RAC submission to the Statutory Review of the Electric Car Discount

February 2026

For the better

10 February 2026

Australian Centre for Evaluation, Treasury,
and the Department of Climate Change, Energy, the Environment and Water

RAC WA response to the statutory review of the Electric Car Discount

We thank the Australian Centre for Evaluation within The Treasury, and the Department of Climate Change, Energy, the Environment and Water (DCCEEW) for the opportunity to provide feedback into the review of the Electric Car Discount.

Our submission focuses on the need to continue impactful financial incentives given the importance of making EVs more affordable and attractive to purchase. We share valuable insights drawn from the RAC Member Priorities Tracker - a regular survey of member opinion. The RAC Member Priority Tracker data is weighted to ensure it reflects our membership profile and remains broadly representative of the Western Australian community. The longitudinal data from the tracker captures the latest opinions and evolving attitudes over time, providing a rich understanding of trends specific to Western Australia to inform the effectiveness of the Electric Car Discount and future policy design.

About RAC

RAC is a purpose-led member organisation and since our foundation 120 years ago, RAC has existed to be a driving force for a Better WA. As a voice for our more than 1.3 million members, we work collaboratively with government, industry, our members and all Western Australians to champion change that will deliver safer, sustainable and connected communities – this is our 2030 vision.

RAC's social and community impact activities seek to:

- reduce the number of people being killed or seriously injured on our roads;
- lower vehicle emissions for cleaner, healthier air; and
- ensure well planned communities and transport that better connect people and places.

Maximising EV adoption is crucial to lowering vehicle emissions for cleaner, healthier air. Every petrol or diesel car replaced by a low or zero emissions vehicle, particularly a battery electric vehicle (BEV), immediately eliminates nitrogen oxides (NO_x) and carbon dioxide (CO_2) emissions from the tailpipe. In a WA context, the lifecycle carbon dioxide emissions of a BEV are already 55 per cent lower than a petrol vehicle,[1] making EV uptake an important contributor to Australia's emissions-reduction targets.

Reducing NO_x has significant public health benefits. In 2015, air pollution related health costs from transportation emissions were estimated at $9.2 billion for the Australian economy.[2] Policies that accelerate EV uptake deliver cumulative emissions reductions, meaning the earlier these vehicles enter the fleet, the greater the long-term benefits.

Beyond emissions, EV adoption delivers additional co-benefits. Bi-directional charging and vehicle-to-grid technologies can support grid stability as renewable energy penetration grows. Over time, shifting away from imported petrol and diesel also strengthens Australia's energy security. Effective policy design can ensure Australia captures these environmental, health, security, and economic benefits.

Effectiveness of the discount

In the RAC Member Priorities Tracker survey on sustainability, respondents are asked: "Are there any barriers preventing you from purchasing a full electric vehicle?" In 2023, 62 per cent of respondents selected cost as a barrier, falling to 49 per cent in 2024 and 46 per cent (of the 342 respondents) in 2025.[3] This downward trend coincides with the introduction of FBT and tariff exemptions, suggesting these measures may have played a role in reducing upfront cost concerns for earlier adopters. Yet, cost still remains a material concern for nearly half of respondents. These findings are also in line with a 2025 survey of over 8,600 fleet decision-makers from 30 countries (including 300 from Australia). The top challenge to electrifying fleets identified by Australian respondents was purchase price at 52 per cent.[4]

When it comes to consumer perception, cost and purchase price of EVs is still considered a key barrier.

Role of the tax exemptions compared to other factors

The decline in cost as a barrier to EV uptake cannot be attributed to the Electric Car Discount alone. Several complementary factors have amplified the policy's effectiveness, and in particular those outlined below.

Vehicle Prices:

- Australia's EV market is growing rapidly, driven by competitively priced Chinese models.[5]
- As of December 2025, some China made BEVs have reached price parity or undercut the cost of internal combustion engine (ICE) vehicles, helping to remove cost as a barrier.[6]

Charging Infrastructure:

- WA's charging network expansion, including the RAC Electric Highway®[7] and WA EV Network[8], has been a key enabler of EV uptake, by addressing range anxiety.

