Cleaner Fuels Program (CFP)

Response to Policy Design and Engagement Paper

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CFP Objective:

The Australian Government has committed $1.1 billion to encourage domestic production of LCLF, while strengthening fuel security and supporting new jobs. The Program will provide production-linked incentives over ten years and target support toward LCLF projects that are advanced in development, progressing towards a final investment decision and targeting domestic production in the near future.

Introduction:

This response seeks to define how all the CFP objectives can be met including scalable LCLF production, decarbonisation, economic development, and liquid fuel security.

The announced quantum of funding for the CFP ($1.1 B over 10 years) represents a small fraction of the total investment required to support commercial scale infrastructure for LCLF production geared to meeting Government's emissions reduction targets over that time horizon. This initial supply-side funding must therefore be focussed on supporting the best opportunities to stimulate initial LCLF production at the lowest cost to the taxpayer, and with the highest likelihood of longer-term success.

To enable long term LCLF production at scale, there must be complementary supply-side and demand-side policies. This has been demonstrated in other jurisdictions where there has been successful market-based growth of LCLFs as a result of multiple policies. These programs provide the value stack for the market to bridge the cost gap to petroleum fuels. Demand-side mechanisms (such as the US state-based LCFS schemes) that stimulate generation of emission reduction credit certificates to be purchased by petroleum fuel suppliers have proven effective in driving demand for renewable fuels. These market-based mechanisms can reduce the cost to the taxpayer and bridge the affordability gap.

1. Eligible fuels

Question 1.1: Which LCLF should be eligible under the program and why?

The national objectives being addressed by the CFP are to simultaneously reduce GHG emissions and improve liquid fuel security/independence by replacing imported petroleum fuels with domestically produced renewable fuels (LCLFs). The focus on these LCLFs should be "drop-in" replacements for petroleum fuels that do not require wholesale replacement of equipment and infrastructure.

Given that Australia's current fuel supply across all end-use market segments (automobile, freight, aviation, marine, agriculture, mining, etc) is almost entirely dependent on either imported refined petroleum products or crude oil feedstock (other than limited amounts of domestic biodiesel and bioethanol), replacement within any category of LCLF can generate similar improvement in both emissions reduction and fuel security.

For production (supply side) policy, the market should be enabled to decide which LCLF is deployed through cost and price signals coupled with internal combustion engine (ICE) specifications that allow for certain blend rates. If specific markets or products

need prioritisation (to meet particular market segment, emissions or policy energy security criteria), then this would be best achieved with demand side policy (e.g. product mandate).

In principle then, any locally produced LCLF that contributes to these objectives should be eligible for support under the CFP. However given the limited CFP funding available relative to the very large overall investment needed to build domestic supply chains and processing infrastructure, a high degree of pragmatic prioritisation will likely need to be applied.

As a guiding principle, we recommend that the CFP should prioritise funding into those fuel pathways that have the most immediate opportunity to establish the foundations of a domestic LCLF industry, the lowest whole of supply chain cost, and the strongest potential to accelerate to large scale in the 2030's. In order to improve domestic emissions, we believe that LCLF must meet a >50% CI reduction to be eligible (see Q3.3).

The earliest impact that could be achieved would most likely come from CFP support for expanding Biodiesel (BD) and Bioethanol (BE) production through already established processing infrastructure, which is currently idling well below capacity due to failure to enforce previously implemented mandates. Although these fuels currently capture little attention compared to the enthusiastic push for more-scalable and more-versatile Renewable Diesel (RD) and Sustainable Aviation Fuel (SAF), BD and BE have the lowest cost-of-goods of any renewable fuel pathway. They could immediately ramp up through existing processing assets to achieve increased market penetration through blended fuels if supported by more robust demand-side policy instruments than currently apply. There may well be commercially viable opportunities, at lower scale, to build new FAME facilities at regional levels to provide fuel security in local industrial markets where BD is operationally suitable (see Q1.2).

Supply-side investments should not be made in synthetic fuels based on green hydrogen or eFuels until such time, if ever, that these pathways achieve competitive production costs with already available LCLF technologies, and have become commercially established in other jurisdictions.

