

Attention:

Director, Project Strategy Unit
Strategic and Economic Policy Projects

AgBioEn response to The Future of Australia's Aviation Sector – Issues Paper

AgBioEn commends the government for commissioning *The Future of Australia's Aviation Sector—Issues Paper*.

AgBioEn is a diversified agricultural and biofuel company that is currently constructing a major biofuel facility in Katunga, in Northern Victoria. The primary outputs of the facility will be renewable diesel and biojet fuel – both advanced biofuels that will be utilised as drop in replacements for traditional fossil fuels. Once running at full capacity, our Katunga facility will produce enough biojet to fuel 16,500 Sydney to Melbourne flights every year.

This will be our first Australian facility with a future pipeline of 7 equivalent sized facilities planned for Australia. We have a strong business interest in the future strength and viability of the aviation sector as a growing supplier of domestically produced aviation fuel.

Our response to the issues paper is focused on Part B: The Government's Five Year Plan.

The recovery of the aviation sector from the impacts of COVID-19 will require a rebuilding of consumer confidence as well as work to reinforce the social licence of the aviation sector.

One key impact of COVID-19 is that many companies and individuals now have extensive experience using virtual meetings to conduct business. This experience, coupled with increasing awareness of the impacts of climate change and the fact that aviation is seen as a significant contributor to emissions, means that a permanent shift away from using aviation to conduct business may be underway.

Addressing this shift in attitudes will require a focus on reducing aviation emissions in order to rebuild the sector's social licence as climate concerns continue to rise. A visible and sustained strategy to reduce aviation emissions is critical to ensuring the aviation sector has a strong future.

We encourage the government to explore targeted investment to expand the supply and consumption of Sustainable Aviation Fuel (SAF) like locally produced biojet fuel. SAFs deliver lifecycle emissions reductions of up to 80 per cent compared to traditional fossil fuels and Australia is well placed to become a major producer due to our extensive agriculture sector.

Supporting the aviation sector to reduce aviation emissions by blending or substituting traditional fossil fuels with SAFs is a pathway that is viable today and will deliver multiple benefits as the economy rebuilds from the impacts of COVID-19. While hydrogen fuel systems and electric aviation likely represent the longer term pathway, these solutions are still years away from large scale deployment, and offsets while beneficial are only a partial solution. SAF is the best option available to the sector in the near term to reduce aviation emissions and rebuild the sectors social licence.

There are a range of mechanisms government could utilise to encourage the uptake of SAFs and improve environment outcomes in the aviation sector.

These could include:

1. Provide excise exemptions for all SAFs consumed by the domestic aviation sector
2. Introduce a consumption bonus of 50c/L for the domestic consumption of SAF in the Australian aviation sector.
3. Set SAF blending mandates for aviation fuel supply in Australia. This would set a minimum level of SAF to be mixed across all aviation fuel in Australia.
4. Establish a reverse auction mechanism for the supply of SAF equivalent to government aviation demand on an annual basis. This could replicate the proven approach which has underpinned investment in the utility scale renewable energy sector.

The *ReFuelEU Aviation Roadmap* which is on track to be adopted by the EU Q4 2020 has a number of mechanisms that could be emulated locally. Our position is that many of these could be incorporated into Australia's State Action Plan to ensure the local aviation fuel sector keeps pace with international developments.

Aside from the benefits of reducing aviation emissions and protecting the social licence of the aviation sector to operate there are a number of flow on benefits to this approach.

Firstly, incentivising the development of a strong and diverse SAF production sector in Australia will unlock billions of dollars of investment in new production facilities. Each facility that AgBioEn is constructing will unlock more than a billion dollars worth of investment.

Secondly, SAF production is jobs intensive. Each AgBioEn facility will create 500 direct and 750 indirect jobs for people on an ongoing basis. This level of jobs creation is all the more important as Australia stages an economic bounce back from COVID-19.

Thirdly, a vibrant SAF sector will enhance local fuel security. Each SAF plant, like those that AgBioEn is constructing, is a stand-alone refinery that generate fuel using local supplies of feedstock. These facilities present a key opportunity to reduce the risk Australia faces due to its reliance on a dwindling number of oil refineries and exposure to lengthy and volatile international supply chains for raw feedstock.

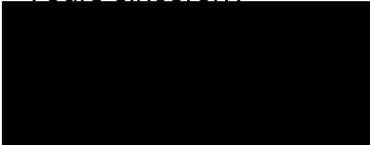
Finally, a strong SAF sector will help diversify Australia's regional economies and provide additional revenue streams for agricultural producers. This will insulate against

future commodity price shocks and provide multiple revenue opportunities for our agricultural sector.

The recovery of the aviation sector from the impacts of COVID-19 will be strengthened for the long term with a deliberate focus on concurrently building a strong and viable SAF sector. An approach that encompasses this will help rebuild social capital, stimulate significant local investment, and set up Australia's aviation sector to compete in a carbon constrained future.

Thank you for the opportunity to provide feedback on this important matter.

Yours sincerely,



Tom Quinn

GM Corporate Affairs and Government Relations

AgBioEn

