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### **IATA Response to *A Future Made in Australia: Unlocking Australia's low carbon liquid fuel opportunity* consultation paper**

As the global trade association for the world's airlines, the International Air Transport Association (IATA) supports many areas of aviation activity and helps formulate industry policy on critical issues. One of IATA's priorities is to accelerate the transition to Sustainable Aviation Fuel (SAF) for the aviation sector and we welcome the opportunity to be part of this consultation.

While recognising and understanding the role that low carbon liquid fuels have to play in the broader economy, given IATA's remit, this submission shall solely be focused on SAF and the role these fuels will play for the decarbonisation of the aviation sector. The development of an Australian SAF industry, currently in its nascent stages, will allow the Government to make seismic shifts with its Net Zero Plan and allow the aviation sector to meet its net zero targets.

In the consultation document, the Department has highlighted that countries around the world have implemented a mix of demand and supply side measures to support the uptake of low carbon liquid fuels. IATA supports a suite of supply and demand side measures, with mandates paired with program design and fiscal measures, to help de-risk the growth of the Australian SAF industry and reduce the cost gap between SAF and conventional aviation fuel. This is crucial not just for the short-term introduction of SAF to the Australian market, but also for the long-term sustainability of this sector.

#### **Supply side policy recommendations to facilitate SAF production in Australia**

In light of Australia's present position behind countries with more advanced SAF industries, a combination of tax incentives, contract for difference scheme and grant-based funding that encourages further reductions in life cycle assessment of greenhouse gas emissions as identified in this consultation paper would be ideal as supply side measures to achieve the most desirable outcome for SAF production. The US Grand Challenge and the USD3 billion of investments it supports is an example of a clearly articulated policy.

An early introduction of various policy instruments will facilitate an increase in SAF production, reduce SAF prices, and meet the growing needs of the airlines. Given the timing imperative, incentives should come first so that they will help create a functioning market, stimulate new players and diversify SAF production. Incentives can help facilitate innovation, reduce unit cost and support 'first-of-a-kind' production facilities.

The Queensland Government's work, alongside that of the Federal Government, to drive forward the SAF industry from its present nascent state, is a local example of a positive policy shift. The fiscal support provided by these authorities has, to-date, allowed state authorities and the nascent sector to develop. It is crucial that this continues, with the added layer of federal support. The recently announced series of funds to support the aviation sector's move toward net zero as part of the Future Made in Australia funding in the 2024 – 2025 National Budget is welcomed by the industry. Should the full potential of feedstocks in the country be unlocked by a supportive Federal policy framework, the Australian SAF industry stands to benefit immensely – domestically and internationally given Australia's comparative competitive advantage. The Queensland Government's approach is one that should be taken into account with any frameworks, and potentially replicated in other states, with the added layer of Federal Government support.



### **Demand side policy recommendations to facilitate SAF production in Australia.**

Once steady production of SAF within Australia is achieved, mandates can then be introduced. Introducing a mandate for SAF utilisation before there is sufficient supply would simply increase SAF prices and cost of operations, which could be passed to the passengers. Penalties imposed by the government on the airlines for non-compliance of any mandate must be avoided, particularly if the underlying cause is outside of the airlines' control, e.g., lack of SAF supply. The design of any mandate must also consider any unintended consequences and market distortion especially when not paired with the right incentive or fiscal measures.

A failure to take this approach has the potential to cause unwieldy financial burden on various parts of the supply chain, whether these be airlines or fuel suppliers. Through the introduction of a basket of supply and demand side policy levers, including mandates at an appropriate time, the industry will have the support it needs to grow, while hard-to-abate sectors, including aviation, have the impetus to utilise these fuels.

Last but not least, any demand side policies must enable the full transfer of Proof of Sustainability documentation from fuel producers/suppliers to airlines, so that airlines can report and claim the emissions attributes of the SAF they procure under these policies. IATA notes the announcement by Assistant Minister McAllister on the introduction of an Australian *Guarantee of Origin* scheme and look forward to working with the Government on the shaping of this scheme in relation to low carbon liquid fuels.

### **Feedstock policy recommendations**

In considering the difficulties of abating carbon emissions for the aviation sector, it is necessary for the Government to implement policies that prioritises the long-term needs of air transport for SAF in the allocation of feedstocks.

