

Accelerating fleet decarbonisation

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Regional spotlightAustralia & New Zealand

Foreword

It is with great pleasure that I present our 2024 Accelerating Fleet Decarbonisation Regional Spotlight on Australia and New Zealand (ANZ).

This follows the release of our 2024 Global Electrification Report - Accelerating fleet decarbonisation by Element-Arval Global Alliance in collaboration with RMI, and sheds light on the unique challenges and opportunities facing fleet and business leaders as they work to achieve their financial and sustainability goals.

At Custom Fleet, part of Element Fleet Management, we operate within a global network that spans over 50 countries, thanks to our alliance with Arval. This expansive reach equips us with valuable insights, best practices and learnings that inform our approach to effective and efficient fleet management, including the electrification and decarbonisation of fleets.

At Custom Fleet, in Australia and New Zealand, sustainability is one of our strategic drivers, so we walk the talk aligned to our strategy; this is why we've already achieved full electrification in our internal ANZ fleet. As sustainability becomes the standard rather than the exception, organisations are increasingly recognising the importance of aligning their operations with global sustainability targets.

Navigating this transition to electric vehicles presents both opportunities and challenges. And, while the challenges for fleet and business leaders are significant, they are becoming more manageable.



Christopher Tulloch President, Custom Fleet

As EVs become increasingly popular worldwide, they present a strong alternative to similar internal combustion engine vehicles. Mirroring the global growth trend, the ANZ region has experienced a remarkable surge in EV adoption over recent years, driven by supportive policies such as tax incentives and regulatory initiatives, improvements in technology and an expanding array of vehicle options.

We believe that the insights and recommendations outlined in this report can support and empower businesses to better navigate the transition to electric vehicles in line with their financial and sustainability objectives.

I invite you to read our 2024 Regional Spotlight on ANZ, confident that it will provide valuable guidance on accelerating your journey to fleet decarbonisation.

Executive summary -A regional spotlight



Accelerating fleet decarbonisation

In an era marked by urgent climate challenges, fleet and business leaders find themselves at a pivotal crossroads. The necessity of decarbonising fleets - once perceived as a distant challenge - has become a pressing priority. Governments around the globe have set ambitious, near-term carbon reduction and netzero goals, while public sentiment increasingly demands action against climate change. These developments, coupled with corporate sustainability objectives and regulatory pressures, are propelling organisations worldwide towards the electrification of their fleets.

"In Australia and New Zealand, sustainability is one of our strategic drivers, so we walk the talk aligned to our strategy; this is why we've already achieved full electrification in our internal ANZ fleet." – Christopher Tulloch, President, Custom Fleet

EV vehicle use on the rise

The rapid growth of the electric vehicle (EV) market underscores this shift, with global EV car sales skyrocketing over 600% from 2018 to 2023. The Australia and New Zealand region is no exception, having witnessed a remarkable surge in EV adoption over the past few years, driven by supportive policies such as tax incentives and regulatory initiatives, improvements in technology and an expanding array of vehicle options.

According to the <u>Australian Electric Vehicle Industry</u>, new EV purchases more than doubled in 2023 compared to 2022, with over 180,000 EVs now on Australian roads. In New Zealand, a rebate scheme (which ceased in 2024), a growing selection of EV models, and favourable pricing for entry-level vehicles led to increased uptake in 2022-2023 with over 78,000 EVs now on NZ roads.



CO2 emissions for ICE and EV by geography

From an environmental perspective, the transition to EVs makes sense, given they have no tailpipe emissions and lower lifecycle emissions than comparable internal combustion engine (ICE) vehicles.

Source: EAGA and RMI analysis

Australia's growing EV fleet



Source: VFACTS, EVC EV Sales Database, OEM-provided figures.

Number of electric vehicles in NZ and percentage of fleet Light Vehicles



Source: Ministry of Transport / evdb.nz

EVs are increasingly cost effective

As EVs gain traction globally, they offer a competitive option to replace comparable ICE vehicles. In doing so, organisations will experience both economic and environmental benefits.

Central to the economic case for EVs is that they rely on a fuel that is typically cheaper and experiences less price volatility – electricity.

Today's capital cost of EV purchasing and leasing tends to be higher than comparable ICE vehicles. In the U.S., Canada, Australia, and New Zealand, the median EV model options across vehicle types are on average, about 20% more expensive than their median ICE counterparts. As automakers globally are expanding their EV production, they are creating greater competition and better economies of scale, and thus further driving down costs.



Australia and New Zealand

Source: EAGA and RMI analysis

Although total cost of ownership for EVs is improving in Australia and New Zealand, hurdles still exist in comparison to larger markets such as the US. This includes limited availability of fleet-type vehicles and complexity of installing and managing charging infrastructure which are also important to consider when shifting to an electric fleet.

Total cost of ownership (USD) per mile for ICE and EV by geography

Overcoming challenges for organisations and fleet decision-makers

With higher purchase prices, fleet decision-makers can be reluctant to shift how they evaluate financial investments, such as by shifting emphasis from operational to capital costs. In addition, although EV batteries, motors, and associated electronics require less regular maintenance than ICE vehicles, the general lack of familiarity with EV costs such as maintenance or resale values can deter organisations from making the transition.

Although access to EV charging is growing across the region, it is not considered as accessible and fast as petrol stations. EVs are a relatively new technology, and drivers and fleet managers often do not have the full picture of today's EV capabilities and effective practices for their use. This includes having a fear of running out of battery power – commonly known as range anxiety – which can be addressed by providing drivers with proactive charge management plans, organising EV test drives, and managing home charging installation.

