SolarCitizens

A community voice for cleaner energy and transport

Solar Citizens
Level 3, Salesforce Tower 180 George St
Sydney NSW 2000, Australia
info@solarcitizens.org.au

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Submission to:	Review of the Electric Car Discount
Sent to:	Manager Australian Centre for Evaluation The Treasury Langton Crescent PARKES ACT 2600 evaluation@treasury.gov.au
Submission from:	Solar Citizens (100% Renewable Community Campaign) 17 Randle St, Surry Hills, NSW 2010 Email: info@solarcitizens.org.au

Executive Summary

Solar Citizens supports the continuation of the Electric Car Discount (ECD) as a cost-effective, high-leverage policy that accelerates emissions abatement, reduces household cost-of-living pressures, and complements existing clean energy programs such as the Small-scale Renewable Energy Scheme (SRES).

From a Treasury perspective, the ECD represents a low-cost, demand-side incentive that mobilises substantial private capital, accelerates technology uptake ahead of market maturity, and avoids higher long-term public expenditure on fuel imports, grid infrastructure, and health impacts from transport pollution.

The ECD should be understood not as a standalone transport subsidy, but as a core component of Australia's household electrification framework, working in concert with rooftop solar, batteries, and emerging vehicle-to-grid (V2G) capability. Premature withdrawal would increase long-run system costs and slow emissions reductions at a critical transition point.

Heidi Lee Douglas

Chief Executive Officer
Solar Citizens

About Solar Citizens

Solar Citizens is Australia's largest renewable energy advocacy organisation, representing more than 4 million solar households and supporters, many of whom are adopters of electric vehicles. Our 2026 federal pre-budget submission prioritises policies that:

- Unlock private household investment;
- Reduce system-wide energy costs;
- Accelerate emissions reductions at lowest public cost; and
- Strengthen grid resilience through consumer energy resources (CER).

The ECD aligns squarely with these principles.

Declaration of Interest

Solar Citizens acknowledges that some staff and supporters may personally benefit from EV incentives. This submission is made in the public interest and reflects Solar Citizens' long-standing policy positions on electrification, cost-of-living relief, and efficient emissions abatement.

A: Level 3, Salesforce Tower, 180 George St, Sydney NSW 2000 E: info@solarcitizens.org.au P: +61 458 503 058 ABN: 13 753 514 032

1. ECD leverages private behaviours and investments to increase EV uptake

Solar Citizens represents Australians who invest their own money in clean energy solutions to reduce household power bills, cut emissions, and support the transition of Australia's electricity system. Millions of households have already taken this step by installing rooftop solar, often motivated by a desire to lower costs, increase energy independence, and contribute to a cleaner energy future.

The ECD approach mirrors the success of Australia's Small-scale Renewable Energy Scheme (SRES), which has been central to the world-leading uptake of rooftop solar. Under the SRES, households were supported to invest their own capital in clean energy assets, delivering enduring cost-of-living benefits, emissions reductions and system-wide value. This consistent government support helped move rooftop solar from a niche technology to a mainstream household investment.

For solar households in particular, EVs allow families to make better use of solar electricity they generate themselves, reducing reliance on petrol while increasing the value of their existing rooftop solar investment.

This has become increasingly important as the value of exporting solar to the grid has declined. In recent years, solar feed-in tariffs have been significantly reduced across Australia, and in some jurisdictions households now face very low or even negative feed-in tariffs[1] during periods of high solar generation. As a result, households are increasingly seeking ways to use solar energy directly rather than exporting it at little or no value.

[1] Australian Energy Regulator (2024), *State of the Energy Market 2024*. The AER documents declining solar feed-in tariffs across the National Electricity Market and increasing periods of very low or zero export value during times of high rooftop solar generation.

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2. The ECD provides real cost of living relief

Transport costs remain one of the largest pressures on straining household budgets. According to the Australian Automobile Association's Transport Affordability Index, the average Australian household spends **around $6,700 per year on fuel and routine vehicle maintenance**, with higher costs borne by households in outer suburban and regional areas who drive longer distances and have fewer alternatives to private vehicle use[2].

