



Insurance Council
of Australia

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Department of Climate Change, Energy, the Environment and Water
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To whom it may concern,

National Electric Vehicle Strategy: consultation paper

The Insurance Council of Australia (**Insurance Council**)¹ welcomes the opportunity to provide a submission to the Department of Climate Change, Energy, the Environment and Water regarding the National Electric Vehicle Strategy. We commend the Federal Government's decision to create a national strategy for electric vehicles, a much-needed policy to help guide the transformation of Australia's transport sector in the decades to come. In general, we support policies that will increase electric vehicle uptake, accompanied by renewable energy generation, to reduce greenhouse gas emissions and address climate change.

Transport is Australia's third largest and fastest growing source of greenhouse gas emissions.² Electrification of Australia's transport sector, including the electrification of passenger and commercial vehicles, will play an important role in decarbonising our economy. Insurers are working to reduce emissions across their operations, investments, underwriting and supply chain, and a faster transition to electric vehicles in Australia will facilitate faster decarbonisation. Insurers and governments can work together on a variety of policies to accelerate this transition.

This submission outlines a range of areas that the ICA believes should be considered as part of this strategy to ensure it makes the energy transition as seamless and affordable as possible.

Electric vehicle repairs and creating a domestic supply chain

Recommendation: Support the development of an electric vehicle supply chain in Australia

The ICA welcomes measures announced in the budget to increase electric vehicle uptake, including the establishment of the Driving the Nation Fund for electric vehicle charging, the Electric Car Discount and a commitment to ensure government fleet purchases and leases will be 75 per cent electric by 2025.³

Australia's slow uptake of electric vehicles has created significant challenges for insurers. Insurers repairing electric vehicles after accidents in Australia face a number of hurdles and repair costs can be higher for electric vehicles in comparison to internal combustion engine (ICE) vehicles for a range of reasons (outlined below). The challenges surrounding repair of electric vehicles in Australia and the

¹The Insurance Council is the representative body of the general insurance industry in Australia and represents approximately 95% of private sector general insurers. As a foundational component of the Australian economy the general insurance industry employs approximately 60,000 people, generates gross written premium of \$59.2 billion per annum and on average pays out \$148.7 million in claims each working day (\$38.8 billion per year).

² Climateworks. Net Zero Tracker, Transport: <https://www.climateworkscentre.org/wp-content/uploads/2020/06/Net-Zero-Tracker-Transportation-Sector-Report-June-2020.pdf>

³ Budget October 2022-23, Budget Strategy and Outlook. https://budget.gov.au/2022-23-october/content/bp1/download/bp1_2022-23.pdf

fact that the industry is relatively nascent, creates challenges for insurers and has flow-on effects for consumers.

In some cases, these challenges can also be reflected in the insurance premiums of electric vehicles. Whilst there are many factors that insurers consider when calculating a premium, including but not limited to the type of cover and excess chosen, the location where the car is stored overnight or during the day, the age of the driver, the driving record and insurance history of the drivers, the type of vehicle being insured and the intended use of the vehicle (such as private or commercial use), supply chain issues are also one of the factors that are taken into account.

There is also a shortage of electric vehicle parts in Australia requiring more expensive imports which can result in delayed repairs. This problem is made worse by the variety of models in Australia which use parts that are not interchangeable. There is also a shortage of repair centres with the specialist skills required to fix electric vehicles, in some cases requiring vehicles to be transported long-distances to be repaired. This problem is particularly acute in regional areas, where one workshop is unlikely to be able to repair all of the different electric vehicle models.

Repairing electric vehicles requires a different skillset to repairing ICE vehicles and given the immature nature of the electric vehicle market, this has resulted in a shortage of qualified technicians. Some electric vehicle manufacturers have also set unique repair requirements for vehicle repair which can create additional delays. Moreover, processes for undertaking the testing, evaluation and recertification of second-hand batteries need further development, especially for batteries with an unknown history. Both consumers and insurers need to understand the expected life of the battery in their vehicle, as well as the real-time health of the battery in a car they are purchasing or insuring. When this information is not available, it can be a barrier to purchasing and insuring these vehicles.

Batteries also require specialised processes for replacement and disposal. Government should collaborate with insurers to define best practice for battery disposal to minimise risk and maximise safety.

Many of these challenges could be alleviated if a strong electric vehicle supply chain is developed in Australia, from battery manufacturing, maintenance and repairs, through to improved end of life processes. Developing stronger domestic manufacturing capabilities in Australia would help to reduce reliance on imported parts, while strengthening end of life processes, including expanding the domestic battery recycling industry, would reduce waste and environmental impacts.

This would improve the experience for consumers when they need to get their vehicle repaired or replaced and increase consumer choice.

Strengthening technical skills

Recommendation: Invest in training and upskilling workers for electric vehicles

To support the transition to electric vehicles, there is an urgent need for governments to fill the skills gap. This is a long-standing problem, but it has been made worse by the skills shortage affecting the Australian economy in recent times.⁴ Federal and state governments should work with TAFE and other training providers to prioritise and fund micro-credentials in electric vehicle repair to assist in upskilling existing mechanics. Electric vehicle repair should also be added to state-based training programs for

⁴ Deloitte (2019) New markets. New entrants. New challenges. <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/manufacturing/deloitte-uk-battery-electric-vehicles.pdf> ; Motor Trades Association of Australia (2021) Directions in Australia's Automotive Industry. https://yaffa-cdn.s3.amazonaws.com/yaffadsp/files/dmfile/2021-directions-in-australias-automotive-industry_pp.pdf

school leavers. This training should be subsidised to encourage uptake. More generally, policies should be considered to attract and encourage more workers into the motor trades sector.

