors.[82] Assuming an average lease length of 4 years, this could lead to a subsidy of up to $12,800 to $18,800 over the life of the lease. Subsidies in Europe, North America and New Zealand have typically been for amounts equivalent to $5,000–10,000 (figures converted to Australian dollars).

The other costs of the ECD include:

- the direct revenue costs of the import tariff exemption

80 2025–26 Tax Expenditures and Insights Statement, p 155
81 2025–26 Tax Expenditures and Insights Statement, p 155
82 This indicative estimate is calculated as follows: car value multiplied by the statutory formula (20%) multiplied by selected marginal tax rates (32% or 47%). The actual subsidy value for an individual will depend on the car value, the amount that is salary sacrificed, the taxpayer's marginal tax rate, and the extent to which they would have made post-tax contributions in the absence of the policy.

- broader reductions in Goods and Services Tax (GST) and excise revenue due to lower fuel sales
- compliance costs (for car buyers, employers, importers, and intermediaries)
- market distortions (for example, consumers may be induced to buy bigger, more expensive cars than they would have otherwise, or they may use a salary packaging provider instead of alternative financing arrangements).[83]

The Review has not quantified these costs.

Several stakeholders acknowledged the fiscal costs of the ECD and some suggested that these costs may necessitate changes to scale-back or phase-down the ECD.[84]

83 Productivity Commission p 2

84 For example, Dr Hope Ashiabor p 2, ACOSS p 3, Grattan Institute pp 6-10, Hyundai Motor Company Australia p 6, Chartered Accountants Australia and New Zealand p 2, Royal Automobile Association of South Australia pp 2-3

9. Equity

Key points

- Given the ECD operates through the tax system, individuals on higher incomes who have higher marginal tax rates receive more value from the incentive ('vertical inequity').
- However, the ECD has become more accessible as EVs prices have fallen and the second-hand EV market has grown.
- For private buyers, the ECD is only available to potential EV buyers who can access novated leases through salary packaging arrangements, which raises issues of fairness ('horizontal inequity').

Many submissions expressed concern that the ECD disproportionately benefits car buyers on higher incomes ('vertical inequity').[85] Some stakeholders argued that the policy is inherently regressive, noting that the tax exemption will have limited benefits for individuals who already pay a small amount of tax. More generally, the ECD has greater benefits for higher income earners because:

- given the ECD operates through the tax system, the ECD is more valuable for taxpayers on higher marginal tax rates even for the same vehicle
- the value of the ECD is higher for more expensive EV purchases (which will tend to be made by higher wealth buyers)
- the ECD is predominantly used for the purchase of new cars (which are relatively more expensive than second-hand cars and hence more commonly purchased by higher wealth buyers).

By contrast, the Review also received distributional data from stakeholders indicating that there is high take-up of the ECD in suburban and outer-suburban areas.[86] The greater commuting distances for residents of these areas, and the higher marginal value of fuel and FBT savings relative to total income, indicate the ECD also has an effect outside of the highest income brackets. Stakeholders also highlighted instances where the ECD has supported a range of groups, including 'mid-career employees' and 'front-line workers'.

These observations do not, however, contradict the claim that the ECD disproportionately benefits those on higher incomes. Evidence from various sources pointed to a larger proportion of middle-income and high-income earners purchasing an EV. For example, while Magenta Advisory reported that around 48% of EV buyers have incomes over $150,000, the PC pointed out that only 35% of Australian drivers have incomes above this level.[87] Similarly, BETA found that 'BEV buyers were nearly twice as likely as ICE buyers to have a household income over $190,000' and that 'consumers who were considering a BEV tended to have higher household incomes than those who weren't'.[88]

85 Grattan Institute p 10, Australian Council of Social Services p 2, Chartered Accountants Australia and New Zealand p 3, Australian Electric Vehicle Association p 1
86 EV Council p 14, NALSPA p 12, Magenta Advisory 2025 pp 37-38
87 Magenta Advisory p 38, Productivity Commission p 2
88 BETA 2026 pp 31, 53. See also AADA 2025 p 27 for further evidence.

Some stakeholders discussed the implications of the fuel-efficient LCT threshold for the impact of the ECD on equity. Stakeholders pointed towards the expanding range of affordable EVs, suggesting that this makes EV ownership (and by extension the ECD discount) accessible to a larger range of individuals.[89] Others cautioned against the possibility of a lower threshold, noting that more costly vehicle types may be the only one that meets certain needs (such as for larger families).[90]

Several stakeholders argued that the ECD supported the entry of EVs into the second-hand market, allowing access for consumers who were not in a position to purchase new vehicles.[91] In this way, the ECD has increased the volume, variety and affordability of EVs on the second-hand market, creating benefits that go beyond the direct users of the exemption. In addition, a second-hand EV may qualify for the ECD, provided that the first use of the car by its original owner was on or after 1 July 2022. As a result, the expansion of the second-hand EV market may also increase the access to the ECD for middle-income earners.

