Modelling shows Electric Car Discount could halve vehicle emissions if continued to 2035

New research shows that keeping the Electric Car Discount in place for a decade could halve vehicle emissions compared with ending the policy earlier, whilst tripling value for money through health, environmental and economic benefits.

Independent modelling by Magenta Advisory and Pragmatic Policy Group (PPG) has found continuing the Fringe Benefit Tax (FBT) exemption for battery electric vehicles (BEV) and reinstating it for plug-in hybrids (PHEV) would likely contribute 50 per cent fewer carbon emissions. This is compared to a scenario where the discount ends in 2027.

The research also estimates that every $1 spent on the EV Discount has delivered $2.25 in environmental, economic and health benefits - a return that is expected to rise to $3 by 2030.

Commissioned by the Electric Vehicle Council (EVC), the National Automotive Leasing and Salary Packaging Association (NALSPA) and the Australian Finance Industry Association (AFIA), the research also found:

- The EV Discount is estimated to have placed an extra 105,500 new BEVs and PHEVs on Australian roads between 2022 and 2024.
- Since Q1 2022, used EV sales have increased by 157%, with 61,000 EVs entering the second-hand market - this would be much smaller without the exemption.
- If the EV Discount continues for BEVs and returns for PHEVs until 2035, it could deliver an additional 1.5 million new BEVs, 200,000 new PHEVs, and 870,000 used EVs.
- In every country with strong EV uptake, governments have paired demand-side incentives with supply-side measures over a sustained period of time.
- The top 10 postcodes for EV novated lease sales are in the outer suburbs of Melbourne, Sydney, and Brisbane, averaging 44 km, 37 km, and 31 km from their city centres respectively.

The findings will form the basis of the EVC's, NALSPA's and AFIA's evidence to the Productivity Commission with submissions to its net zero transformation interim report closing today.

Electric Vehicle Council CEO Julie Delvecchio said: "This modelling shows the Electric Car Discount has already put 105,500 new EVs on the road and boosted the used EV market - a real win for Aussie families who want to make the switch and save on fuel.

"Keeping this support until 2035 and bringing back plug-in hybrids into the scheme could deliver hundreds of thousands more new and second-hand EVs, making them affordable for more households, including young people and lower-income families.

“When more Australians can afford an EV, we all benefit. Quieter streets, cleaner air, and healthier neighbourhoods are the ripple effects of a strong EV market.

“With transport on track to be Australia’s largest emitting sector, incentives like the EV Discount are critical to hitting our climate goals. Every new vehicle purchased today locks in another fuel guzzler or a cleaner car for decades to come.”

NALSPA chief executive Rohan Martin said: “Australia’s EV uptake is rising thanks to the EV Discount, but we still trail global leaders. This research confirms that every country with strong EV adoption has paired buyer incentives with supply measures - clear proof that continuing government support through the EV Discount is vital to keep momentum and grow the market.

“The modelling shows the EV Discount is making the switch within reach for everyday Australians and boosting the supply of affordable second-hand EVs. The Electric Car Discount has been helping tens of thousands of everyday working Australians afford the upfront cost of an electric vehicle, and once they’re behind the wheel, they’re saving thousands each year on running costs.

“From Werribee and Baulkham Hills to Springfield and beyond, the Electric Car Discount is popular with families on middle incomes who live in the outer suburbs. Teachers, nurses, and firefighters all tell us that they wouldn’t have made the switch without the Discount.”

AFIA chief executive officer Diane Tate said: “The EV Discount is a proven policy that's driven real change by helping over 100,000 Aussies get behind the wheel of vehicles that are cleaner, cheaper to run and increasingly affordable.

"To make cleaner vehicles accessible for all Australians and stay on track for net zero, we need a suite of national policies that are proven to deliver such as upfront discounts, fast-tracked charging infrastructure and stronger public-private partnerships like those with the CEFC. Now is the time to double down, not pull back. In fact, we shouldn’t just be continuing our support for the EV Discount, we should bring it back for plug-in hybrids – these vehicles are really popular, especially as Australia lags on our charging infrastructure.

“The finance industry is already doing the heavy lifting to fund Australia’s transition, but we can’t do it alone. Without clear, consistent, and future-focused policy from government, we risk stalling just as momentum is building.”

The report can be accessed here and key findings can be found here.

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