Model Availability and the New Vehicle Efficiency Standard (NVES):

- The diversity of EV models has improved markedly, with BEV options increasing from 40 to 94 and plug-in hybrid EVs (PHEVs) from 30 to 59 since NVES inception.[9]

- Greater choice strengthens market appeal and improves the impact of fiscal incentives by meeting varied consumer needs.

State incentives:

- State incentives such as WA's Zero Emissions Vehicle Rebate, helped ease cost barriers for WA households, reinforcing the combined effect of national and state measures. This WA incentive ended in May 2025, leaving the FBT as the sole purchase subsidy for EVs.

While multiple reinforcing developments have lowered cost as a barrier to EV uptake, ensuring affordability and attractiveness remains crucial at this critical phase of uptake.

Eligibility criteria and vehicle types

Policy design must balance the trade-off between maximising abatement in emissions per vehicle and maintaining broad consumer participation during the early transition.

Incentivising BEVs should be the highest priority, as they deliver the greatest emissions abatement per vehicle type. Modelling by Aurecon shows only BEVs and Fuel Cell EVs (FCEVs) have the potential to come close to the magnitude of life cycle CO_2-e reductions from cars needed to meet Australia's climate commitments[10]. However, PHEVs play an important bridging role in reducing emissions, offering a smaller but meaningful contribution toward Australia's reduction targets while battery electric and fuel cell technologies mature and charging infrastructure expands. This is particularly relevant in WA, where regional and long-distance travel remains common and range limitations for BEVs are still a practical concern. The lifecycle emissions of PHEVs on the main WA grid are still lower than a comparable petrol vehicle by 43 per cent.[11] The RAC Member Priorities Tracker 2025 survey data finds cost as the top barrier for PHEV purchases at 38 per cent of 379 respondents, highlighting that financial measures remain critical. PHEV sales, while accelerating,[12] still only account for 4.7 per cent of new vehicle sales in Australia[13] and more needs to be done to materially shift the market.

While BEVs deliver higher emissions reductions per unit, including incentives for PHEVs ensures households and fleets remain active in the transition rather than opting for ICE vehicle purchases. This is particularly important in regional WA where long-distance travel can constrain BEV uptake due to the lack of charging infrastructure.

Future of the Electric Car Discount: The Need for Ongoing Robust Fiscal Incentives

In December 2025, the Productivity Commission provided a recommendation to phase out the FBT exemption.[14] The reason provided was policy overlap with the NVES, noting that the FBT exemption would free up government resources for more cost-effective emissions reduction measures.

The NVES and FBT exemption are complementary, not duplicative. NVES drives supply by ensuring EVs and efficient vehicles enter the market, while the FBT exemption stimulates EV

demand by improving affordability. Without the FBT exemption or other financial incentives, supply may increase, but demand could lag if barriers are not addressed, including purchase price. Continuing financial incentives for EVs, is critical to achieving Australia's emissions reduction goals and supporting market transformation. If the review concludes that the Electric Car Discount should end, it will be important to introduce an alternative demand side incentive to maintain policy momentum, particularly during this early adoption phase. International experience shows that mass EV adoption requires sustained incentives.[15] For example, New Zealand was a leader in EV uptake until the Clean Car Discount (an EV rebate) ended in December 2023 (Figure 1). Removing incentives abruptly risks slowing adoption and undermining emissions targets.