Likewise, the CFP should not include biomethane (or bioLPG or bioLNG) as a renewable fuel as these are not 'drop-in' fuels that displace existing petroleum fuels stored at ambient pressure and temperature.

Question 1.2: Should certain types of LCLF be prioritised over others?

a. *Should LCLF suitable for particular sectors or uses be prioritised? For example, should sustainable aviation fuel be prioritised over renewable diesel?*

In relation to the CFP supply-side investment stimulus, there should be no priority given to any one type of fuel over another, since multiple renewable fuel types are able to be produced from the same process pathways/facilities, and they will contribute equivalently to fuel security on a per volume basis. The market dynamics and production economics will determine which mix of fuel types are produced by refineries.

However, renewable fuels are likely to vary in their CI (Carbon Intensity) credentials and hence their emissions reduction contribution. This will depend heavily on the CI of the feedstocks used, and most pathways are able to use a wide range of feedstocks that will naturally vary in their CI value. Any government policy objective of maximising the emissions reduction per dollar of Govt financial support (a legitimate objective) would best be delivered by scaling demand-side support measures according to finished fuel CI, rather than by supply-side measures.

The announced quantum of funding for the CFP ($1.1 B over 10 years) represents a small fraction of the total capital required to support commercial scale infrastructure for LCLF production geared to meeting Government's emissions reduction targets over that time horizon. This initial supply-side funding must therefore be focussed on supporting the best opportunities to stimulate initial LCLF production at the lowest cost to the taxpayer, and with the highest likelihood of long term success. The alternative approach of investing in potentially more scalable but much higher-cost fuel technology pathways would require larger demand-side support from Government to achieve affordable, competitive market pricing. This would result in lower emissions reduction per unit of demand side financial support and would be a less efficient use of taxpayer money in a financially constrained budgetary environment.

The lowest-cost pathways of Biodiesel and Ethanol are already established in multiple Australian locations but are currently underutilised. Appropriate and strongly enforced demand-side incentives (such as mandates and affordability support) could quickly have these facilities operating to full capacity. If infrastructure is the sole or main priority for CFP investment, expansion of Biodiesel and Ethanol processing facilities might represent the initial best value for money for the available funds in the immediate term.

Although most investment attention has been placed on building out the larger-scale RD and SAF facilities required to displace petroleum fuels, the opportunity to extend distributed production of lower-cost fuels in appropriately scaled usage markets, especially agricultural regions, should not be missed or overlooked. The biggest risk to domestic food security is our parlous national fuel security situation. Regional scale Biodiesel and Ethanol production can provide the opportunity for farmers to shore up a significant portion of their fuel needs at lower cost and provide more secure business continuity.

In considering a broader interpretation of whether certain LCLF pathways should be prioritised, HEFA represents the next lowest overall cost pathway, and the only pathway commercially proven at scale, and should be the next prioritised supply chain. Other pathways, such as ATJ and thermochemical conversion of biomass (LCBM), are higher cost and not fully proven at commercial scale in other countries. These process technologies should not be underwritten by public investment at this stage of the industry development, especially given the potential for significant expansion of domestic oil crop feedstocks for the lower cost HEFA pathway identified in the recent GRDC LCLF Roadmap.

b. *Should LCLF for certain sectors or uses be de-prioritised due to other viable decarbonisation pathways?*

We don't consider that any LCLF use sectors should be deprioritised due to availability of other decarbonisation pathways. Most of LCLF production will be directed to sectors that are difficult or impossible to decarbonise through other means, such as via electrification or use of renewable gas. The main liquid fuel sector that is likely to eventually be decarbonised by electrification is the automobile sector, which is predominantly powered by petrol. The transition to electric vehicles in Australia has been relatively late in starting and is only now beginning to accelerate. The ever-expanding demand for automobiles, predominantly still ICE vehicles, combined with long lifecycle for current ICE fleets, and the high proportion of grid power still supplied by fossil fuels, means that GHG emissions generated by automobiles will remain plateaued or slowly decreasing in the decade ahead. This will only be significantly abated when vehicle fleets have a very high proportion of EVs and they are powered either by domestic solar power or by predominantly renewable-generated grid electricity.

