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1. INTRODUCTION

Team Global Express (TGE) appreciates the opportunity provided by the Australian Government to provide our views on key considerations for the Low Carbon Liquid Fuels Consultation Paper entitled "*A Future Made in Australia: Unlocking Australia's low carbon liquid fuel opportunity*".

TGE strongly supports the development of a local low carbon liquid fuels (LCLF) industry and believes that these fuels will play a critical role in Australia's net zero transformation. As an end user and commercial customer for both renewable diesel and SAF, we are committed to working together with government and industry to ensure the growth and stability of these fuels which will be transformational for freight and supply chain.

We believe that it is imperative that Government promote and support investment in low carbon liquid fuels in order to align economic incentives with the national interest and unlock private investment at scale.

We are committed to the production and use of both first and second generation biofuels. It is important to note that first generation biofuels in Australia come from waste streams and therefore are eminently useful as a step towards the next generation of drop in alternatives, compatible with existing fuel and fleet infrastructure. However there is a problem with using more than 20% biodiesel to be overcome, simply because of our fuel tax credit structure.

2. BACKGROUND

Team Global Express is one of Australia's most significant transport and logistics networks spanning road, rail, air, and sea. Our footprint sees us delivering a vast range of goods to customers and consumers around the country. As a regional leader in the transport and logistics sector, we see sustainability as a core corporate responsibility: central to our people's aspirations and values, and to our purpose as an organisation.

We are one of the largest users of liquid fuels in Australia in a multimodal application. We are determined to play our part responsibly, meeting the current needs of our communities without compromising the ability of future generations to do the same. As such, we seek to decarbonise our footprint so that by 2030 we have reduced our scope one emissions by 30% and will be striving for net zero by 2040 - noting this is a significant challenge for not only us but the industry as a whole.

In a significant step towards meeting these commitments, we have begun our transition to decarbonise our 6500-strong heavy transport fleet with an investment in 60 trucks based in Bungarribee, NSW. In the future we know that a combination of electric vehicles, hydrogen fuel cell vehicles, and most critically the use of renewable diesel will be necessary. Our ships will rely on biodiesel and renewable diesel; our 47 strong fleet of planes will rely on sustainable aviation fuel.

We will also depend on supportive policy frameworks from the government and the update to several pieces of legislation – particularly to encourage the production and uptake of renewable diesel and sustainable aviation fuel, along with larger electric and hydrogen fuel cell vehicles when they become more readily available.

3. RESPONSE

In our response to the direct questions from Government, we have limited our input below to the most pertinent elements.

As an overarching statement however, TGE would like to highlight the **absolute necessity** of these fuels and the appropriate policy frameworks to support both their use and their production as a local market in Australia in order to decarbonise the transport sector but also provide greater fuel security to the nation.

It will be imperative that Government consider a **multi-faceted approach** to address all of the environmental, economic and social dimensions of the low carbon liquid fuel industry:

- Government will need to support the development of the industry through a mechanism such as a contract for difference (CfD). This would be the clearest and fairest market signal that can be widely used for the end user to deploy large scale uptake and provide certainty for long term offtake agreements.

- Government has the critical role to play of ensuring that **stringent emission standards** are implemented to mandate the reduction of greenhouse gas emissions from liquid fuels. These standards should be **progressively tightened** to encourage uptake and continuous improvement. Changes to fuel standards in Australia take an extremely long time and are burdened by the pressure from fossil fuel producers who have a conflict of interest in ensuring that the standard does indeed take a long time to develop.

- Government needs to also develop and enforce regulations that require **comprehensive lifecycle analysis** of fuel emissions from well to wheel, ensuring that at all stages of production the end use is considered. This lifecycle analysis should be undertaken for **both low carbon liquid fuels and the existing fossil fuel market**.

- Government needs to consider the introduction of some form of carbon pricing mechanism in order to ensure that **the cost of lowering emissions is borne across the industry and not just by a small number of providers**. This could be some sort of carbon tax on fuel, a cap-and-trade system, or a book and claim system which would allow the environmental cost of carbon emissions to be spread and will incentivise the use of the lower carbon alternatives. In an industry where margins are wafer thin, it is not possible to do anything but push the cost onto the end consumer.

