

Attention:

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By email: lclfconsultation@infrastructure.gov.au

BARA Response to - A Future Made in Australia: Unlocking Australia's low carbon liquid fuel (LCLF) opportunity consultation paper

BARA (the Board of Airline Representatives Australia) is an industry association representing the majority of international carriers that serve Australia, primarily focused on assisting their operations to and within Australia. BARA member airlines provide around 60% of all air capacity to/from Australia¹.

BARAs response to the consultation paper will focus on Sustainable Aviation Fuel (SAF) only, as all Road to Net Zero roadmaps² agree that SAF is the single largest known contributor to assist the decarbonising process of aviation available today. BARA comments therefore focus on what are some of the most pragmatic options canvassed within the consultation paper to encourage a swift and comprehensive commencement of SAF production, at scale, in Australia

1. The Australian LCLF Opportunity

BARA member airlines are highly supportive of a local (Australian) SAF industry being developed. Some BARA member airlines already operate from international jurisdictions where SAF is both available (in small quantities), and to destinations where SAF mandates are legislated to soon come into effect. Airlines are therefore already managing the complex issues of appropriately purchasing and environmentally accounting for their SAF usage.

BARA concurs with the analysis from CSIRO³ and many others, that Australia possesses both the capacity and capability to support a significant local SAF industry, with all the concomitant economic and geopolitical benefits that this can bring. With BARA members providing around 60% of Australia's international airline capacity, this collectively represents an existing significant latent demand that is not currently being met by any form of local SAF production.

BARAs Aviation Green Paper submission⁴ cited several examples of carriers already actively engaged in procuring and accounting for SAF usage. BARA agrees that future Australian SAF certification standards (under the Guarantee of Origin scheme) and relevant ‘book and claim’ mechanisms must be consistent with all international standards for ease of integration into the global aviation ecosystem. Local Australian certification and approval schemes should be fast-tracked to harmonise with international standards such as CORSIA, so as not to further delay any commencement of local production with respect to concerns of either SAF eligibility or accountability.

BARA considers that the most pressing issue with respect to SAF production in Australia is therefore timeliness. With other jurisdictions already ahead of Australia, there is legitimate concern (as highlighted within the consultation paper⁵) that suitable Australian feedstock and other products required for SAF production may otherwise be contracted for export under long-term agreements unless local SAF production is quickly initiated.

2. Supply-side Production Incentives

BARA is supportive of additional supply-side production incentives to be made available to fuel-producers to encourage SAF production, and that such measures are implemented urgently. When considering that Renewable Diesel may be more cost-effective to produce than SAF, BARA would agree that it is appropriate for the Government to consider requiring producers (in exchange for access to relevant production incentives) to ensure that a specific proportion of SAF is produced.

For government to deliver the policy framework to encourage producers quickly, incentive mechanisms should be simple. As BARA member airlines will be end-consumers of SAF in Australia, BARA is agnostic as to the what specific production-incentive policies or combinations thereof are most suitable. BARA would however observe that the combination of measures contained within the Production Tax Credits scheme of the US Inflation Reduction Act⁶ (IRA) appear to have been effective. These as described provide both volumetric and carbon-intensity incentives for fuel-producers, but importantly remain technology neutral, thereby encouraging additional innovative pathways for SAF production with even lower carbon-intensity outcomes. Additional Government stimulus to promote further technological innovation in SAF production pathways can be provided through parallel schemes such the Future Made in Australia Scheme. As time is of the essence, if incentivising SAF production through production tax credits has the potential advantage of being faster to implement, in contrast to grant or contract-for-difference schemes, then BARA believes it would be appropriate to implement these as quickly as possible.

The duration of validity for production tax incentives to producers is a significant issue, with some reports that the US IRA scheme’s initial validity period was too short, being valid at announcement for a relatively short period of time (from launch through to 2025). Whilst there has been some further adjustments and roll forward of the incentives through to 2027, this relatively short window of time may have created some market uncertainty. The US market for SAF is clearly much larger and more advanced than for Australia, so may be better positioned to adapt and continue increasing SAF production now that programmes have been initiated. For Australia however, BARA suggests the Australian Government consider providing such certainty for longer (if proposing similar tax credit incentives with a sliding time and carbon-intensity scale), possibly in sync with the timelines already provided for eligibility to the Hydrogen Production Tax Incentive, which are up to 10 years

per project in association with clear investment, eligibility timelines and other requirements through to 2040⁷. This time-period would more adequately provide the certainty required for producers to invest and hopefully facilitate a ramp-up of SAF production towards commercial volumes.