It is prudent for the Government to look at how it can introduce relevant policy infrastructure to ensure that it not only incentivises SAF producers, but also encourages producers to prioritise onshore supply. With the advent of various mandates and incentives in other markets, it is pertinent that the Government rapidly moves to implement feedstock incentives, ensuring that there are sufficient feedstocks for the Australian market. A failure to implement such policies in a timely manner may result in a dearth of feedstocks, as foreign commitments are locked in. Apropos this concept, it may also result in refineries and supply chains being developed, without anything to start the process. Given the potential for a strong domestic SAF industry, the Government should have appropriate frameworks in place to ensure that the entirety of the SAF production process can occur within Australia's borders. It is crucial that the Government, while looking at and learning from other markets, looks to develop a series of supportive policies that allows for the short-term proliferation and longer-term sustainability of a low carbon liquid fuels sector.

SAF feedstocks have a variety of potential uses, including for biodiesel. As outlined in the August 2023 Sustainable Aviation Fuel Roadmap released by the CSIRO, Australia is in an enviable position. Regardless of the pathway (HEFA, AtJ, FT etc.) producers choose to take, the abundance of feedstock across the nation allows Australia to become sovereign in its supply of aviation fuel through its entire production journey, from the development of the feedstock to the fuelling of an aircraft.

### **Certification and labour requirements for a successful SAF sector**

IATA would also like to express support for the Australian Government delivering certification arrangements of some production pathways by mid-2028 and aligning the certification arrangements with international schemes such as CORSIA. Any SAF that meets the criteria of such international schemes should qualify for the incentives introduced by the Government.

IATA recognises that the production of SAF on Australian shores will see the increased propensity of a skilled labour increase in the sector. However, it is expected that there will be a skills shortage as the SAF industry develops. It is pertinent for the Government to consider the future labour market needs in the fuels sector to ensure the filling of roles such as feedstock certification and professionals who certify the veracity of SAF meeting sustainability certification schemes (e.g. CORSIA).



### **SAF accounting as a means of supporting the industry's uptake in the absence of supply**

A recognition of robust a SAF accounting framework, alongside a basket of supply and demand initiatives, is a critical part of the market development of SAF - enabling global SAF deployment and a robust SAF industry in Australia. SAF accounting principles will facilitate the purchase and claiming of environmental attributes from users and safeguard the environmental integrity of the emissions reduction claims. SAF accounting will also allow SAF to be deployed in a manner that is both environmentally and financially sustainable, while giving the SAF industry in Australia wider market access to scale up production more quickly. Given Australia's geography, IATA expects that SAF Accounting will be particularly relevant and useful for remote airports where it is more challenging to deliver fuel. Enclosed with this submission are IATA papers on "SAF accounting based on robust chain-of-custody approaches" and "Unlocking geographical constraints on the global SAF market through a robust SAF accounting framework" which will provide further information.

### **Australia's regional responsibility**

The development of the Australian SAF industry will put the nation in good stead as a regional leader for the sector. Australia could also support the SAF demands of its neighbours who have limited feedstocks and refining capabilities. In particular, while decarbonisation is an important priority for the Pacific airlines, their relatively smaller operational scale is an obstacle for their SAF adoption.

Through the implementation of the aforementioned suite of supply and demand side policies, Australia's airlines (including those who service Australia from abroad) will be able to reduce their CORSIA obligations. Supporting the Pacific Island nations in their decarbonisation journey would not only assist in expediting the energy transition of the sector but would also be aligned with the Government's Pacific foreign policy frameworks.

Given the nascent stage of the Australian SAF industry, IATA recommends that the Government continue engaging the industry closely when designing the policies and to review them periodically to ensure effectiveness. IATA greatly appreciates the consultative approach that the Government has taken on the topic of decarbonisation and SAF. We understand that this consultation builds on past exercises on the Aviation Green Paper and the Electricity and Energy Sector Plan and will support the current consultation on the Transport and Infrastructure Net Zero Roadmap. IATA participated in the aforementioned exercises – the IATA submissions are enclosed for reference – and we look forward to being part of the Transport and Infrastructure Net Zero Roadmap consultation and will provide our comments accordingly.

IATA welcomes any further discussions on the above recommendations and invites the Government to tap into IATA's global expertise and knowledge of policy and regulatory frameworks worldwide. [REDACTED]

Sincerely yours,

Matteo Zanmarini  
Area Manager South West Pacific

Encl:

- IATA paper on SAF accounting based on robust chain-of-custody approaches
- IATA paper on Unlocking geographical constraints on the global SAF market through a robust SAF accounting framework
- IATA submission on Aviation Green Paper
- IATA submission on Electricity and Energy Sector Plan