- Government should consider the introduction of a **renewable fuel or low carbon fuel standard** in order to strengthen and expand the renewable fuel standards that require a certain percentage of fuel sold to be derived from renewable sources. This will drive the demand for low carbon liquid fuels. This could be undertaken through a **Low Carbon Fuel Standard** such as that used in California to promote the uptake of lower carbon fuels.

- One of the most important elements of low carbon liquid fuels that is often forgotten – or at the very least completely underestimated – is that they are 'drop in' alternatives and in this way there is **no changes required to existing infrastructure** to support the distribution and refuelling costs. Existing infrastructure can remain in situ and existing fleet and capital can still be used – **saving potentially billions of dollars**. This includes the fact that existing fuel stations do not need to be upgraded, and new ones can still be built to handle both alternative fuels and existing fuels. **This flexibility and**

potential savings in cost cannot be overestimated. This means that existing supply chain and logistics infrastructure can be utilised for the efficient production, transportation and storage of low carbon liquid fuels, substantially reducing the overall emissions and costs to be borne by industry.

- Governments both federal and state need to collaborate with other nations to share best practices, technologies, solutions and research into the field of low carbon liquid fuels. Working towards the **harmonisation of standards and regulations across borders** to facilitate international trade and the adoption of low carbon liquid fuels will enhance our fuel security and provide greater certainty for the uptake of fuels considering that our Original Equipment Manufacturers (OEMs) are all based in Europe or the Americas.

- Australia already suffers from the perverse outcome that our existing feedstocks are inevitably sent to the EU, Singapore and the US for the production of renewable diesel and SAF. These **feedstocks need to remain in Australia** to lower the price of the LCLFs.

- Government must provide for performance metrics – establishing broad indicators to monitor the performance and impact of government policies related to low carbon liquid fuels and regular review and adjustment of these policies will be necessary – based of course on real data and outcomes. Government should ensure that there is **transparency in the progress and effectiveness of initiatives** to foster growth of the industry, accountability and continuous improvement.

- Government has a role to play in the **education and awareness** of low carbon liquid fuels. Awareness amongst both consumers and businesses alike with clear scientific data on the benefits of LCLFs will be required to overcome misconceptions, address concerns and promote their adoption. Too often in the past the consumer has been beholden to the misconceptions provided by the fossil fuel fraternity and a comprehensive shift in knowledge will be required.

- Government should **be at the forefront of fleet conversion programs** and must be seen to be implementing and supporting the conversion of public and private vehicle fleets to low carbon liquid fuel options and not just the electrification of cars and buses. Financial incentives and technical incentives / assistance need to be broadly available.

- Government will need to provide financial support for the **research and development** in the advancement of low carbon liquid fuels. This can include grants for both the academic and private (industry) sector, subsidies for pilot programs, trials, and tax **incentives for companies who are leading the pack** by investing in greener technologies and solutions.

- Government has a role to play in fostering **public-private partnerships** and collaboration between government, industry, and academia to accelerate innovation, production and the commercialisation of new fuel technologies to enhance our local fuel security and uptake.

- TGE would also like to note the possibility of inclusion of bio-derived gases into this discussion. BioLPG and rLPG (or renewable propane and butane) are 'drop in' replacement fuels for regular LPG, which will also be critical in supporting industries across Australia to decarbonise – for example, we could use such gaseous products

in our materials handling fleet which currently use LPG. Renewable Aviation Kerosene (RAK) is also synonymous with Sustainable Aviation Fuel (SAF) as an emerging decarbonisation fuel in Australia. In the process of producing Renewable Diesel and Renewable Aviation Kerosene, bioLPG will also be produced. Industry is also developing and researching technologies alternative processes to produce renewable LPG (rLPG), also known as bioLPG, and Renewable Dimethyl Ether (rDME) and planning for these future fuels would be a wise suggestion.

What do you think are Australia's comparative advantages as an LCLF producer? Where does Australia face international competition?

Australia has the advantage of being able to produce all of these feedstocks locally in a well to wheel capacity – grow locally, process locally and use locally. At the moment virtually all of these feedstocks are going overseas (to the EU, Singapore and California) to make renewable diesel and SAF – the international competition for the production of these fuels is distorting the market such that local production and use is not yet viable.