In addition, the use of telematics to monitor and map vehicles, equipment, and other assets using GPS (Global Positioning System) technology and on-board diagnostics (OBD) systems can support fleet managers make informed decisions by collecting data to improve safety, compliance and productivity.

In Australia and New Zealand, the obstacles to transitioning from ICEs to EVs are diminishing, making this change not only more feasible but more financially appealing. With supportive policies, a rapidly expanding market, and advancements in battery technology, EVs are becoming increasingly cost-competitive with ICE vehicles, especially in the commercial light-duty vehicle (LDV) sector.

Implications of electrification and the transition to EVs in ANZ

Sustainability goals: Transitioning from ICE vehicles to EVs is a critical component of both Australia's and New Zealand's national climate targets. EVs produce far lower emissions over their lifecycle compared to traditional vehicles, helping both countries to significantly reduce their greenhouse gas emissions and align with their commitments and long-term net-zero carbon goals. Additionally, electrification in the transport sector supports broader sustainability initiatives, including reducing reliance on fossil fuels and transitioning to renewable energy sources for cleaner, more sustainable mobility.

Economic opportunities: The EV market offers substantial economic opportunities by encouraging innovation and investment in clean

energy technologies. The growth of the EV industry can foster the development of new sectors such as battery manufacturing, vehicle assembly, and software for managing smart grids and charging networks. The growth of the EV supply chain also presents export opportunities, particularly in industries related to lithium mining and battery production, where Australia already holds a competitive advantage.

Infrastructure development: The successful

electrification of the transport sector will require a significant upgrade to the current infrastructure. Both Australia and New Zealand need to invest heavily in expanding EV charging networks, including fast-charging stations along highways and in urban areas, to make EV ownership more practical and accessible for businesses and consumers. This opens up collaboration opportunities between governments and the private sector, where public funding and private innovation can work together to develop comprehensive and efficient charging solutions.

Public health benefits: By reducing reliance on ICE vehicles, Australia and New Zealand can significantly improve urban air quality, especially in densely populated areas. A widespread shift to EVs will reduce pollutants, leading to healthier populations and potentially lowering public healthcare costs associated with pollution-related illnesses.

Consumer adoption: Encouraging business fleets and corporate entities to adopt EVs can serve as a powerful catalyst for broader consumer adoption. As businesses increasingly integrate EVs into their operations, it will help normalise the technology and increase public exposure to its benefits. Seeing the successful implementation of EVs by trusted brands and companies can boost consumer confidence, reducing concerns about range anxiety, charging infrastructure, and performance. Business adoption of EVs could also lead to increased demand for used EVs, making the technology more accessible to consumers through a growing second-hand market.

Global competitiveness: By leading in the adoption and promotion of EVs, Australia and New Zealand have the potential to position themselves as hubs for green technology. Being at the forefront of electrification could not only bolster global competitiveness but also create opportunities for export growth, particularly in renewable energy technologies and EV-related industries.

Policy support: The transition to EVs will require strong policy and regulatory frameworks in order to succeed. Governments in both Australia and New Zealand must implement effective incentives to encourage the adoption of EVs. Clear, supportive policies can also stimulate the necessary infrastructure investment, ensuring that the expansion of charging networks and grid upgrades keeps pace with EV adoption. Policies promoting research and development in green technologies will further enable Australia and New Zealand to compete on the global stage.

Recommendations for fleet decarbonisation



Long gone is the idea that organisational financial and environmental objectives are mutually exclusive – with EVs, there is a robust business case that supports the achievement of both financial and carbon-reduction objectives simultaneously.

Some fleets around the world are already achieving cost parity or even savings, and research indicates that by 2025, the broader commercial LDV market (for vehicles under six tonnes) could see costs that are five to 10% lower than those of ICE vehicles. Additionally, with the growth of charging infrastructure and enhancements in vehicle performance, EVs are now capable of handling a wider range of applications and duty cycles.

So, while the challenges for fleet and business leaders are significant, they are becoming more manageable. To support organisations navigate the transition to electric vehicles successfully, we have developed the following recommendations.

Recommendations

1. Create a roadmap for fleet decarbonisation

Transitioning a fleet from ICE to EV is not an overnight proposition. Thorough change management planning is required to give any organisation the best chance for success. The change management plan. The plan should articulate the company's vision, how to engage with each stakeholder involved, a detailed roadmap describing the "how-to" transition, updated policies, a monitoring and evaluation process, and impact assessment.

1. Create a roadmap for 2. Assess EV readiness

EV readiness plans help to outline and assess the EV-related policies, infrastructure, services, and other factors that organisations need to have in place to support a scaled rollout of EVs in their fleets. In addition, involving stakeholders in the transition process is crucial. Developing training programs for drivers and fleet managers will enhance familiarity with EV technologies and policies. Stakeholder buy-in will ensure that organisational goals align with client and community expectations for sustainability.



3. Apply telematics data to enable EV transition and operations

Telematics data can be an effective tool to help inform a fleet's EV transition and operations. Analysing telematics data, such as location and route information, speed, fuel consumption, vehicle diagnostics, and vehicle utilisation can improve safety, compliance, and productivity such as smart charging that fuels when Time-of-Use electricity rates are lowest.

4. Design first EV deployment to inform wider fleet's needs

A small-scale EV deployment is a valuable opportunity to learn more about how EVs impact fleet operations in real-world conditions. It is helpful not only in providing quantifiable data (operational impact, cost visibility, and effectiveness of charging) but also in alleviating potential concerns such as range anxiety amongst drivers.



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