The ECD is not available to all potential EV buyers, which raises issues of fairness ('horizontal inequity'). Many stakeholders noted that for private buyers (as opposed to fleets), the ECD is only available to potential EV buyers who can access novated leases through salary packaging arrangements.[92] This excludes business owners, sole traders and employees who do not have access to salary packaging, amongst others.

89 Climate Change Authority p 3, Future Smart Strategies p 5

90 Climate Council p 9, anonymous submissions #19, #22

91 Australian Electric Vehicle Association p 3, Future Smart Strategies p 8, Australian Finance Industry Association p 10, Smart Energy Council p 5

92 For example, Productivity Commission p 2, Royal Automobile Club of WA p 8

10. Should the ECD continue?

Key points

- The EV market has changed substantially since the ECD was introduced.
- As the benefits decline and the costs grow, it is recommended that the Government consider changes to better manage the costs of the ECD. These changes could include amending eligibility thresholds, improving the equitability of the ECD, and a phasing down of the ECD at a pace that considers the potential impacts on EV uptake.
- There may be merit in retaining the import tariff exemption since it ensures consumers have the widest possible choice of EVs, and its impact on revenue is relatively small.
- The BEV market is in the process of making the transition from predominantly 'early adopters' to a greater proportion of 'early majority' consumers.
- Although the BEV market is not yet mature, the BEV 'price premium' is likely to continue to decline and fuel savings have become more salient. Consequently, more consumers will likely choose to buy a BEV even without the ECD.
- These likely changes will reduce the additionality of the ECD, and hence its benefits. The ECD's costs will, however, continue to increase as BEV sales grow.

The EV market has changed substantially since the ECD was introduced. In considering whether the ECD should continue, an assessment needs to be made about the ECD's *future* additionality, benefits, costs and equity. The assessment of this Review is summarised in Table 3.

As the benefits decline and the costs grow, it is recommended that the Government consider changes to better manage the costs of the ECD. These changes could include amending eligibility thresholds, improving the equitability of the ECD, and a phasing down of the ECD at a pace that considers the potential impacts on EV uptake. As outlined in this report, there are opportunities to better calibrate the policy incentives for EV uptake to reflect the state of the market as it changes and to address horizontal and vertical equity issues. This should be done in a way that provides the market with a clear and graduated pathway to minimise the risk of shocks as have been experienced in some other countries following rapid withdrawal of incentives. There would be benefit to moving to predictable and stable policy settings in the longer term.

There may be merit in retaining the import tariff exemption (that is, an exemption for EVs with a customs value below the fuel-efficient LCT threshold) since it creates a level playing field for manufacturers operating in different parts of the world, and its impact on revenue is relatively small. This would ensure consumers have the widest possible choice of EVs, with a range of models and price points.

Table 3: Assessment of ECD's future additionality, benefits, costs and equity

Additionality	Benefits	Costs	Equity
It is likely that the ECD's additionality will decline as BEV prices continue to fall.	If the ECD's additionality declines, so will its benefits. The benefits depend, in part, on the weight placed on 'overlooked' fuel cost savings.	The ECD's costs are projected to grow in response to growing volumes of BEV sales.	The ECD will continue to give rise to equity concerns because it delivers greater benefits to higher income earners, and it is only accessible to some potential BEV buyers.

The technology adoption 'S-curve' describes growth in new technology consumption from a slow start to rapid growth to saturation. The rapid growth phase of the S-curve typically coincides with greater product reliability and more competitive pricing stemming from improvements in technology, economies of scale and falling production costs.

The BEV market is in the process of making this transition as it moves from predominantly 'early adopters' to a greater proportion of 'early majority' consumers. However, there is not a specific EV sales share at which uptake growth becomes self-sustaining. Rapid sales growth tends to be accompanied by changes that overcome the barriers to EV adoption: the upfront price premium, concerns about vehicle range and charging infrastructure, and limited availability of BEVs in some vehicle segments.

Although the BEV market is not yet mature, the BEV 'price premium' is likely to continue to decline and fuel savings have become more salient. BEV technology is likely to continue to improve, and international BEV market growth will drive further economies of scale. In addition, the New Vehicle Efficiency Standard (NVES) will encourage the supply of more fuel-efficient vehicles, including BEVs. Finally, the recent conflict in the Middle East has made fuel costs—and the total cost of vehicle ownership—far more salient for consumers. Consequently, more consumers will likely choose to buy a BEV even without the ECD.

These likely changes will reduce the additionality of the ECD, and hence its benefits. As the price premium declines, more consumers will choose to buy a BEV even without the ECD. An increased focus on the total cost of ownership will have the same effect. In addition, growth in the EV market has been accompanied by growth in backbone charging infrastructure, supporting BEV mobility.

While the ECD's benefits are likely to decline, its costs will continue to increase as BEV sales grow, steadily reducing the 'net benefits' of the ECD. In addition, the ECD will continue to give rise to equity concerns.