Similarly for the heavy-duty vehicle sector, including freight, mining, agriculture, and construction, the use of diesel continues to increase. Whilst we are starting to see an increasing availability of electric options for these trucks, plant and machinery, the long lifecycle for current fleets will result in demand for diesel for many years. These sectors should not be deprioritised for use of LCLF.

However, we are strongly of the view that there are certain fuel types that should not be supported by investment from the CFP. For a long time it has been very clear to engineers that for a range of economic, energetic and practical reasons, green hydrogen (and eFuels derived from it) will never be commercially viable as transport fuels. Unfortunately, significant global public investment has been unwisely used to explore the potential of these synthetic fuels, and they still remain at extremely high price points that would require excessive amounts of government bridging support to become competitive with petroleum fuels or HEFA-derived LCLF. Australia should not deploy any scarce taxpayer resources on further R&D in these e-fuels, but should leave further development to overseas entities to pursue. If commercially viable synthetic fuel technology is eventually developed overseas, it will be readily available for deployment in Australia at that time, if desired.

c. *What market impacts are anticipated by influencing prioritisation of particular fuel types?*

As defined in response to 1(a) above, the priority of the CFP must be to support the best opportunities to stimulate LCLF production at the lowest cost to the taxpayer, and with the highest likelihood of long-term success. Prioritisation of particular fuel types has the potential to distort the market and not achieve the program objects of scalable LCLF production, decarbonisation, economic development, and liquid fuel security. The CFP should be agnostic to the particular fuel types that are produced, provided they are lowest cost to the taxpayer.

The only prioritisation that should be based on particular **fuel types** should be the deselection of any support for green hydrogen and eFuels as these are energetically

unfavourable and way too expensive to produce - they show little sign of reaching commercially viability over the next decade or longer. Avoiding misdirection of funds to these fuel types will enable CFP funds to be fully directed towards fuels that can be delivered today using proven lower-cost process pathways and should enhance their market impact by accelerating their deployment.

To that extent, ethanol and FAME can be immediately blended and make an impact on fuel security and emissions, so any prioritisation should be time bound to allow for renewable diesel and sustainable aviation fuel refining assets to be established (which offer systemic, longer term fuel security and emissions reductions).

2. Type of production support

Question 2.1: Should the production credit be a fixed amount per litre of production, or a variable amount that depends on the market price of LCLF?

For this limited support program, the production support should be targeted towards the best opportunities to develop some initial LCLF production at the lowest cost to the taxpayer, with the highest likelihood of long term success. A Contract for Difference (CFD) based on a clearly defined market price for LCLF should be used for this limited support program and would result in a variable amount of support that moves with the market price. The CFD could cover part of or the full price differential to the market price, which ensures the producer bears some of the market price risk.

In the longer term, an additional supply side production support policy is required to enable financing of the capital intensive assets for multiple larger scale LCLF production facilities. Ideally this would be a fixed amount per litre of product for all producers that provides long term support for investments, similar to the Hydrogen Production Tax Incentive (HPTI) mechanism which is a refundable tax offset for domestic hydrogen produced.

a. Are there any potential benefits, risks or constraints considering the two different production credit options?

For this limited support program, a CFD based on a clearly defined market price for LCLF will provide some initial investment in this new industry. A CFD is the best value to minimise risk to the investor and excessive payments from the taxpayer.

Longer term, a fixed production support mechanism (similar to the HPTI) would provide certainty for all producers, and reduces complexities associated with management of CFDs.

b. What outcomes do you think can be delivered with the available funding?

The $1.1B domestic support program over 10 years is $110M every year, which not be sufficient to stand up and develop a domestic LCLF production industry. This funding may encourage first mover investors in production facilities but will not deliver a domestic LCLF industry to meet domestic demand without ongoing support for every facility.

c. *What type of mechanism provides the greatest investment certainty or level of bankability to projects?*

For this limited support program, a CFD based on a clearly defined market price for LCLF will provide the best value to start up a few facilities for this new industry. A CFD is the best value to minimise risk to the investor and excessive payments from the taxpayer.

