

National  
Farmers  
Federation

# Low Carbon Liquid Fuels – A Future Made in Australia: Consultation Paper

July 2024



# The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

## NFF Member Organisations



## Introduction

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the consultation on *Future Made in Australia: Unlocking Australia's low carbon liquid fuel opportunity*. The NFF has long supported the development of the Australian bioenergy and Low Carbon Liquid Fuels (LCLF) industries, with Australian agriculture playing an important role in the supply chain as feedstock producers and as end-users.

This submission is structured as follows:

- Background;
- The opportunity for Australian agriculture in the LCLF supply chain;
- On-farm LCLF use; and
- Commentary on supply and demand incentives.

The NFF notes that the Consultation Paper is principally looking at supply and demand incentives for renewable diesel and sustainable aviation fuel.

## Background

The NFF supports the considered development of a competitive domestic LCLF production industry. For more than two decades the NFF has advocated for increased domestic production and supply of biofuels, making numerous public statements and commentary. In 2007 the NFF established a Biofuels Taskforce within its membership to support the development of the CSIRO's report *Biofuels in Australia – issues and prospects*, which was commissioned for the then Rural Research and Development Corporation.

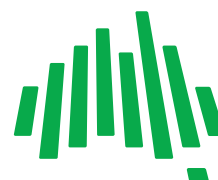
Much of this early engagement was predicated on biofuels playing a role in the supply of on-farm fuel, seeking to mitigate high input prices and provide a buffer against any global supply and demand shocks.

As understanding and development of the biofuels industry has matured, Australian agriculture's support for the industry has become increasingly multifaceted.

As noted in the NFF 2020 submission to the Australian Renewable Energy Agency's bioenergy roadmap consultation paper:

*"The NFF recognises the potential for bioenergy within the agriculture sector, particularly as a renewable energy source that can: enhance regional employment and economic development, enhance energy security as distributed energy sources increasingly penetrate the grid, contribute to Australia's emissions reduction goals under the Paris Agreement and help diversify farm businesses and therefore improve resilience."*

The NFF's 2030 \$100 billion roadmap, the sector's guiding strategic document for industry advancement, places a clear focus on the role of biofuels. Pillar 3 of the roadmap outlines the sector's commitment to increase the use of biofuels and



the need for investment (both into production and research and development) to support feedstock production opportunities.

More recently, the NFF, along with a number of industry partners, wrote to key Commonwealth Cabinet Ministers supporting sensible efforts to promote the development of a domestic LCLF industry.

### **The opportunity for Australian agriculture in the LCLF supply chain**

Agriculture is a vital component of biofuel production. Globally, the key feedstocks for biofuel production are corn, sugarcane and oilseeds. The OECD-FAO estimates that between 2019 and 2021, 21% of world sugarcane production, 15% of the world's corn production and 12% of oilseed production was used to produce biofuels.

In Australia for 2021-22, the majority of Australia's \$5.7 billion canola seed exports were used to supply biofuel production in the European Union. This export demand is expected to grow as the EU intends to phase out the use of palm oil as a feedstock. Other commodities such as tallow and sugar cane and forestry by-products play important roles in LCLFs such as biodiesel and sustainable aviation fuel.

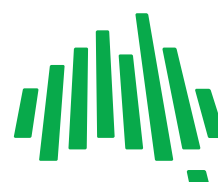
While Australia is a large exporter of feedstocks for international production, domestic production is currently limited. The main feedstocks for our current domestic biofuel industry are wheat starch, molasses, tallow and vegetable oil.

Australian agriculture is well-placed to take advantage of the opportunity to supply domestic LCLF production due to the abundance of logistically accessible feedstocks and our mature agricultural sector. Fostering additional domestic production capabilities will enable Australia to harness our leading agricultural production practices to be a key producer of LCLF.

For producers, a domestic LCLF industry would help diversify markets and create demand for byproducts. For example, cotton trash can be used as a feedstock for renewable diesel, creating a new market for a byproduct. Assuming production facilities would be based regionally there is also opportunity for regional economic development.

However, it is critical that a considered and deliberate approach is taken to the ongoing development of Australia's LCLF industry and associated feedstock supply chains. As discussed further in this submission, the introduction of domestic intervention to accelerate domestic production needs to be done in a way that does not have unintended consequences on sectors such as Australian agriculture.

For instance, the International Energy Agency has estimated that 100 million hectares will be required globally to meet the industry's 2060 target (3 times the current usage). If this demand is to be met it is clear that there will be impact on existing food and fibre supply chains.



The NFF recommended that as part of any policy and intervention efforts to support domestic LCLF production, a national feedstock strategy is developed as a priority. Such a process would be most appropriate to consider in detail issues such as current and future feedstock supply chains, industry structures, impacts on feed and fibre production, interactions with trading partners, among a range of other issues.

### **On-farm LCLF use**

Australia's farming sector relies heavily on diesel for its energy needs, with this currently accounting for approximately 85% of all on-farm energy use. From sowing crops to transporting produce to market, diesel is an essential component of the agricultural production supply chain.

Given this, LCLFs such as 'drop in' renewable diesel present an opportunity for use in Australian agriculture. In addition to providing increased surety of fuel supply, increased domestic production of renewable diesel provides an opportunity to reduce on-farm emissions.

More specifically, 'drop in' LCLFs may allow for the sector to reduce emissions from existing plant and equipment. This presents an opportunity to bridge the gap before more material technologies, such as electric and hydrogen-based machinery, come online commercially in the coming years.

### **Options to support an Australian domestic low carbon liquid fuel production**

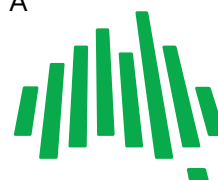
The development of a viable, sustainable and scalable domestic LCLF industry will most likely be reliant on a number of policy options and interventions. The consultation paper outlines a suite of potential supply and demand-side policy mechanisms.

With respect to supply these include maximising incentives under existing schemes such as the Safeguard Mechanism and Australian Carbon Credit Unit Scheme, capital expenditure grants, concessional loans, tax-based concessions and 'contract for difference' price support. Additionally, the paper canvases a number of policies to increase demand including through Government procurement targets and broader usage and additive mandates.

It is critical that the flow on impact of any policy decisions on agriculture is adequately considered and incorporated into decision making. As established in this submission, and clearly noted in the Consultation Paper, agriculture is a critical element of the LCLF supply chain as both a supplier of feedstock and an end user industry. It is likely that any supply or demand side intervention will have both intended and potentially unintended consequences impact on Australian agriculture.

### **Conclusion**

The NFF looks forward to continuing to work with the Government and broader stakeholders on the ongoing development of Australia's LCLF industry. A

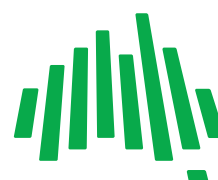


considered approach will see the industry support Australian agriculture's 2030 100 billion target. [REDACTED]

Yours sincerely,



**Tony Mahar**  
Chief Executive Officer





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Farmers  
Federation

Leading  
Australian  
Agriculture

NFF House  
14-16 Brisbane Avenue  
Barton ACT 2600

Locked Bag 9  
Kingston ACT 2604

(02) 6269 5666  
reception@nff.org.au  
nff.org.au



National Farmers Federation



@NationalFarmers

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