For many households, the primary financial benefit of electrification comes from avoiding these ongoing fuel and maintenance costs. However, purchasing a new vehicle outright is simply not feasible for a large proportion of Australians due to upfront liquidity constraints, even where the long-term savings from an electric vehicle are clear.

The Electric Car Discount addresses this barrier by enabling households to spread the cost of a new vehicle over the term of a lease, and to do so in a tax-efficient way. This **significantly expands the range of Australians who can access electric vehicles** and the substantial running cost savings they deliver. By reducing upfront barriers rather than subsidising consumption, the Discount allows households to invest their own money, change behaviour, and experience the tangible benefits of the energy transition; a critical ingredient in making that transition durable and broadly supported.

[2] Australian Automobile Association (2025), *Transport Affordability Index – September Quarter 2025*, reporting that the average Australian household spent approximately **$6,700 per year on fuel and routine vehicle maintenance**, including fuel costs of $93.18 per week and servicing and tyre costs of $35.91 per week.

3. The ECD is making EVs more accessible to working families

Solar Citizens organises tens of thousands of Australians who are electrifying their homes. Over the past two years we have clearly seen that the supporters who are taking up the Electric Car Discount are predominantly middle class suburban working families who could not previously afford the upfront cost of a new car. Many used the ECD to purchase their first new car, knowing that it was a powerful way of reducing their household emissions and petrol bills compared to the inefficient second hand internal combustion engine vehicles (ICEVs) they usually purchase.

Now, analysis of novated lease and electric vehicle industry data by Magenta Advisory quantifies the trends we have long observed.

Around **77% of EV and PHEV adopters using novated leases live more than 10 kilometres from city centres**, with adoption highest in the **outer suburban ring (10–30 km)** where families typically drive further and rely more heavily on private vehicles.

The highest-uptake postcodes are located in the outer suburbs of **Melbourne, Sydney and Brisbane**, generally **30–45 kilometres from city centres**. These areas combine higher vehicle kilometres travelled with high rooftop solar penetration, making them particularly well suited to electric vehicles charged at home or at work[3].

The Electric Car Discount has also contributed to improving the affordability of electric vehicles accessed through novated leasing.

Analysis shows that the **average purchase price of electric vehicles acquired via novated leasing has declined** since the introduction of the Discount[4]. This reflects a combination of increased model availability, downward price pressure, and the expansion of EV access beyond early adopters.

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[3] Magenta Advisory (2025), *Building a Self-Sustaining Australian EV Market*, commissioned by the Electric Vehicle Council and the National Automotive Leasing & Salary Packaging Association.

[4] *Ibid.*, p. 22.

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Demographic data indicates that EV uptake supported by the Electric Car Discount spans a wide range of households[5]:

- **Age:** Around **68 per cent** of novated lease EV purchasers are aged **35–54**, with a further **15 per cent** aged 25–34, reflecting uptake among working families rather than retirees or very young drivers.
- **Income:** The **$90,000–$120,000 income bracket** is the single largest group of EV purchasers under the ECD.
- **Employment sectors:** EV uptake is spread across sectors, including **government (around 24 per cent)**, **health and education**.

This evidence supports Solar Citizens' view that the Electric Car Discount is expanding access to electric vehicles among **working Australians**, particularly those who face high fuel costs and stand to benefit most from reduced running expenses.

Taken together, this evidence suggests that the Electric Car Discount is operating as an **access and affordability mechanism**.

From a consumer equity perspective, weakening or removing the Discount at this stage would disproportionately affect the very households that are currently driving uptake and realising the greatest cost-of-living benefits.

[5] *Ibid.*, pp. 21–23.

4. ECD reduces costs across energy and transport

Our members consistently tell us that they enjoy making the effort to charge during solar peaks and reduce demand during expensive peaks; many have switched to time-of-use energy plans or check the renewable energy mix in the grid before charging. **Choosing to drive electric cuts household bills and also puts strong downward pressure on energy prices for all** Australians by increasing utilisation of poles and wires, soaking solar peaks, and reducing demand peaks[6].