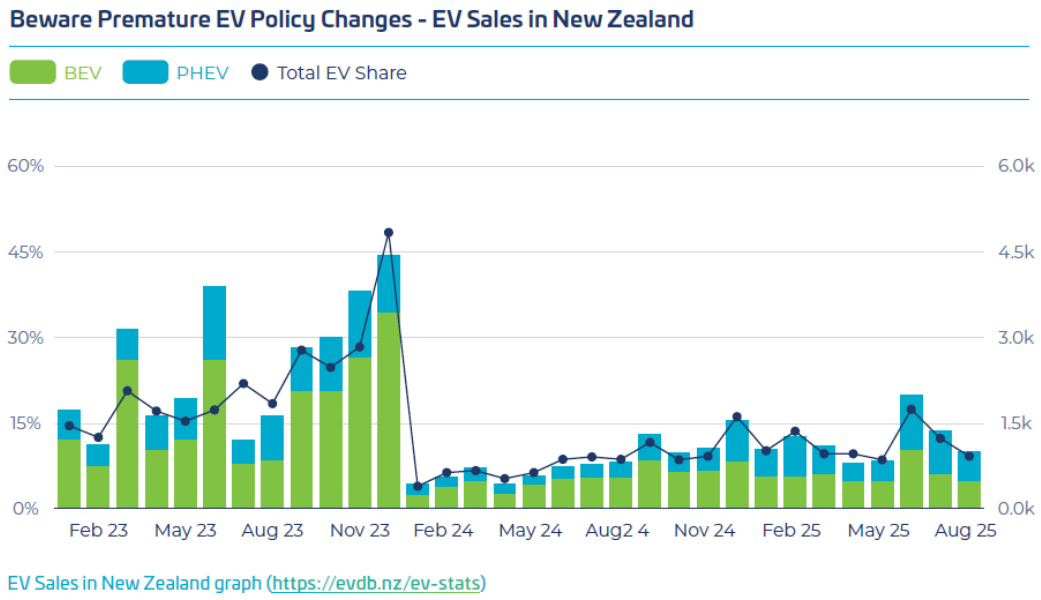

Figure 1: EV sales in New Zealand. Source: Electric Vehicle Council 2025.[16] The Clean Car Discount ended in December 2023.

If the FBT exemption was to be removed, transitional protections such as a phased or criteria based tapering approach would help avoid market disruption. An abrupt removal could trigger a rapid sell off of company fleet vehicles, flooding the second-hand market. This oversupply could likely depress resale values and erode consumer confidence. Linking tapering to clear indicators, such as average EV-ICE price parity, EV level of market saturation (new and used), charging infrastructure coverage, or fleet age thresholds (e.g. restricting the FBT exemption to vehicles under 5 years old), may provide a smoother transition. The government could also preserve the exemption for a limited time for existing EVs and lease agreements.

An alternative incentive would need to replace the critical role currently played by the FBT exemption and stimulate demand for both new and used EVs. The FBT exemption drives accelerated fleet turnover by encouraging businesses and employees to lease EVs through salary packaging and corporate fleet programs. This brings newer, lower emissions vehicles into the

market more quickly, delivering immediate emissions reductions. Crucially, this accelerated turnover also strengthens the second-hand EV market. As fleet vehicles are cycled out after 3 to 5 years[17], they become more affordable options for households that cannot, or do not want, to purchase new EVs. A steady supply of reasonably priced used EVs is essential for broadening access.

The majority of RAC members purchase their vehicle second hand, (between 58 to 60 per cent from 2020-2024) and price was one of their top considerations.[18] Nationally, used car sales represented 65 per cent of total vehicle sales in 2024, reinforcing the importance of the second hand market.[19] Out of the RAC survey respondents that would consider a BEV for their next vehicle purchase, 53 per cent would consider both new and used, 45 per cent would consider only new, and 2 per cent only used. This suggests a strong preference for new EVs, but also highlights an opportunity to grow confidence and supply in the used EV market.

Beyond Price Signals: The Case for Complementary Policies

RAC Member Priorities Tracker data shows that while financial incentives should be maintained for affordability, they must be complemented by targeted strategies addressing technical and infrastructure barriers. Barriers that remain prominent are: battery life (48 per cent), range anxiety (44 per cent), battery fires (42 per cent) and access to public charging infrastructure (37 per cent) (see Figure 2).