Longer term a fixed production support similar to the HPTI provides certainty for all producers, and reduces complexities associated with management of CFDs.

d. *How can this support be structured to prevent substantial upside to producers?*

A well designed CFD will prevent substantial upside to producers. In the unlikely event that LCLF becomes cheaper than its petroleum counterparts, it also offers a means to offset earlier investments.

e. *How do you consider pricing for LCLF will be set over the short-medium term and longer term? Will pricing be matched to a premium on equivalent fossil fuel or price of imported LCLF or be on a carbon abatement basis?*

Pricing will be a result of market conditions and policies in place. Pricing will consider alternative options for imported LCLF, hence the need for production support. Consumers will consider LCLF price versus petroleum fuels equivalent and make their own choices. The use of carbon abatement linked to pricing would only make sense with a demand-side program linked to Carbon Intensity such as an LCFS.

In the presence of demand-side mandates requiring a certain proportion of fuels to be renewable, the market price for the volume of locally-produced LCLF needed to meet the mandate will need to initially be competitively priced against the landed cost of LCLF obtainable from overseas producers. However, it is unclear if there will be any significant global trade in LCLF given that all countries are seeking to produce LCLF to primarily meet their own internal emission reductions goals, and are likely to have policies in place that seek to retain LCLF supply for their domestic use. It is more likely that a significant global trade in LCLF will not develop until quite late in the piece as countries move towards emissions reduction goals.

Question 2.2: To deliver the policy intent of the Program while maximising the value for taxpayers, do you agree that projects with the lowest cost should be prioritised under the Program, with the cost being measured either as per unit of LCLF produced or as per unit of carbon emissions abated?

The program needs to support all producers of eligible products (see #1.1 and #3.3) and not pick winners. Measurement should be on maximising volume output at the lowest unit cost and meeting the CI reduction threshold (see #2.3), in order to optimise the investment of government funds.

Caution should be exercised in conflating carbon emissions with carbon intensity, as the former generally relates to emissions arising from fuel use and the latter to emissions inherent in the production of LCLF. Standards in other jurisdictions typically focus on carbon intensity.

Question 2.3: Should the production credit be linked to the quantum of LCLF produced, or the carbon emissions saving potential of the fuel?

Production credit should be on a per litre basis of eligible fuels, which includes a maximum carbon intensity threshold (e.g. 45 gCO2e/MJ) or minimum carbon intensity reduction compared to petroleum fuel equivalent (e.g. >50% CI reduction).

Applying a sliding scale of carbon intensity reduction to determine CFP credits would be overly complicated and does not create the best opportunity to grow LCLF production at scale in Australia. Incentives for further reduction of carbon intensity is best covered in a demand side mechanism (such as an LCFS) rather than a supply side production credit.

Question 2.4: What are your views on the cost to deploy LCLF domestically compared to internationally? Is there a local premium for domestic production?

The cost for production in Australia will be higher than internationally as manufacturing in Australia is costlier due to high energy, capital and labour costs. Some savings are likely available with lower logistics costs and any notional premium associated with security of supply. Costs for HEFA feedstocks will be dictated by global feedstock markets (e.g. UCO, tallow, canola), whereas costs for biomass feedstocks for other pathways will be influenced by existing domestic markets for crop residues/coproducts plus costs for aggregation and accumulation. Australia has some competitive advantage in the cost of production of agricultural commodities, but growers will look to sell wherever they get the best returns.

Question 2.5: Should the total value of production credits be capped for each project? If yes, what should the capped amount be and why?

Production credits will underpin the costs and should match the capacity of the production facility. Capping credits for individual projects will be a decision based on allocation of the available funds to the lowest cost producers.

Question 2.6: Should production be focused on domestic supply only or should export also be permitted? What impact could restriction have for projects or the market?