11. What type of vehicles should attract the ECD?

Key points

- If the ECD continues, stakeholders offered 2 main suggestions for changes to the vehicles that should attract the ECD.
- It is not necessary to reinstate PHEV eligibility for the ECD because PHEV sales have continued to grow, and PHEVs do not face the same non-cost barriers as BEVs.
- Vehicle-to-grid (V2G) capability has considerable potential benefits. However, any specific incentives for V2G in the ECD will need to resolve conflicting information around which existing EVs are capable of safe and effective V2G operation, and help catalyse further work within the market to prepare for V2G adoption at scale.

If the ECD continues, stakeholders offered 2 main suggestions for changes to the vehicles that should attract the ECD: restoring eligibility for plug-in hybrids (PHEVs) and adjusting incentives for EVs with V2G capability – where automaker-approved vehicles can operate as batteries to store surplus solar electricity from the middle of the day.

It is not necessary to reinstate PHEV eligibility for the ECD. The ECD eligibility was removed for new PHEV purchases after March 2025. Several stakeholders argued that PHEVs will continue to play an important role in reducing emissions associated with the transport sector, either because they meet a need that BEVs are currently unable to (for example, utes) or because they are an important 'transition' vehicle for buyers who are worried about range.[93] However, it does not appear that PHEVs require continued support to drive uptake. PHEV sales spiked in March 2025, declined briefly but then grew in the latter half of 2025. Furthermore, PHEVs do not face the same non-cost barriers as BEVs (since issues like range anxiety and charging infrastructure do not apply).

Vehicle-to-grid (V2G) capability has considerable potential benefits for consumers, government and for the efficiency and affordability of the electricity grid, but work is needed to prepare the market for scaled adoption. Several stakeholders discussed the potential benefits of V2G capability for adding a substantial reservoir of battery storage to the electricity grid.[94] The market is moving in this direction with anticipated adoption at scale from 2027–28 or 2028–29, noting strong signals to the market can accelerate preparation, but also that supply of vehicles and chargers depends largely on global developments. Furthermore, at this stage, there is conflicting information around which existing EVs are capable of safe and effective V2G operation. Any V2G support program would require protocols to ensure vehicle and charger compatibility, installation quality and safety. As technology evolves, it will be important to settle a clear definition of V2G to support any related taxation policies.

There are, however, benefits in sending a clear signal to the market about the intended integration of V2G functionality to incentivise manufacturers to accelerate testing, warranty processes and other innovations so that V2G can be quickly and smoothly adopted at scale in coming years. The Government is examining required installation safety protocols and the potential for a clear,

93 Motor Trades Association of Australia p 3, Royal Automotive Club of Queensland p 1, Christian Thomas pp 1-2

94 Electric Vehicle Council p 16, Solar Citizens pp 12-14, Origin Energy p 14, AGL pp 5-6, Smart Energy Council p 3, Mitsubishi Motors Australia p 10, Hyundai Motor Company Australia p 5, Royal Automobile Club of Victoria pp 8-9, Climate Council of Australia p 9

consistent method (endorsed by automakers) to classify V2G capability, to support market readiness for adoption at scale.

Appendices

A1 Estimating the causal impact of the ECD on EV sales

The Review estimated the causal impact of the ECD using a difference-in-differences (DID) approach, a quasi-experimental method that measures the change in outcomes over time between a treatment and control group. EV sales were compared before and after the policy's implementation for:

- BEVs priced below the LCT threshold, and hence eligible for the ECD (treated group), and
- BEVs priced above the LCT threshold, and hence ineligible for the ECD (control group).

Data

The DID analysis is based on monthly data of car sales and price, by car model. That is, each record represented a distinct car model and provided a count of the number of sales for that model each month, along with the sales price for that month. This sales data came from FCAI VFACTS and EV Council and was supplemented by price data sourced by the ATO from monthly Wheels magazine (or online where it was not otherwise available).

Preferred model specification

The outcome variable is the expected number of cars sold (Y_{mt}), conditional on controls (Z_{mt}), which is a count variable. Consequently, a Poisson specification was used for the following model:

$$\mathbb{E}[Y_{mt} \mid Z_{mt}] = \exp\{\beta_0 + \beta_1 Under\ LCT_{mt} * Post_t + \beta_2 Under\ LCT_{mt} + \gamma Z_{mt} + \eta_t\}$$

where m denotes vehicle models and t denotes time in month-years. The coefficient of interest is β_1. This is the treatment term, which is an interaction of 2 indicator variables equal to 1 if the car is priced under the LCT threshold and in a month after the introduction of the ECD. The percentage change in BEV sales under the threshold is given by $(\exp(\hat{\beta}_1) - 1) * 100$. This was used to estimate the implied number of additional BEV sales.