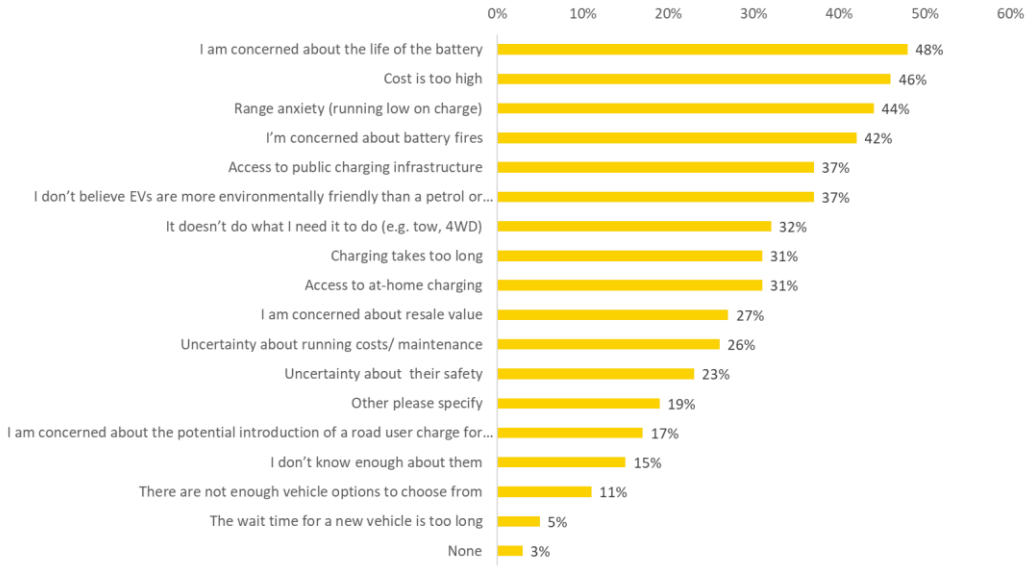

Figure 2: RAC Member Priorities Tracker. Respondents were asked "Are there any barriers preventing you from purchasing a full electric vehicle?" (342 respondents)

For PHEVs, the top barriers to purchase are all within a narrow range (33 to 38 per cent), suggesting the need for a range of policy support (see Figure 3). The four prominent barriers beyond purchase price are: environmental scepticism; access to public charging infrastructure;

battery life; and battery fires. Interestingly, access to public charging infrastructure remains a major barrier for PHEVs, despite their ability to operate on fuel for longer trips. Public EV charger role out is critical for both BEV and PHEV technology.

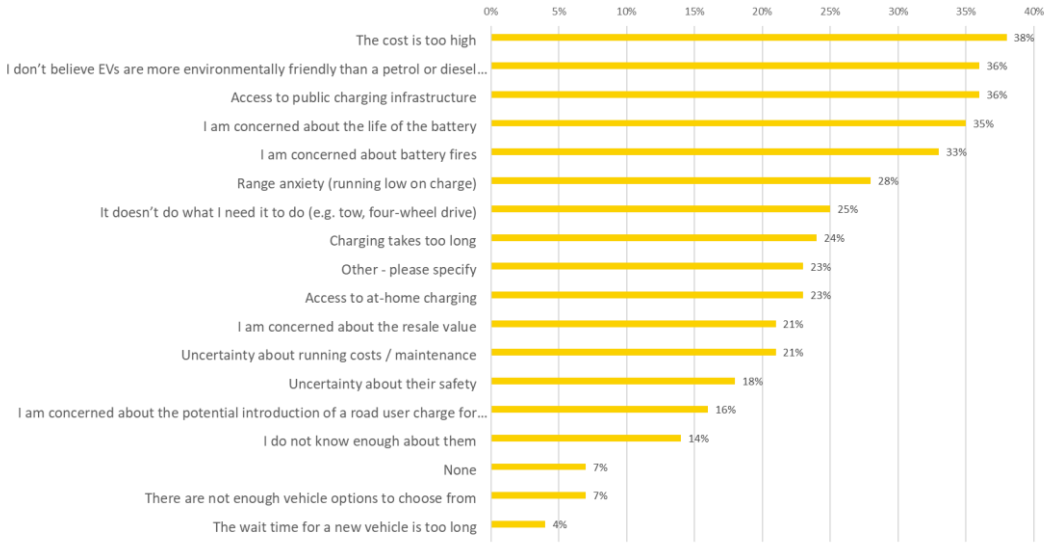

Figure 3: RAC Member Priorities Tracker. Respondents were asked "Are there any barriers preventing you from purchasing a plug-in hybrid vehicle?" (379 respondents)

