Australian
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DON'T STALL THE TRANSITION: AFIA URGES POLICY CERTAINTY AS RECORD EMISSIONS DROP CONFIRMS MOMENTUM

The Australian Finance Industry Association (AFIA) has welcomed new national emissions data confirming Australia's emissions are continuing to trend downwards, reinforcing the importance of stable, long-term electric vehicle (EV) and transport policy settings.

New data released in the National Greenhouse Gas Inventory Quarterly Update: September 2025 shows Australia's emissions fell by 8.5 million tonnes over the year to September 2025, representing one of the fastest annual declines outside the COVID period and bringing emissions to 27.4 per cent below 2005 levels.

The results mark the first decline in transport emissions since the pandemic, alongside record renewable generation in the electricity grid and continued growth in EV uptake.

AFIA CEO Diane Tate said the data demonstrates Australia's transport transition is underway but remains at a critical, early stage.

"The latest emissions data confirms transport emissions have declined for the first time since COVID, reflecting growing consumer uptake of lower-emissions vehicles," Ms Tate said.

"But this transition is still fragile. Although slightly down from last year, emissions from transport makes up 22.6% of all emissions, so a focus on transport remains a national priority. Real action and results in our net-zero transition depends on policy stability and sustained consumer confidence."

Earlier this month, the NVES Regulator reported that 12 per cent of covered vehicles under the New Vehicle Efficiency Standard (NVES) in 2025 were zero-emissions, with more than 620,000 vehicles entered into the system between July and December.

At the same time, new EV sales have more than tripled over the past three years, now accounting for 13.1 per cent of new car sales in 2025.

AFIA-commissioned research conducted by Pyxis Polling & Insights shows Australians remain divided on their next vehicle purchase. Almost four in ten (39%) say they are likely to choose an electric or hybrid vehicle, while 46% indicate a preference for an internal combustion engine.

The research also highlights a significant risk to consumer confidence: more than one in three Australians (37%) say they would be less likely to purchase an electric vehicle if the Government removed the current Fringe Benefits Tax (FBT) exemption.

“The emissions figures show we are moving in the right direction. Regulation is influencing supply, renewables are lowering grid intensity, and more Australians are choosing cheaper-to-run cars,” Ms Tate said.

“But consumer demand is highly responsive to policy settings. Removing the EV FBT exemption now would risk slowing momentum at precisely the time the data shows progress is accelerating.”

AFIA’s submission to Treasury’s statutory review of the Electric Car Discount reinforces that the FBT exemption has been Australia’s most effective demand-side measure to support EV uptake and stimulate the development of a second-hand EV market.

With transport emissions only just beginning to decline and zero-emissions vehicles still representing a minority of the total fleet, AFIA is calling on the Government to maintain stable EV incentives, align supply-side and demand-side measures, and provide long-term policy certainty to ensure Australia remains on track to meet its 2030 climate commitments.

AFIA recommends:

1. Maintaining the FBT exemption for EVs and re-introduce the FBT exemption for plug-in hybrids, giving flexibility for novated leasing and fleets.
2. Introducing upfront discounts and adjusting the luxury car tax (LCT), giving incentives for those wanting to purchase and own their vehicle.
3. Fast-tracking deployment of charging infrastructure, via public and public-private partnership investment and integration of vehicle, charging and household/business energy management.
4. Doubling down on public-private partnerships, such as through the Clean Energy Finance Corporation (CEFC).

“The trajectory is positive, but the transition is not yet self-sustaining. We need strong policy signals, and a package of interrelated national policies and programs,” Ms Tate said.

“Stability, not policy disruption, is what will lock in lower emissions, stronger consumer confidence and a smoother pathway to cleaner transport.”

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ABOUT AFIA

AFIA is the only peak body representing the entire finance industry in Australia.

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry.

We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators, and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future.

We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.