From a whole-of-government perspective, the Electric Car Discount contributes to avoided costs across both the energy and transport systems. These avoided costs materially improve the policy's net fiscal impact and distinguish the ECD from narrower, single-purpose transport incentives.

Avoided costs in the energy system

Electric vehicles enabled by the ECD increasingly function as flexible energy assets, particularly when charged at home or at workplaces with rooftop solar. This delivers several system-wide benefits:

- **Improved utilisation of existing infrastructure:** Daytime EV charging absorbs excess solar generation that would otherwise be curtailed or exported at very low value, improving utilisation of existing poles and wires.
- **Reduced pressure on peak demand:** By shifting energy use away from evening peaks, EV charging reduces the need for expensive network augmentation and peak generation capacity.
- **Lower future storage requirements:** As EV uptake increases, the aggregate storage potential of batteries-on-wheels grows. Over time, this reduces reliance on additional grid-scale storage and associated public and private capital expenditure.

These benefits accrue without additional program complexity, as they arise naturally from household behaviour once EV uptake reaches sufficient scale.

[6]Australian Energy Market Operator (2024), Integrated System Plan and associated Consumer Energy Resources forecasts. AEMO finds that managed electric vehicle charging can absorb excess rooftop solar generation, improve utilisation of existing network infrastructure, and reduce peak demand, thereby deferring or avoiding the need for additional network and generation investment.

Avoided costs in the transport and health systems

The ECD also delivers avoided costs beyond the electricity system:

- **Reduced fuel imports:** Electrification of transport lowers Australia's dependence on imported petrol and diesel, improving energy security and reducing exposure to global fuel price volatility[7].
- **Lower public health costs:** Reduced tailpipe emissions lead to improvements in air quality, particularly in urban and suburban areas, delivering long-term health benefits and reducing pressure on the health system[8].
- **More efficient capital allocation:** By accelerating uptake during the early adoption phase, the ECD brings forward learning-by-doing, cost reductions and infrastructure deployment, avoiding higher transition costs later.

Importantly, these avoided costs are not captured in narrow assessments of the ECD based solely on direct fiscal outlays or short-term abatement calculations. When considered across energy, transport and health systems, the policy delivers value well beyond its immediate budgetary impact.

From Solar Citizens' perspective, this systems-wide cost reduction is a defining feature of effective electrification policy. The Electric Car Discount reduces long-run public expenditure by enabling households to invest early in cleaner technologies that lower costs for themselves and for the broader community.

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[7] Department of Industry, Science, Energy and Resources (2024), *Australia's Fuel Security Update*. Australia remains highly dependent on imported refined transport fuels, exposing households and government to international price volatility; electrification of transport reduces this exposure over time.

[8] University of Melbourne, School of Population and Global Health (2022), *Expert Position Statement on Air Pollution and Health in Australia*. The statement estimates that exposure to air pollution contributes to approximately 11,105 premature deaths each year in Australia, imposing substantial and ongoing costs on the health system. Reductions in transport-related air pollution therefore deliver significant public health and fiscal benefits.

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Alignment with Solar Citizens' Federal Budget Platform

Solar Citizens' FY27 federal pre-budget submission platform includes a recommendation to incentivise batteries-on-wheels, building on the success of the SRES. The ECD is a necessary upstream enabler of this agenda.

Policy coherence across programs

Objective	Budget Platform	Role of ECD
Household electrification	SRES, battery rebates	Enables EV uptake as a core household energy asset
Grid resilience	VPP & V2G incentives	Builds the fleet capable of providing storage
Cost-of-living relief	Fuel & energy bill reduction	Delivers immediate household savings
Private capital mobilisation	SRES-style incentives	Leverages household investment

Without sustained EV uptake driven by the ECD, downstream investments in V2G chargers and CER integration cannot scale efficiently.