A set of controls Z_{mt} includes indicator variables to control for the partially treated months of November and December 2022, and to control for the first 2 months of sales of the Tesla Model Y vehicle in March and April 2023. This was a luxury BEV which experienced significant delivery delays, where a backlog of pre-ordered vehicles were delivered in early 2023, resulting in an artificial spike in sales for the control group. Finally, a set of time (month-year) fixed effects (η_t) were included to control for time trends such as season patterns, global supply shifts and timing of ship deliveries.

Results

The key regression result is the treated coefficient $(\hat{\beta}_1)$, which is 0.309. This implies that following the introduction of the policy, sales of EV models below the LCT threshold increased by 36.1% relative to EV models above the LCT threshold. In absolute terms, this translates to an increase of around 64,000 BEV sales over the ECD's first 3 years (as reported in section 6).

This estimate was not statistically significant when standard errors are clustered by model (standard error = 0.52, p = 0.54).[95] This implies that the actual impact of the ECD on EV sales may have been

95 Clustered standard errors were used to address auto-correlation in EV sales over time for some car models.

substantially higher or lower than the estimated value. In practice, this likely reflects the limitations of working with volatile, aggregated monthly sales data, rather than the absence of a policy effect.

The estimated effect is robust across a wide range of alternative specifications (see robustness checks below). And given that some estimate was required to assess the policy's benefits, this estimate of 64,000 BEV sales remains the most plausible estimate available for assessing the value of the policy's benefits for abatement, health and fuel savings. Finally, in recognition of the uncertainty in this estimate, an upper-bound estimate was also developed based on generous assumptions about the ECD's impact. See Appendix A2 for further details.

Choice of policy start date and control period

The choice of policy start date and pre-intervention control period impact the magnitude of the estimate. The ECD commenced from 1 January 2023 but was retroactively applied from 1 July 2022. The legislation passed parliament on 28 November 2022.

The Review's preferred model specification uses a policy start date of 1 January 2023, and a pre-policy control period of August to September 2022. The months of November and December 2022 are considered 'partially treated' and are controlled for in the model.

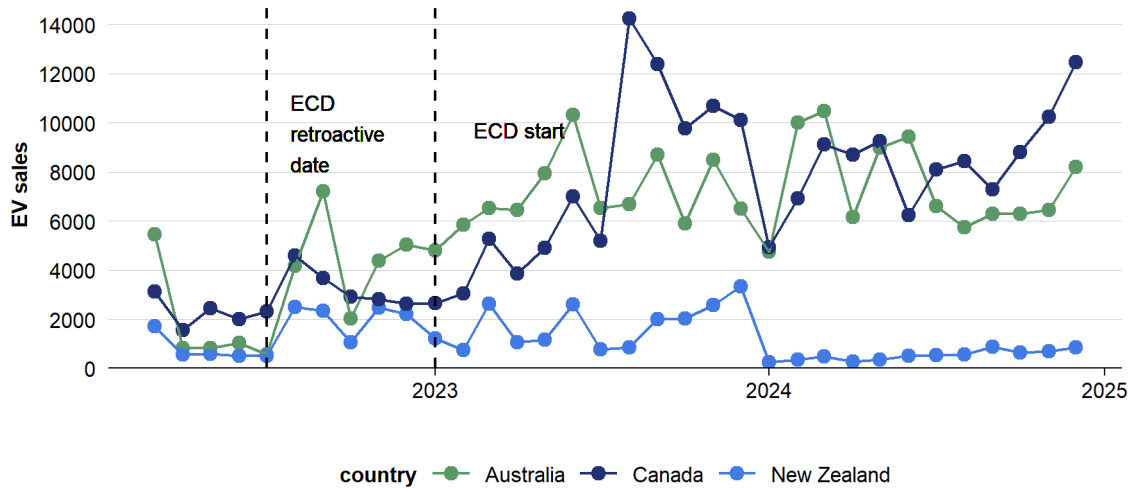
There were 2 main reasons for this choice of dates.

First, the period between the retroactive start date (1 July 2022) and the proposed policy commencement date (1 January 2023) coincided with substantial easing of supply constraints. This easing contributed to strong growth in BEV sales over that period. This strong growth is evident in other countries that did not have policy interventions at that time, including New Zealand and Canada, suggesting that other factors were driving the increase in sales. The similar cross-country patterns as shown in Figure 6 suggest the rise was driven by supply, not the policy, supporting a date close to January 2023 as the effective start date.

Given the difference in volumes and markets, the control group (that is, luxury BEVs) does not adequately control for these significant changes in supply conditions. Choosing a later control period (from January) means that comparison is made when supply conditions were more similar. However, it may be the case that the estimate does still capture some component of the supply uplift that continued into 2023, which would bias the estimate upwards.

Second, before 28 November 2022, most people could not realistically access the scheme because the law was not yet certain, eligibility rules were shifting, and it takes some time to arrange salary packaging and vehicle delivery. It is possible that a small number of sales during this period could have been influenced by the policy, which would bias our estimate downwards. ATO data on all novated leases (not just for EVs) shows a distinct spike in November 2022: the largest number of new leases in a single month over the 7 years of available data (Figure 7). A plausible explanation is that some EV buyers delayed the finalisation of their novated lease arrangement until immediately after the passage of legislation.

