

E: Submitted via consultation webpage**RESPONSE TO THE PRODUCTIVITY COMMISSION INQUIRY INTO
AUSTRALIA'S OPPORTUNITIES IN THE CIRCULAR ECONOMY**

The Australian Automotive Dealer Association (AADA) welcomes the opportunity to submit a response to the Productivity Commission's Inquiry into Australia's Opportunities in the circular economy.

The AADA is the peak automotive industry body representing Australia's franchised car and truck Dealers. There are 3,179 new vehicle dealerships in Australia employing more than 61,000 people directly, including around 5,500 apprentices, and generating \$73.9 billion in turnover and sales with a total economic contribution of over \$18 billion.

The AADA is supportive of the circular economy principles outlined in the paper. Australia's transport sector is the third largest source of greenhouse gas emissions, accounting for around 21% of national emissions as of 2023.¹ As a result, the automotive industry is rapidly progressing towards electrification in an attempt to achieve Australia's net zero commitments by 2050. While transitioning to Battery Electric Vehicles (BEVs) is a crucial step in reducing emissions, it only considers direct emissions released from the vehicles, also known as tailpipe emissions. However, this only considers the linearity in economic production. In order to move towards a circular economy ensuring improved materials productivity and higher economic growth, it is essential to consider the entire lifecycle of these vehicles - from production to disposal, including battery recycling.

Battery recycling and reuse will form a key component of the Australian circular economy as we move towards decarbonising our sectors. An explainer developed by the Electric Vehicle Council in collaboration with the Association for the Battery Recycling Industry (ABRI) outlined the contribution of electric vehicle (EV) batteries towards sustainability while highlighting the significance of end-of-life management of EV batteries. Reusing materials from end-of-life batteries to produce new batteries emit 38% lower greenhouse gas emissions compared to those produced from virgin materials.² Responding to the anticipated increase in global demand for batteries - from 700 GWh in 2022 to around 4700 GWh by 2030 - the Australian government is

¹ <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/towards-net-zero-transport-and-infrastructure#:~:text=Australia's%20transport%20sector%20is%20the,of%20national%20emissions%20in%202023.>

² <https://electricvehiclecouncil.com.au/wp-content/uploads/2023/11/20231129-Batteries-ABRI-and-EVC-Collaboration.pdf>

making significant efforts towards battery innovation and storage as highlighted by the recent \$4 million Government investment to support the development of advanced lithium-ion batteries with higher energy density, driving down costs, reducing weight, and extending EV driving range.³

Franchised new car dealers are actively involved in managing end of life EV batteries in collaboration with the Original Equipment Manufacturers and has previously engaged in consultations looking at the development of an EV battery stewardship scheme in Australia. The AADA considers that encouraging manufacturers, importers, and distributors to take responsibility for EV batteries is vital to achieving cost-efficient emissions reduction.

Australia's vast network of automotive Dealers are at the forefront of consumer interaction and are generally the first point of call for consumers when seeking to have their vehicles repaired and serviced. Dealers are going to play a key role in EV battery recycling and management programs due to their ongoing relationship with EV consumers through their repair and service functions. Therefore, it is important while developing programs and regulations to manage end-of-life pathways for EV batteries, that Dealers are involved to ensure solutions are practical and workable for industry.

Countries across the world including the US, EU and China have made significant strides towards battery recycling and automotive circularity, with the EU launching Digital Battery passports for greater transparency, promoting the increased use of recycled materials and employing economic incentives such as the Carbon Border Adjustment Mechanism for broader reductions in carbon leakage through imposition of fees on carbon-intensive imports. Similarly, China, as one of the largest exporters of EVs to Australia, has established regulations and requirements outlining the role of automobile manufacturers around battery management, storage, utilisation, and waste management.⁴

Complimenting the Australian government's efforts towards a sustainable automotive industry, other industry bodies in the Australian automotive sector, including the Federal Chamber of Automotive Industries (FCAI) and Motor Trades Association of Australia (MTAA) have jointly conducted a study identifying options to improve end-of-life vehicle (ELV) material recovery rates, reduce waste and avoid inter-state leakage of end-of-life vehicles.⁵ The AADA has also participated in other industry led initiatives such as the [Battery Stewardship Council's consultation on EV battery stewardship](#).

Considering the need and urgency for battery recycling to promote a circular economy, we would like to ensure clear communication of regulations and requirements to Dealer businesses for effective execution, improved traceability, reduced recycling costs and better recycling infrastructural facilities.

³ [Joint media release: \\$4 million to drive Australian battery innovation | Ministers](#)

⁴ <https://www.weforum.org/agenda/2024/03/automotive-industry-circularity/>

⁵ [Driving change in automotive recycling: FCAI and MTAA unveil plan to progress end-of-life vehicle management - FCAI](#)

The AADA would be happy to meet to discuss our submission and participate in any further consultation. If you require further information or clarification in respect of any matters raised, please do not hesitate to contact me.

Yours sincerely

James Voortman
Chief Executive Officer