3. Demand-side Policies

BARA does not prima facie consider that there is insufficient certainty in demand for SAF in Australia. Some of the statistics outlined in the consultation paper provide the context. SAF represented 11.3% of all LCLFs produced in 2023⁸, which volume in turn represented around 0.2% of global aviation fuel volume⁹. Already established mandates in the EU and UK require 2% SAF for all fuel uptake in 2025, with significant increases through to 2030 and beyond. Based on current and projected global SAF volumes¹⁰, such international mandates already provide clear signals of future SAF demand.

BARA therefore considers that SAF production incentives for Australia are required both urgently and as the first priority, so that a functioning Australian SAF industry can be created and start delivering real volumes of SAF. With the right incentive settings, this will further stimulate new entrants and a diversification of SAF production technology as these continue to evolve. Demand-side mandates (only if required) can be introduced later. There are risks that if any kind of SAF utilisation mandate is introduced before there is adequate supply, that this may further increase the cost of SAF both directly (in terms of market price of SAF to airlines) and indirectly were additional non-compliance criteria added.

In a market where production volumes of SAF are likely to be low or constrained for some time, there is a further risk that demand-side mandates could become de-facto 'caps' on aviation fuel blending ratios, rather than be 'minimum requirements' which are preferred in order to accelerate the decarbonisation of aviation. Furthermore, if demand mandates were introduced before sufficient production volume this could lead to some market distortion based on access, for example between domestic Australian or international airlines, or between airports based on geography. Such imbalances in either practice or by mandate design should be avoided as the pursuit of decarbonisation is a collective aviation goal.

BARA therefore supports the proposed regulatory impact analysis of the costs and benefit of introducing demands-side measures for LCLFs in Australia to take place. In parallel, and to further support the demand for Australian produced SAF by international carriers, it is vital that Australia recognise and harmonise its SAF certifications to global standards and recognise the global 'book and claim' mechanisms available under CORSIA. Such SAF accounting principles can ensure that BARA member airlines, even if they do not operate to an Australian airport that is at or close to the point of production or availability of domestic SAF, will still be potential consumers able to claim and verify the environmental attributes of Australian SAF purchased according to globally accepted criteria.

As a predominantly long-haul destination for international airlines, the purchase of aviation fuel from local fuel suppliers in Australia is not an option but a necessity. Therefore, providing the opportunity for international airlines to purchase Australian SAF, knowing that such purchases can be claimed

and recognised against their own environmental obligations, can provide significant additional demand stimulus for the Australian SAF industry, over and above forecast domestic demand.

4. Summary

The international airlines represented by BARA recognise the benefits of and are supportive of a local SAF industry, which can be incentivised to start production as quickly as possible. As time is of the essence, BARA recommends supply-side policy measures that can be implemented with minimum delay. Demand-side policy measures (if required) need to be more carefully considered to avoid any unintended distortion of the globally competitive international aviation market. BARA therefore supports the proposed regulatory impact analysis of the costs and benefit of introducing demand-side measures and will look forward to providing input to such analysis.

BARA thanks the Departments for encouraging input from all stakeholders in response to this consultation paper and appreciates the opportunity to provide these comments. Please contact BARA should you wish for any further discussion on any point.

Yours sincerely



Stephen Pearse
Executive Director

- 1 BARA member airlines (updated July-24) attached as separate document
- 2 Such as CSIRO & Boeing Sustainable Aviation Fuel Roadmap 2023
- 3 CSIRO & Boeing Sustainable Aviation Fuel Roadmap 2023
- 4 BARA Aviation Green Paper submission, page 25
- 5 Australian Government LCLF Consultation Paper, page 15
- 6 US Departments Sustainable Aviation Fuel Grand Challenge 2021
- 7 Australian Government LCLF Consultation Paper, page 18
- 8 BloombergNEF (2024) Global Renewable Fuel Projects Tracker (1.2.5)
- 9 International Energy Agency (2022a) World Energy Outlook
- 10 BloombergNEF (2024) Global Renewable Fuel Projects Tracker (1.2.5)