Figure 6: Monthly EV sales in Australia, New Zealand and Canada



Notes: The ECD commencement date is shown as the start of 2023 because this when the legislation came into effect, and hence salary packaging providers would have started to reflect the ECD in their offerings.
Source: Treasury analysis of data from: ATO (Australia), Stats NZ (New Zealand), Statistics Canada (Canada)

The 'parallel trends' assumption and robustness checks

'Parallel trends' is the key assumption required for the difference-in-differences estimate. This assumes that if the ECD was never introduced, sales of BEVs above and below the threshold would have grown at the same rate. It is not possible to directly test this because the sales in the absence of the ECD cannot be observed directly. However, robustness checks can test whether other factors may influence the results. Specifically, tests were conducted for the role of: state and territory BEV policies, broader economic conditions, introduction of new EV models, and for variations in the designated 'start date' for the ECD.

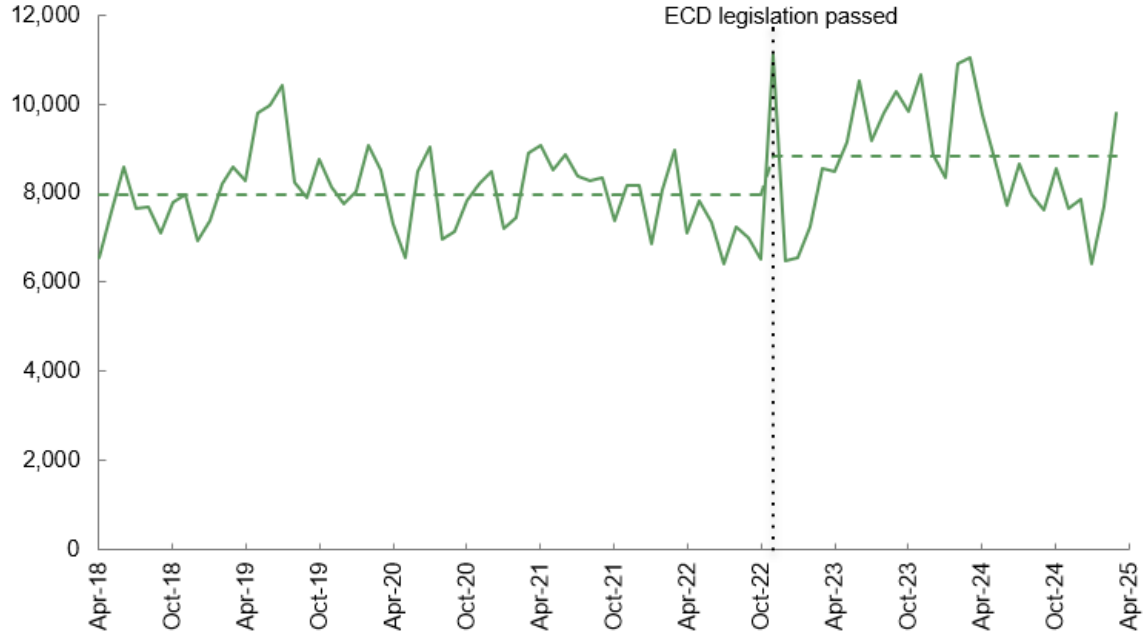
States and territories implemented a series of policies to support EV uptake, such as subsidies and discounted registration. These policy settings and their timing differed across states. To test whether jurisdictional policies are driving the results, the model was re-estimated sequentially excluding each state and territory in turn. The estimate remained relatively consistent, ranging from a 31% to 39% increase in sales of non-luxury BEVs, compared with a 36 per cent increase for the main estimation with the whole sample. This suggests that state-level policies are not driving our results.

Broader economic conditions may impact luxury and non-luxury car sales differently. The differences in prices between luxury BEVs (the control group) and non-luxury BEVs (the treatment group) may mean the 2 groups face differing conditions on the demand side or are impacted differently by wider economic conditions. To test for this, a 'triple difference' estimate was run with ICE vehicles above and below the LCT threshold as an additional control group. The results were very similar under the two models, with the triple difference estimate somewhat smaller (1,510 new EVs per month, compared with 1,776 in the preferred specification).

Introduction of new BEV models above or below the threshold could also impact the estimate. In the post-policy period, there were more new models added under the threshold than above it. These new models could have been introduced in response to the policy, in which case they are relevant for the analysis, and so fixed effects were not included in the preferred specification. If the difference in the number of new models was independent of the policy, however, this would bias the estimate upwards. However, including model fixed effects did not substantially change the estimate.