Any locally-produced LCLF that is exported fails to reduce the amount of petroleum fuels that Australia imports, and thus does not contribute to the dual policy objectives of reducing Australia's GHG emissions and improving our fuel security. Investment should be focussed on domestic production but should not preclude producers from exporting as there may be transient opportunities to improve processor profitability through alternative market opportunities. However, the Government production credit relates to domestic supply of LCLF and should not be payable on any volume of LCLF that is exported. In addition, having complementary demand side policy would also incentivise the domestic consumption of locally produced fuels compared to the export opportunity.

Question 2.7: Is there a role for combined production support with capital grants for first-of-a-kind facilities?

This program is deployment of proven production facilities, not for pilot scale development or demonstration facilities. The objective of this program is to provide production-linked incentives toward LCLF projects for commercially-proven technologies where projects are advanced in development and progressing towards FID.

First of a kind (FOAK) facilities are not advanced in development and do not fit the program objectives. Any intended support for FOAK facilities should be provided through other R&D funding schemes such as ARENA.

Question 2.8: What other types of funding or concessional finance could support LCLF projects (e.g. funding from CEFC and NRF)?

Given that the level of government investment support needed to establish a large-scale LCLF industry is going to be much higher than the funding currently allocated to the CFP, it would be desirable to provide additional support from whichever other schemes are relevant. The National Reconstruction Fund would seem to be appropriate given that the creation of a domestic LCLF industry represents a massive reconstruction of Australia's national fuel supply chain, and requires new domestic infrastructure throughout the supply chain from farm to fuel pump. CEFC, Future Fund and Superannuation Funds could also be appropriate investment sources.

It is important to recognise that the supply chain is not just the processing facilities, but is also the provision of feedstock to be converted into fuel. Scaling up the LCLF industry is going to need development of innovative new feedstocks, such as those identified by GRDC in their LCLF Roadmap. Significant investment in advanced feedstock R&D is needed in the immediate term to ensure that they can be deployed when needed as the refinery capacity scales-up during the 2030s and beyond.

Investment made by CFP (and other sources) in LCLF projects should ensure that funded proposals include viable domestic feedstock development plans, and CFP should consider allocation of part of the support investment specifically, and accountably, to that aspect. CFP should also consider opportunities to direct/support/coordinate ARENA and other Govt investments in feedstock R&D, to ensure that newly established processing facilities do not become stranded assets, or just a flash-in-the-pan, due to insufficient feedstock being available to support future expansion.

Question 2.9: Is any other support required across the supply chain to enable domestic production of LCLF?

Complementary policy support is required across all elements of the supply chain to enable scalable production of domestic LCLF including:

- Sustainability standards
- Certification and CI methodologies
- Crushers, silos, domestic transport (e.g. rail, road, coastal freight), etc.
- Integrated logistics handling
- Demand side policy (e.g. LCFS, sector mandates)

- RD&C support for new and improved feedstocks to underpin future scaling up of the initially deployed lowest-cost LCLF pathways.

Question 2.10: What lessons can Australia learn from other jurisdictions that have already implemented LCLF production support measures?

Learnings from other jurisdictions are numerous, including:

- Focus on proven at scale technology – not on novel, pilot or emerging technologies
- Investors require policy certainty and long term stability. Support schemes need to have broad parliamentary support and be legislated.
- Foundational credentials of an LCLF industry must be in place – certification and sustainability.
- Feedstock capacity and accessibility is a necessary condition for success – refining capacity will follow secure feedstock supplies.
- Producers' credit program must only apply to domestic utilisation of domestic fuel production, not imports or exports of LCLFs.
- Carbon Intensity standard should be the emphasis. Feedstocks should not be discriminated against on policy or political grounds, but on their cost and sustainability.
- Align standards on international settings for market flexibility.
- Policy settings need transparent guardrails with ongoing review and the ability to adjust as the LCLF market develops.

3. Fuel production

Question 3.1: Considering this objective, what production pathways should be focused on or prioritised?

a. Should priority be given to projects that use more-established production pathways (e.g. HEFA and HVO) than nascent production pathways that may present a higher level of technology risk?

Production credits must be made available only for deployable and scalable production pathways, not for nascent technology. Separate funding sources (e.g. ARENA) should be made available for research and development and small-scale pilot projects.

b. How can nascent production pathways compete with more-established production pathways (e.g. HEFA and HVO)?