Survey responses also reveal clear trigger points that would bring forward EV ownership. When respondents were asked "Which of the following, if any, would make you bring forward your estimate of when your own personal vehicle is electric?" 55 per cent said they would switch when EV purchase prices match (or are less than) ICE vehicles (see Figure 4). Regional charging follows closely, with 47 per cent wanting more public chargers outside the Perth metropolitan area. A key learning from operating the RAC Electric Highway®, was the importance of not only investing in chargers but also in amenities that improve comfort and safety while waiting for an EV to charge. This includes lighting and CCTV, as well as access to facilities such as seating, shelters, bins and toilets, and is particularly important in remote locations where stopping to charge a vehicle also doubles as a rest stop for drivers.

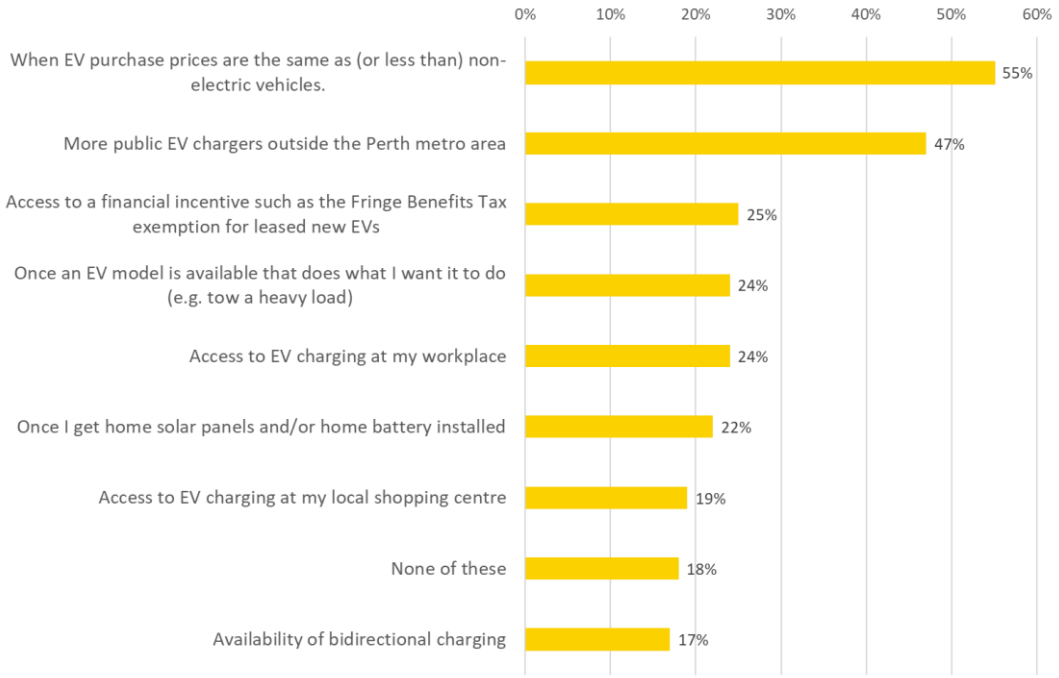

Figure 4: RAC Member Priorities Tracker 2025. Respondents were asked "Which of the following, if any, would make you bring forward your estimate of when your own personal vehicle is electric?" (212 Respondents)

One in four respondents indicated that access to financial incentives, such as the FBT exemption, would bring forward their decision to purchase an EV (Figure 4).