5. The ECD as a Bridge to V2G-Enabled Transport

Solar Citizens has recommended expanding the Small-scale Renewable Energy Scheme (SRES) to include bidirectional chargers. However, the effectiveness of this reform depends critically on continued growth in the electric vehicle fleet. Without sufficient EV uptake, downstream investments in vehicle-to-grid (V2G) infrastructure cannot deliver system-wide value.

Australian Energy Market Operator analysis indicates that **substantial V2G capacity will be required by 2030 and beyond** to support a high-renewables electricity system[9]. Coordinated growth in EVs and bidirectional charging infrastructure can significantly reduce the required investments by government and Distributed Network Service Providers in **network and storage infrastructure**, providing distributed storage at minimal marginal cost, putting downward pressure on electricity prices for all energy consumers.

The Electric Car Discount already plays a critical enabling role in this transition, because many vehicles delivered in Australia today are already V2G capable, as demonstrated by their participation in ARENA trials. However, at the moment the main barriers to large-scale V2G adoption are:

- Warranty support for V2G charging by automotive Original Equiment Manufacturers (OEMs);
- Updating Australian standards to be compatible with mobile vehicle-based inverters;
- The price of V2G wall charging units, which have started to reduce in price but will rapidly move down the cost curve when the market demands mass importation.

V2G uptake will focus on the countries that make decisive moves to become an early adopter, to mature their charger import market, and incentivise automotive OEMs to prioritise local homologation, support, and warranty updates for V2G capacity. If the ECD remains at large scale, the Federal Government could use the policy as a significant lever to make Australia an early beneficiary of V2G by:

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[9] Australian Energy Market Operator (2024), *Forecasting Vehicle-to-Grid Participation in the NEM*; International Energy Agency (2023), *Grid-Integrated Electric Vehicles*. Modelling indicates coordinated EV and V2G uptake could avoid significant future network and storage investment, with international evidence showing managed V2G cycling has minimal impact on battery degradation.

- Providing market certainty to support OEM warranty reform and product standardisation;
- Linking V2G capacity and warranty support to eligibility for the scheme over time, incentivising global OEMs to prioritise Australia as an early focus for V2G;
- Making V2G charger units eligible for packaging in novated leases, which would make them more tax efficient for consumers, and incentivise OEMs and importers to import V2G chargers at higher scale and lower unit price.

On the other hand, weakening or withdrawing the policy would significantly delay V2G benefits by dampening EV uptake and giving away one of Australia's best policy levers on V2G scale.

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6. Policy Recommendations

Solar Citizens recommends that the Government:

- **Continue the Electric Car Discount** as a core element of Australia's household electrification strategy, recognising its role in mobilising private capital and accelerating uptake at lowest public cost.

- **Align future refinements of the ECD with NVES review cycles**, including a clear pathway toward V2G-ready vehicle capability, to provide coherent and predictable market signals.

- **Integrate the ECD within Australia's broader electrification framework**, alongside the SRES, household battery incentives and CER integration reforms, to maximise system-wide value.

- **Use the ECD to incentivise OEMs to accelerate V2G capacity in Australian vehicles** as soon as possible, by making warrantied V2G capacity a condition of vehicle eligibility and by making V2G chargers eligible for inclusion in leases such that they are exempt from GST and income tax.

- **Avoid premature withdrawal or sharp tightening**, which would increase long-run fiscal, energy system and transport costs by delaying efficient electrification.

These measures would preserve the ECD's effectiveness while allowing it to evolve in line with market maturity and system needs.

Conclusion

The Electric Car Discount is a high-leverage policy that:

- Mobilises substantial private household investment;
- Delivers emissions abatement at declining marginal cost;
- Reduces long-run expenditure across energy, transport and health systems; and
- Aligns with proven, market-based clean energy frameworks already operating at scale in Australia

From a whole-of-system perspective, the ECD is not a transient transport subsidy, but a foundational component of Australia's electrification transition. Retaining and evolving the Discount will reduce future public costs, strengthen grid resilience, and support durable cost-of-living relief for Australian households.

The ECD should therefore be **retained and progressively refined, not withdrawn,** as Australia moves from early EV adoption toward a mature, integrated electrified transport and energy system.

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