Nascent production can have access to the same production credit, and CI benefits once emerging technologies are sufficiently demonstrated at scale and are ready for deployment in Australia. It is worth reinforcing here that we do NOT see any case for Australia investing in R&D on high-risk green hydrogen and e-Fuel pathways. There is ample ongoing publicly and privately funded research overseas on these technologies in countries that would appear to be dependent on the development of synthetic fuels due to their lack of biomass scale for cheaper pathways. If these pathways become proven at commercial scale and at competitive cost of production (which currently

seems fundamentally unlikely), Australia will be able to access these from commercial developers (as they will be seeking to maximally deploy their technologies globally). There is no advantage to the Australian LCLF industry to be obtained from Australian technology developers using public funding to seek to be the first to achieve component technology breakthroughs on these pathways, and limited LCLF investment is best spent on immediate deployment of proven lower-cost technologies.

c. *What minimum stage of project development (and evidence) should be expected by projects under the program?*

TRL 9 – this program is for commercial production, not for technology development or demonstration.

Question 3.2: Should there be a minimum facility size to be eligible?

No – if the facility has robust feedstock supply and can economically produce renewable fuels then it should be eligible. The Australian LCLF market will be dominated by large concentrated market demand in major population centres that will require large-scale processing facilities. However there may also be smaller and more regionally distributed market demands servicing agricultural and mining industries that may be best served by regional deployment of smaller facilities predominantly for RD and in some cases BD. Support for these smaller facilities may be critical for regional fuel security and business continuity, and might represent the initially fastest route to infrastructure establishment and early emissions abatement.

Question 3.3: Should LCLF be required to meet a carbon intensity threshold (% carbon intensity reduction compared to fossil equivalent) to be eligible for the program? If yes, what would be a reasonable threshold, and how should that threshold be calculated and verified? If not, why not?

See Q 2.3. Production credit should be on a per litre basis of eligible fuels, which includes a minimum carbon intensity threshold (e.g. 50 gCO2e/MJ) or minimum carbon intensity reduction threshold compared to petroleum fuel equivalent (e.g. 50%).

a. *If the production incentive is based on carbon emissions reduced, rather than volume of LCLF produced (see Question 2.3), is a minimum carbon intensity threshold still needed as part of the eligibility criteria?*

The carbon intensity threshold is required to define an eligible fuel. For this CFP the focus should be on supporting the best opportunities to stimulate maximum LCLF production at the lowest cost to the taxpayer, and with the highest likelihood of long-term success. For clarity, it should not be based on carbon emissions reduced, but carbon intensity of the produced fuel.

b. *Should Indirect Land Use Change be included in the method for determining carbon intensity, for the purpose of the Program?*

ILUC should be included and must be clearly defined and evidence based. The program should support market access for feedstock and not create unjustifiable inclusion of higher carbon intensity sources. Consideration should also be given to developing ILUC standards that don't unnecessarily constrain domestic production, and that

adequately interface with overseas certification standards in export markets (esp. for international aviation use of SAF). There is a strong need for adaptable certification standards that recognise that Australian low-input and minimum tillage farming systems are generally lower in CI footprint than may be the case in higher input, heavily cultivated farming systems in other jurisdictions (such as Europe).

Whilst ILUC can be complex and challenging to define, it is essential that it is evidence based and fit for Australian conditions, rather than using poorly defined ILUC "risk bands" (e.g. high, medium, low). Establishing a credible and widely accepted ILUC criteria alongside robust sustainability standards will be essential for community acceptance of an LCLF market in Australia. The initial use of science-based default ILUC factors for approved feedstock pathways would be appropriate, which enables flexibility for fuel suppliers to provide evidence for actual lifecycle assessment values as production matures.

c. *Should any feedstocks be prioritised or otherwise considered out of scope?*

Feedstocks should not be prioritised or removed from scope, but all should compete on the same sustainability standards and CI reduction. Overall production economics (including feedstock, logistics and refining costs) will dictate which feedstocks and in turn supply chains are more desirable and scalable – growers and the market will choose.