ECD start date: In addition, the impact of excluding the partially treated months of November and December 2022 was tested, to see if it impacted the results. Tests included: controlling for these months (preferred specification), dropping them entirely, or considering these as 'treated' months. This choice did not impact the results.

Figure 7: New novated leases, April 2018 to April 2025



Source: Treasury analysis of ATO data

A2 Upper bound estimate of the ECD's impact on EV sales

Using the difference-in-differences method described in Appendix A1, the Review estimated that the ECD led to an additional 64,000 BEV sales in the 3 years since it commenced. (The Review also estimated that there were an additional 14,000 PHEV sales over the same period. This estimate is discussed further below.) However, there is considerable uncertainty around this estimate, so the Review also calculated an upper bound on the ECD's 'additionality'.

It is estimated that at most 98,000 sales of EVs were attributable to the ECD over the first 3 calendar years of its operation (2023 to 2025). There were 282,000 BEVs sold in the 3 years from 2023 to 2025. In addition, there were 48,000 PHEVs sold between January 2023 and *March* 2025. This gives a total of 330,000 EVs. The 98,000 EVs attributable to the ECD equate to 30% of these sales.

The upper bound estimate was calculated through the following 5 steps.

First, ATO data were used to estimate the cumulative number of leases making use of the FBT exemption in each FBT financial year between 2022–23 and 2024–25. This gave a total of 99,660 leases through to end-March 2025. This total was then split between PHEVs and BEVs using ATO data on the split of active leases by fuel type in the 2024–25 FBT year (which was the only year for which this data was available). This gave 76,118 BEV leases and 23,542 PHEV leases.

Second, there were estimated to be 33,080 additional FBT-exempt BEV leases between April and December 2025. This was calculated by taking the total BEV sales over that period (85,359) and then assume that 39% of these used FBT-exempt leases: this was the same proportion as for the preceding 3-year period. (As PHEVs were no longer eligible for the discount after March 2025, there were no new exempt leases beyond this date.)

Third, this gave the total FBT-exempt leases through to December 2025: 132,740leases (99,660 plus 33,080).

Fourth, this total was multiplied by the fraction of novated lease EV purchases that would not have occurred but for the ECD. The EV Council submission (page 8) stated that:

> EV Council light vehicle OEM members report that 50[%] and, in some instances, up to 70% of sales under the Luxury Car Threshold are leased due to the Discount.

The highest fraction (70%) was applied to generate an upper bound.

Finally, an additional 5,000 vehicles (apportioned between BEV and PHEVs on the same basis) was added to reflect any additional sales of EVs to fleets.

This gave around 98,000 extra EV sales (80,600 BEVs and 17,400 PHEVs), equivalent to 30% of total EV sales.

PHEV additionality

The difference-in-differences method was not used to estimate the additional *PHEV* sales. Instead, it was extrapolated from the estimate of additional BEVs (64,000), using the ratio of the PHEVs to BEVs in the upper bound estimate (17,400/80,600=22%). This gave about 14,000 additional PHEVs.

A3 Estimates of the benefits of EV uptake

Estimates of the value of emissions abatement

The total abatement value of additional BEVs due to the ECD was estimated to be around $400 million in 2023 prices ($460 million including PHEVs, and $690 million at the upper bound). This estimate relied on several assumptions that contain considerable uncertainty, including the additionality of the ECD, EV lifecycles and the long-run value of emissions abatement.

The estimate of total abatement value is calculated as follows.

First, total abatement attributable to additional vehicles was calculated based on an estimated lifetime abatement per vehicle of 34 tonnes for BEVs and 23 tonnes for PHEVs. The abatement per BEV was calculated by comparing average emissions for BEVs with average emissions for ICE vehicles. A stylised summary of these calculations is as follows:

$$emissions\ per\ ICE = \frac{emissions}{km} \times \frac{km}{year} \times\ years$$

$$emissions\ per\ BEV = \frac{emissions}{power\ used} \times \frac{power\ used}{km} \times \frac{km}{year} \times years$$

Where:

- years = the number of years of vehicle life, assumed to be 18 years for both ICE and BEV (based on the life of existing vehicles)
- km/year = the distance travelled per year, by vehicle age, based on BITRE data (assumed to be the same for both ICE and BEV)
- emissions/km (ICE) = the tailpipe emissions from an ICE vehicle based on NVES headline limits for recent and future years, while earlier years used data from the National EV Strategy Update 2025 (page 10).
- power used/km (BEV) = the fraction of a BEV battery used over a kilometre, based on the standard vehicle emissions test for a typical BEV
- emissions/power used (BEV) = the emissions associated with electricity used to recharge BEV batteries, based on electricity emissions factor projections from Australia's Emissions Projections 2025 Appendix D for Australian electricity grids.[96]

The abatement per PHEV was determined by adding electricity emissions to the tailpipe emissions test results presented in the Green Vehicle Guide. PHEV abatement is less certain as emissions abatement depends more on driver behaviour, in particular the extent to which drivers refuel using electricity rather than petrol/diesel.

