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Department of Infrastructure, Transport, Regional Development, Communications and the Arts
Department of Climate Change, Energy, the Environment and Water

Via [website](#)

Unlocking Australia's low carbon liquid fuel opportunity

Australia Post welcomes the opportunity to contribute to the consultation on low carbon liquid fuels (LCLFs) and is pleased to hear the Australian Government has identified the growth of Australia's LCLF industry as a priority under the Future Made in Australia agenda.

Australia Post is pursuing its most ambitious environmental agenda to date, targeting Net Zero emissions by 2050. We are proud to be making progress towards the 2025 goals outlined in our 2025 Sustainability Roadmap. Over the last year we've continued to reduce the impact of sending parcels, decreasing the carbon emissions per item delivered for domestic parcels.

We operate Australia's largest fleet of electric delivery vehicles. Electric delivery vehicles comprise over 37 per cent of our total fleet and complete 49 per cent of all our delivery rounds. In FY23, Australia Post used 41.1 million litres of fuel, representing a reduction of five per cent. A range of factors contributed to this, including better planning resulting in reduced reliance on third-party contractors and route consolidation.

We continue to innovate to reduce our aviation emissions with our partner Qantas, focusing on newer more fuel-efficient aircraft and fuel efficiency within our network. Australia Post is an inaugural member of the Qantas Sustainable Aviation Fuel (SAF) Coalition with five of Australia's largest companies, supporting Qantas to buy, use and trial SAF, to advocate for SAF production in Australia and to scale the SAF market so that Qantas can reduce its emissions.

Qantas air freight accounts for approximately 35 per cent of our Scope 3 emissions (and 27 per cent of our Scopes 1, 2 and 3 combined). Our investment in the SAF Coalition highlights the strength of our partnership and our continued focus on Scope 3 emissions reduction opportunities.

LCLFs will play an important role in Australia's decarbonisation journey, especially in hard-to-abate industries, like the transport and logistics sector, where electrification is not always an option. Aviation's reliance on fossil fuels, its expected future growth rates, and the service lifespan of aircraft complicates the decarbonisation pathway. For road vehicles, with similarly long lifespans, renewable fuels present one of the easiest ways for organisations to decarbonise, based on it requiring no technology changes to existing vehicles and being compatible with existing fuel infrastructure.

Despite these benefits, the transition to LCLFs faces several hurdles. As noted in the consultation paper, LCLFs are currently estimated to be between two and five times higher in cost than their fossil fuel counterpart. Feedstock availability, production scalability, price volatility, high upfront costs, subsidy dependence, distribution networks, and global market integration are just some of the challenges.

To overcome these challenges, governments have an important role to play in developing pragmatic policy settings to encourage the growth of this industry, and perhaps more importantly, in harmonising efforts to decarbonise. One of the primary barriers to LCLFs – and to the decarbonisation of the transport sector more broadly – is the simultaneous but separate efforts (which vary across jurisdictions) to incentivise decarbonisation.

To address this, the Government should:

1. Develop specific SAF policy, informed by international examples. SAF will not be enabled through broad, generic renewable fuel production incentives alone. It needs specific, targeted policies that can address the unique circumstances of its production and use.
2. Support sustainable, reliable, high-quality feedstock that can be used to underpin the necessary capital investment required to establish domestic processing of LCLFs. Without this, Australia's feedstock will continue to be exported, increasing the cost of local production.
3. Remove existing barriers to LCLFs. Policy efforts must seek to reduce disincentives to produce LCLFs and signal intent for increased domestic production through new program and tax policy design.
4. Review LCLF production economics and consider additional targeted incentives and tax relief to offset initial costs and encourage market growth and uptake. This mix of incentives should be informed by industry and peak bodies, and phased to support immediate, medium, and long-term growth.
5. Take a technology neutral approach to growing LCLFs. Where Government does provide technology-specific support, it should be in the form of grants or pilot programs that support research and development.
6. Upgrade supporting infrastructure (distribution networks, fuel storage facilities, refuelling stations) to accommodate low carbon fuels and ensure supply and integration into the market. Efficient supply chains and distribution networks are critical to ensuring the availability and reliability of LCLFs.

7. Introduce a low carbon fuel standard to accelerate the equitable and orderly transition of our liquid fuels sector and drive uptake of sustainable fuels.

Australia Post has been on a sustainability journey for many years. With more than 12.6 million delivery points across Australia, transitioning our deliveries and operations to have a smaller environmental impact is an unprecedented task.

Without targeted Government intervention and investment, Australia risks being an importer of renewable fuels. Without both demand and supply levers supporting local production, Australian feedstock will be exported, processed into SAF, and then re-imported for domestic use, sacrificing significant economic, environmental, and fuel security opportunities. Australia should look to international efforts, including in the United Kingdom and California, where a comprehensive suite of policies has helped to drive uptake of the product. Incentive should also be crafted carefully to include domestic usage, ensuring large players do not simply take advantage of the incentive and then export the product as has occurred with LNG.

Careful analysis of demand and supply is needed to ensure LCLFs can be introduced at the scale required to meet Net Zero. This will help determine what policy interventions are required to incentivise supply and encourage uptake. This is particularly important given the pace at which federal, state and territory governments are developing decarbonisation strategies.