When RAC members were asked in 2025 what type of vehicle they would likely consider next, respondents showed a strong preference for low emission options:

Next Vehicle by Fuel Type	Percentage of Respondents
Hybrid (non plug-in)	41%
Petrol	31%
Full electric	28%
Diesel	25%
Plug-in Hybrid	18%
Undecided	6%

This distribution highlights that while there is growing interest in electrification, the majority of consumers are not yet ready to move directly to full electric vehicles. Policy should not only target new BEV and PHEV adoption but also address the barriers that keep non plug-in hybrid intenders from choosing an electric option, e.g. range anxiety.

Overall, Western Australians see no silver bullet for cutting vehicle emissions. The following actions to reduce vehicle emissions consistently come out on top for members asked to nominate their top three: investing in improving public transport infrastructure and strengthening the electricity grid for renewables (both 24 per cent); incentives to purchase low emissions vehicles and investment in public EV charging infrastructure (both 21 per cent); and increased investment in research and introduction of alternative fuels (20 per cent, e.g. hydrogen and biomass).[20]

Distributional and equity considerations

The current FBT exemption provides meaningful affordability benefits but is limited in reach. This design produces distributional effects that exclude many households. **To maximise policy impact and ensure an equitable transition, the government could consider incentives that extend beyond the novated lease market.** For example, through lower-income loans,[21] targeting regional needs, those that drive the most, and the second-hand market.

Conclusion

Achieving Australia's emissions reduction goals and a successful EV transition requires more than any single incentive. RAC advocates for a coordinated, well sequenced policy approach that aligns with market maturity, avoids abrupt changes that undermine consumer confidence, and maximizes both emissions abatement and minimises household costs.

Front loaded affordability measures, such as tax exemptions, are critical in the early adoption phase to overcome capital cost barriers and market risk, supported by investment in charging infrastructure. As the market matures, policies that strengthen second hand market depth become increasingly important to sustain uptake and affordability.

Because incentives deliver wider public benefits through lower CO_2 and NO_x emissions, and because their effectiveness changes as the market matures, both factors should guide decisions about whether to continue, reform, or replace existing incentives.

Ultimately, the most impactful outcomes for emissions reduction, affordability, and economic resilience will come from a **comprehensive policy mix,** including financial incentives, regulatory measures like NVES, and a national plan for charging infrastructure.

RAC's Federal Budget Submission 2026-27, calls on the Australian Government to:

- Continue the Fringe Benefit Tax exemption for BEVs or a more impactful purchase incentive given the importance of making EVs more affordable to purchase;
- Continue to incentivise the broadscale rollout of fleet and/or public EV charging infrastructure (e.g. through ongoing ARENA funding); and
- Incorporate key amenities including lighting, CCTV and shelters into all charging stations on the National EV Charging Network.

To read more about RAC's policy and budget priorities, please visit: https://rac.com.au/about-rac/advocating-change/reports. RAC will shortly be commissioning work to explore and better understand electric vehicle consumer incentives in WA. We would welcome the opportunity to share insights from this research with the Treasury and DCCEEW on completion anticipated in May/June 2026.

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[1] RAC (2024). *Understanding the environmental impact of our vehicles*. Retrieved January 9, 2026, from: https://sitecore-prd-cdn.rac.com.au/-/media/files/rac-website/about-rac/public-policy/19609policy--researchenvironmental-impacts-of-vehicles-docebook.pdf (accessed 14 August 2025).

[2] Department of Climate Change, Energy, the Environment and Water. (2023). *Improving Australia's fuel and vehicle emissions standards: Final impact analysis*. Commonwealth of Australia. https://www.dcceew.gov.au/about/publications

[3] Please note that the question on barriers to EV purchase was asked of different respondent groups over the years, based on the type of vehicle they intended to purchase. This analysis uses the most comprehensive data set available.