Second, these per-vehicle abatement estimates were applied to the Review's central estimate of additional EV sales. This gave the estimated abatement attributable to the ECD of 2.0 million tonnes of

96 Abatement estimates include grid emissions associated with electricity consumption from standard vehicle emissions tests, accounting for changing grid emission factors. Electricity grid emission factors already account for renewable energy consumption at the household level.

CO_2e due to additional BEVs (2.5 million due to additional BEVs and PHEVs, and 3.1 million as an upper bound).

Third, for simplicity, an assumption was made that all *additional* EVs purchased during the ECD's first 3 years started their life in July 2024, and that abatement benefits were uniformly distributed over an 18-year life. This gives an estimated 120,000 tonnes of abatement per year (140,000 including PHEVs, and 175,000 as an upper bound).

Fourth, the total tonnes of abatement per year (from step 3) were used to calculate the total abatement *value* per year. This relied on estimates of the abatement value of a tonne of CO_2-equivalent emissions published by Infrastructure Australia (IA).[97]

- Infrastructure Australia notes there is 'significant uncertainty around long-term abatement costs and Australia's pathway to net-zero emissions by 2050'.
- For the main estimates, the 'central scenario' abatement values were used, for a value of $400 million for additional BEVs only ($460 million for additional BEVs and PHEVS).
- To construct an *upper bound* estimate, the 'high scenario' abatement values were used, for a value of $690 million (for additional BEVs and PHEVs).

No adjustment was made to calculate the net present value of future carbon abatement values, beyond what is already captured in Infrastructure Australia's abatement values.

Estimates of health benefits

The health benefits attributable to the ECD were estimated to be $430 million (for additional BEVs), $500 million (for additional BEVs and PHEVs), and $630 million (as an upper bound), all in 2023 prices.

There is considerable uncertainty associated with these estimates, which are based on an estimated health cost attributable to ICE vehicle exhaust emission of $3,420 per ICE vehicle. This estimate comes from a 2019 report – 'Cleaner and Safer Roads for NSW' – prepared by the EV Council, the Asthma Foundation and Doctors for the Environment Australia.[98] This estimate was restricted to pollution from particulate matter that is 10 micrometres or less in diameter (PM10). Accounting for other types of pollution would increase the total health costs of ICE vehicles and hence the total health benefits of additional EVs. Furthermore, the report states:

> It should be noted that while these calculations use the best available data, that data comes from a range of sources and years and so these calculations are intended to provide an estimation of values rather than exact amounts.[99]

The estimates of health benefits were calculated as follows.

First, the estimated health costs attributable of $3,420 per ICE vehicle was adjusted for inflation from 2019 to 2023 prices (using an annual rate of 2.5%).

Second, this figure was adjusted for the expected vehicle life. The 2019 NSW report assumed EVs have a 10-year life cycle however the Review used a more generous estimate of 18 years (hence a multiplier of 1.8). This yielded a health cost saving per BEV of $6,800 (2023 prices).

97 Valuing emissions for economic analysis | Infrastructure Australia
98 Cleaner and Safer Roads for NSW - Electric Vehicle Council, p 18 and appendices
99 Cleaner and Safer Roads for NSW - Electric Vehicle Council, p 18

Third, a comparable figure was calculated for PHEVs. As both health impacts and abatement are driven primarily by fuel consumption, the health cost saving per PHEV was calculated based on the relative abatement factor for PHEVs (68% of the abatement of a BEV). This gave a health cost saving of $4,600 per PHEV.

Finally, the health benefits attributable to the ECD because of reduced PM10 pollution were determined by applying the Review's estimates for vehicle additionality. No adjustment was made to calculate the net present value of future health benefits.

Estimates of fuel cost savings

Savings on net fuel costs (that were 'overlooked' by new EV consumers) were estimated to be worth between $1.1 billion (for additional BEVs) and $1.3 billion (for additional BEVs and PHEVs), with an upper bound of $1.6 billion.

These estimates include an adjustment for EV charging costs. They are subject to uncertainty, particularly around fuel and electricity prices and the assumption about what fraction of fuel cost savings are 'overlooked'. 'Overlooked' savings were assumed to be two-thirds of total fuel savings. This is a behavioural assumption that is at the upper end of the wide range of estimates from the literature. (For details, see discussion in section 7.)

The fuel consumption savings were derived from the lifetime emissions abatement estimates of 34 tonnes for BEVs and 23 tonnes for PHEVs. National Greenhouse Accounts Factors were used to estimate the tonne of abatement per litres of fuel (assuming a petrol to diesel ratio of 70:30 based on VFACTS sales shares for 2025). The weighted average is 2.43 tonnes of carbon dioxide emissions abatement per kilolitre of fuel saved. This implies a lifetime fuel saving of 14.0kL of fuel saved per BEV and 9.5kL per PHEV.