It is vital this issue is addressed at a national level in the immediate term to ensure Australia is prepared for a surge in electric vehicles on the road in coming years. Technicians also need improved access to essential information on all electric vehicles in Australia to enable them to be safely repaired. Currently, this information is not always made available, limiting repair options.

Home vehicle charging

Recommendation: Improve national take up and coordination of electric vehicle charging infrastructure

There has been substantial investment in public charging infrastructure in recent years. While this needs to continue, the policy framework for home charging requires further development. Government policy should support retrofitting electric vehicle charging infrastructure into existing housing and future-proofing new housing by ensuring all new builds are EV-ready.

There can be technical challenges to installing vehicle chargers in existing properties, especially apartments and houses with no off-street parking. Retrofitting the infrastructure necessary to make existing housing EV-ready is also much more expensive than incorporating it into building construction in the first place.⁵

There has been progress on ensuring that new builds are EV-ready, with the adoption of the National Construction Code 2022 requirements for new apartments. Extending these requirements to other building classifications will go some way towards future-proofing new builds.

There are also live questions regarding which type of insurance is most appropriate to cover electric vehicle charging infrastructure in the home (e.g. motor or home insurance). Consultation with key industries, including insurers, regarding the potential risks and new opportunities created by these upgrades will be important to ensure a smooth transition.

All charging infrastructure should be built to ensure resilience to extreme weather events. Flooding, cyclones and other weather events could damage charging infrastructure and may take a long time to safely repair, impacting mobility in the aftermath of disasters especially in regional areas.

Consideration should also be given to understanding how greater uptake of electric vehicles will impact risks for other road users, including risks to pedestrians and cyclists who often rely on engine noise to identify the presence of vehicles.

Incentivising businesses to invest in electric vehicles

Recommendation: Incentivise businesses to electrify their vehicle fleets

Improving the supply of electric vehicles in Australia is contingent on expanding the second-hand market. Expanding the second-hand market for passenger cars will increase availability of cheaper vehicles, enabling a wider range of potential buyers access to an electric vehicle.

This requires recognition of the importance of corporate car fleets and consideration of incentives. Insurers often have large vehicle fleets consisting of primarily passenger and light commercial

⁵ McKinsey (2021) How charging in buildings can power up the electric-vehicle industry. <https://www.mckinsey.com/industries/electric-power-and-natural-gas/our-insights/how-charging-in-buildings-can-power-up-the-electric-vehicle-industry>

vehicles, with a smaller number of heavy commercial vehicles. This can include company car fleets but also roadside assist vehicles, including vehicles owned by insurers as well as those owned by contractors. Emissions from these sources can be substantial. Assisting businesses to electrify their fleets will increase electric vehicle demand, reduce emissions and accelerate the availability of cheaper vehicles in the second-hand market.

Increasing second-hand vehicle supply will also be faster with reforms to written-off vehicle laws. Currently, in some states, vehicles that are written-off as a loss are not able to get back on the road, even when it is possible for the vehicle to be repaired. This is unnecessarily reducing the supply of second-hand vehicles. These laws are primarily in place at the state level but there should be a national effort to reform these laws. To ensure these repaired vehicles meet the expected safety standards, the regulation of the repairs and the inspection regime needs to be strengthened. An enhanced repair and inspection regime also needs to address the particular and specific needs of electric vehicles, as well as the needs of ICE vehicles.

Policy should also encourage electric light and heavy commercial vehicle uptake, which is currently heavily constrained by the lack of models available in Australia. Light commercial vehicles and rigid trucks also produce 17% and 9% of Australia's transport emissions respectively, yet there is no national policy to encourage electric vehicle purchases for businesses.⁶ A rebate or taxation concession scheme would encourage Australian businesses to replace ageing commercial vehicles and trucks with more efficient electric alternatives, reducing long-term operating costs and emissions. This would help to overcome the currently high purchase price of these types of vehicles, which is a major barrier to stronger uptake, especially for smaller businesses with lower margins. An element of this rebate scheme could be for companies to buy an electric vehicle to replace a commercial ICE vehicle that has been written-off.

Climate resilience use of electric vehicles

Recommendation: Support the development and application of Vehicle to Grid and Vehicle to Infrastructure in Australia for use in climate disaster and other extreme weather events

A range of electric vehicles have demonstrated technical capacity to provide emergency electrical power. Private vehicles in homes and commercial vehicles, including emergency services vehicles, could all play a role in supporting key infrastructure when there is a loss of electrical power. Developing and promoting technical regulations and appropriate operating procedures will be important to maximise the opportunities and minimise risks.

We trust that our initial observations are of assistance. If you have any questions or comments in relation to our submission please contact Alix Pearce, Senior Manager, Climate Action
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Yours sincerely,



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⁶ Department of Industry, Science, Energy and Resources (2021) Australia's emissions projections 2021.
https://www.dcceew.gov.au/sites/default/files/documents/australias_emissions_projections_2021_0.pdf