[4] Fleet Auto News (2025). *ARVAL Fleet and Mobility Barometer 2025: Key Findings for Australia*. https://fleetautonews.com.au/arval-fleet-and-mobility-barometer-2025-key-findings-for-australia/

[5] BNEF (2025) *Electric Vehicle Outlook 2025*. Retrieved January 9, 2026, from https://about.bnef.com/insights/clean-transport/electric-vehicle-outlook/?utm_#overview

[6] AFMA (2025) *EV prices in Australia now rival ICE models*. https://afma.org.au/ev-prices-in-australia-now-rival-ice-models/

[7] RAC. (2025) *Electric Highway*. Retrieved January 9, 2026, from https://rac.com.au/about-rac/community-programs/electric-highwa. The RAC Electric Highway © was operational from 2015 to 2025.

[8] Synergy. (n.d.) *WA EV Network*. Retrieved January 9, 2026, from https://www.synergy.net.au/Our-energy/Projects/WA-EV-Network

[9] Electric Vehicle Council (2025) *State of Electric Vehicles 2025*. Retrieved January 9, 2026, from https://electricvehiclecouncil.com.au/state-of-evs-2025/

[10] Operating on WA's mixed grid, the life cycle emissions of BEVs are already lower than a comparable petrol vehicle by 55 per cent, and as the electricity mix continues to decarbonise, this gap will increase such that on a fully renewable grid, the emissions of a BEV would be 86 per cent lower. The life cycle emissions of a FCEV powered by green or grey hydrogen would be 83 per cent or 50 per cent lower on a petrol equivalent, respectively.
Source: RAC (2024). *Understanding the environmental impact of our vehicles*. Retrieved January 9, 2026, from https://sitecore-prd-cdn.rac.com.au/-/media/files/rac-website/about-rac/public-policy/19609policy--researchenvironmental-impacts-of-vehicles-docebook.pdf

[11] RAC (2024). *Understanding the environmental impact of our vehicles*. Retrieved January 9, 2026, from: https://sitecore-prd-cdn.rac.com.au/-/media/files/rac-website/about-rac/public-policy/19609policy--researchenvironmental-impacts-of-vehicles-docebook.pdf (accessed 14 August 2025).

[12] Federal Chamber of Automotive Industries. (2025, November 6). *Hybrids gain momentum in October market*. https://www.fcai.com.au/hybrids-gain-momentum-in-october-market/

[13] Federal Chamber of Automotive Industries. (2025, November 6). *Hybrids gain momentum in October market*. https://www.fcai.com.au/hybrids-gain-momentum-in-october-market/

[14] Productivity Commission (2025). *Investing in cheaper, cleaner energy and the net zero transformation*, Inquiry Report No. 113. Retrieved January 15, 2026, from https://assets.pc.gov.au/2025-12/net-zero.pdf?VersionId=24kY9x7Ou_YqHvzl0z25kQO11I298byU.

[15] Electric Vehicle Council (2025) *State of Electric Vehicles 2025*. Retrieved January 9, 2026, from https://electricvehiclecouncil.com.au/state-of-evs-2025/.

[16] Electric Vehicle Council (2025) *State of Electric Vehicles 2025*. Retrieved January 9, 2026, from https://electricvehiclecouncil.com.au/state-of-evs-2025/.

[17] "The popular replacement cycles for passenger vehicles are 36 months/90,000 km and 60 months/150,000 km for light commercial vehicles." Source: NRMA. (2024). *How long should you keep a fleet vehicle?* https://www.mynrma.com.au/business/news/how-long-to-keep-your-fleet-vehicles

[18] In 2025, 52 per cent bought their main vehicle new, but this may be an outlier due to a slight demographic skew of older respondents.

[19] AADA (2025) *Dealernomics, Automotive Statistics*. Retrieved January 9, 2026, from https://www.aada.asn.au/wp-content/uploads/2025/02/2025.02.06-AADA-Automotive-Statistics-2025-Final.pdf

[20] Results here are from the 2025 Member Priority Tracker Survey with 450 respondents.

[21] Such as the $150 million announced in 2024. Source: Australian Government (2024). *$150 million to make EVs more attainable to low- and middle-income Australians* [Media release]. Department of Climate Change, Energy, the Environment and Water. https://minister.dcceew.gov.au/bowen/media-releases/150-million-make-evs-more-attainable-low-and-middle-income-australians.