The estimated lifetime fuel savings per BEV and PHEV were multiplied by an estimated average price of $1.90 per litre, representing average fuel prices over the November 2022 to January 2026 period, equating to lifetime fuel savings of around $26,500 per BEV and $18,000 per PHEV. This reflects prices prior to the conflict in the Middle East. The Review has not attempted to project future fuel prices given the uncertainty related to that conflict.

No adjustment was made to calculate the net present value of future fuel cost savings.

A4 Submissions and roundtable meetings

Written submissions

Treasury received 107 public submissions (56 from organisations and 51 from individuals). The organisations that made submissions, and did not request to remain anonymous or confidential, are listed in the table.

Name of organisation	Type of organisation
Origin Energy	Business
AGL	Business
Aetium	Business
BP Australia	Business
CFKP	Business
Future Smart Strategies	Business
NOX Energy	Business
Royal Automobile Club of WA	Motoring insurance
Royal Automobile Association of SA	Motoring insurance
Royal Automobile Club of Victoria (RACV)	Motoring insurance
Royal Automobile Club of Queensland (RACQ)	Motoring insurance
NRMA	Motoring insurance
AANT Salary Packaging	Novated lease and/or salary packaging
CarBon Leasing & Rentals	Novated lease and/or salary packaging
Inside Edge Novated Leasing and Novafleet	Novated lease and/or salary packaging
Kooya Salary Packaging	Novated lease and/or salary packaging
millarX	Novated lease and/or salary packaging
Positive Salary Packaging	Novated lease and/or salary packaging
WhipSmart EVs	Novated lease and/or salary packaging
Polestar Automotive Australia	Car manufacturer
Ford Motor Company of Australia	Car manufacturer
Mitsubishi Motors Australia	Car manufacturer
Hyundai Motor Company Australia	Car manufacturer
Australian Automobile Association	Community/Not-For-Profit group
Australian Electric Vehicle Association	Community/Not-For-Profit group
Climate Council of Australia	Community/Not-For-Profit group
Climateworks Centre	Community/Not-For-Profit group
Solar Citizens	Community/Not-For-Profit group
Tesla Owners Club of Australia Incorporated	Community/Not-For-Profit group
Climate Change Authority	Government
Productivity Commission	Government
Victorian Department of Transport and Planning	Government
Grattan Institute	Policy/research institute/university
UTS Institute for Sustainable Futures	Policy/research institute/university
Rewiring Australia	Policy/research institute/university
Australian Automotive Dealer Association	Peak body

Name of organisation	Type of organisation
Australian Energy Council	Peak body
Australian Finance Industry Association	Peak body
Australian Council of Social Service	Peak body
Business Council of Australia	Peak body
Chartered Accountants Australia and New Zealand	Peak body
Electric Vehicle Council	Peak body
Federal Chamber of Automotive Industries	Peak body
Institute of Public Accountants	Peak body
Motor Trades Association of Australia	Peak body
Motor Trades Association Group	Peak body
National Automotive Leasing and Salary Packaging Association	Peak body
National Tax and Accountants' Association	Peak body
Smart Energy Council	Peak body

Roundtable discussions

The Review held 4 roundtable discussions with the following 26 stakeholders.

Amber Electricity	Motor Trades Association NSW
Australian Automotive Dealer Association	National Automotive Leasing and Salary Packaging Association
Australian Electric Vehicle Association	Origin Energy
BYD Automotive	Polestar Automotive Australia
Dr Anna Mortimore, Griffith University	Productivity Commission
e61 Institute	Rewiring Australia
Electric Vehicle Council	Smart Energy Council
Federal Chamber of Automotive Industries	Solar Citizens
Ford Motor Company of Australia	Tesla
Grattan Institute	Toyota Motors Corporation Australia
Hyundai Motor Company Australia	Victorian Automotive Chamber of Commerce
Magenta Advisory	Volvo
Mitsubishi Motors Australia	Zeekr Australia

A5 Scope of the ECD import tariff exemption

Most EV imports into Australia (over 90% in 2025) are duty-free as a result of free trade agreements (FTAs).[100] The remaining imports from non-FTA partners were subject to an applied tariff rate of 5%, based on the World Trade Organisation's most-favoured nation principle.[101]

This finding was obtained through Treasury analysis of Department of Foreign Affairs and Trade data. The Review looked at the respective partner country and import volume for both BEVs and PHEVs. The relevant tariff classification codes, as classified by the Australian Border Force, are listed below:

- Other vehicles, with both spark-ignition internal combustions piston engine and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power (8703.60)
- Other vehicles, with both compression-ignition internal combustions piston engine (diesel or semi-diesel) and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power (8703.70)
- Other vehicles, with only electric motor for propulsion (8703.80).[102]

100 This estimate is based on FTAs that were in effect as of December 2025. Consequently, it does not reflect the conclusion of negotiations for the Australia-EU FTA.

101 WTO | Understanding the WTO - principles of the trading system

102 Australian Border Force current tariff classification schedule, Chapter 87