Based on the current policy and market environment, to what extent will Australia rely on imports of LCLF, as opposed to domestic production?

Based on the current policy framework and lack of local production, we will remain reliant on the importation of these fuels. Therefore substantive changes are required to encourgage the production of these fuels locally, as well as their use in country.

What mechanism do you think would best support a production credit scheme – through the tax system, contract for difference or grant based funding?

All of these options are likely to be necessary, but whatever the method, it needs to be in the best interests of the longer term production and use of such fuels, rather than a grant that only helps a single entity to be successful – such a grant would need to be widely available. In addition, the mechanism that **encourages the end user of the product** will result in a higher uptake (as opposed to a mechanism that only encourages the production but does not result in a flow through of a cost differential to the end consumer).

Are there other mechanisms Government could consider to deliver production support, other than a production tax incentive or competitive grant-based payment? What do you think is the highest priority form of support?

Please see above narrative relating to the different ways that Government can deliver production and use support. The highest priority is to drive the uptake across the industry widely, so that low carbon fuels are seen as the norm rather than the exception.

What would an expected rate of support be under a competitive grant-based production scheme (contract for difference or fixed grant amount per production unit)?

The support would need to close the gap between the existing fossil fuel market and the newly formed low carbon fuel market until such time that the gap does not exist.

What are the expected timeframes for when an industry would be sustainable without support from Government?

This will be completely dependent on the pressures of the existing fossil fuel industry. History has shown that when Government support is removed, **the fossil fuel industry** is able to muscle its way back in. A likely timeframe would be 10-20 years.

How should production support be funded, and how could this best be aligned with the beneficiaries of the production support?

Production support needs to flow through to lowering the gap between fossil fuels and low carbon fuels to encourage the uptake by the end user. If the production support remains in the hands of the producer, without being passed down to the end user, then production support is useless.

Would production support need to offer a different rate of incentive for SAF and renewable diesel?

The two fuels are likely to cost different amounts, and so the production support would need to balance that outcome and incentivise both rather than distort the market in one direction.

Would a potential production support program need to prescribe certain proportions of production volumes towards SAF or renewable diesel?

Yes, or else the producer will naturally lean towards the higher valued outcome.

Do you support an emissions reduction threshold being included as part of eligibility criteria for fuels to receive support under a production incentive program? What threshold would you seek be included in eligibility criteria (for example 50 per cent emissions reduction relative to conventional fuels, or another emissions reduction ratio)?

Yes this would be supported. It would naturally sit at a starting point reflective of international markets, being a minimum emission reduction relative to conventional fuels such as 50 per cent and upwards.

Do you think any threshold should increase over time?

Yes

Do you think incentives should be included to encourage emissions reduction in addition to a minimum eligibility threshold?

Yes

Do you have views on the sustainability criteria under consideration as part of the criteria? What additional or alternative criteria would you want to see form part of the criteria?

The fuels need to be from a feedstock that is bio-derived and that do not just distort the waste pyramid, being that they should not encourage the uptake of other products such as plastics.

Do you have any other views on emissions and sustainability criteria?

The products – both low carbon alternatives and conventional fossil fuels – should need to provide a life cycle emissions figure, so that the end consumer can see the full supply chain.

What are the community benefits associated with LCLF production in Australia?

LCLF production will result in the lowering of emissions across the country and the betterment of health in the community. The betterment of fuel security in Australia is also a critical outcome.

What options should the Government consider in its regulatory impact analysis, such as a mandate introduced over time, low carbon fuel standard connected with a trading scheme, a non-binding target or other demand options?

Demand signals such as mandates and firm targets are likely to be necessary to overcome the competition that conventional fossil fuel suppliers will raise. Demand measures need to work hand in hand with measures such as the Safeguard Mechanism for covered facilities.

Mandates are one of the only ways that customers will understand the flow through to the end users. Mandates need to work across the market and not just in some areas. Such demand measures mean that competition will be equal across industry and not distort to lower cost (rather than lower emission) end users. A mandate designed such that a certain proportion of the fuel needs to be drawn from Australian produced LCLF would be preferable.