If feedstocks were to be prioritised (e.g. double counted) or considered out of scope as the market develops, it would create uncertainty in the market and disincentivise investment, as has been evidenced in the EU with their everchanging rules.

Question 3.4: Other than carbon intensity, should any other sustainability criteria be included?

All of the elements of a global Sustainability standard (e.g. CORSIA) should be readily able to be adopted in Australia, as local laws are already in place for almost all criteria e.g. water, soil, air, conservation, waste, human rights, land use.

Question 3.5: Which international and domestic sustainability schemes should be allowed to verify sustainability claims?

Global organisations that already verify sustainability standards should be allowed in Australia (e.g. ISCC and RSB).

4. Other policy considerations:

Proposals are expected to demonstrate merits in line with the policy objective and goals outlined previously in this Paper. Examples may include:

- **Carbon emissions reduction potential**: how well the project contributes to decarbonising sectors reliant on liquid fuel use; for example, the total amount of emissions abated by the LCLF produced, where this abatement would occur, and the relative importance of this abatement to the sectors achieving net zero.

- **Economic benefit**: how well the project contributes to new economic and regional development opportunities. Consideration may be given to a range of indicators, including but not limited to new jobs for regional Australia, better economic opportunities for First Nations communities, and diversified income streams for farmers.
- **Fuel security**: how well the project contributes to Australia's sovereign liquid fuel capability and security. Consideration may be given to the extent to which the project helps to diversify Australia's liquid fuel use and mitigate risks to global supply chain disruptions.
- **Sustainability**: how well the project meets sustainability criteria throughout its supply chain. Consideration may be given to potential environmental impacts (e.g. land use change), food security considerations, and competing feedstock uses, as well as the ability of the project to produce LCLF in the long-term without government support and to secure long-term access to feedstocks to enable continuing production of LCLF.
- **Supporting an efficient market**: how well the project contributes to supporting an efficient market, such as the ability of the project to secure offtake agreements, enable price discovery, reduce barriers for future projects, and facilitate knowledge sharing.

Question 4.1: What are your views on the aforementioned factors affecting the merit of a proposal?

Every project accessing production support should be rigorously assessed to verify it meets all of the above criteria.

Question 4.2: Recipients under the Program will need to deliver benefits according to the Community Benefit Principles under the Future Made in Australia Act (see Appendix D). How do you consider the Community Benefit Principles in relation to LCLF projects? Are there specific Community Benefit Principles that are more or less relevant?

Community Benefits will happen naturally as an outcome of major infrastructure projects. Feedstock production and distributed primary processing will continue to expand on the transition to Net Zero and should stimulate significant regional economic development, employment opportunities, population retention, skills development, and general community prosperity.

Question 4.3: How will overseas policy developments interact with domestic policy settings to support projects reaching final investment decisions? For example, LCLF demand-side targets or mandates, and international frameworks such as the International Civil Aviation Organisation long-term global aspirational goal for international aviation (LTAG) of net-zero carbon emissions by 2050.

The focus of this program is on domestic production support, which is incentivised to be sold domestically. Overseas policies will create demand in their own jurisdiction. LCLF produced in Australia that is sold for use out of country should not benefit from taxpayer support via a Government program.

Question 4.4: In addition to production support, what other measures are considered critical to achieve final investment decisions for projects? What are their key features?

- Long term stable demand side policies (e.g. LCFS)
- Feedstock security and growth
- Certification and sustainability standards
- Robust supply chain and integrated logistics
- Proven technology
- Excise support
- Cost of capital
- Brave and visionary policy makers

Question 4.5: What are the intersecting policies you expect need to be considered to unlock a domestic LCLF production industry?

All of the above will be required to derisk projects and unlock domestic LCLF production at scale. To enable long term LCLF production at scale, there must be complementary supply-side and demand-side policies. This has been demonstrated in other jurisdictions where there has been successful market-based growth of LCLFs as a result of multiple policies. These programs provide the value stack for the market to bridge the cost gap to petroleum fuels.

Question 4.6: Is there any other feedback you would like to provide that isn't covered by questions above?

No.