19/12/2025

Cleaner Fuels Program
Department of Infrastructure, Transport,
Regional Development, Communications, Sport and the Arts

Submission via: lclfconsultation@infrastructure.gov.au

Dear Sir/Madam,

Re: Response to the Cleaner Fuels Program – Policy Design and Engagement Paper

This letter submission is provided .

1. About ACAPMA

The Australasian Convenience and Petroleum Marketers Association (ACAPMA) is the national peak body representing the interests of the petroleum distribution/wholesaling and the petrol-convenience retail industry. These two industry sectors generated annual revenues of around $102B in 2024 and employed an estimated 51,400 Australians, working in around 4500 businesses.

ACAPMA is an employer organisation that is formally recognised under law as the *industrial advocate* for fuel marketing and fuel distribution businesses. First established in 1976, the Association started operations as the Australian Petroleum Agents and Distributors Association (APADA) and subsequently changed its name to ACAPMA in 2007.

Today, the Association directly represents 95% of fuel distributors/wholesalers in the country and about 71% of the over 8000 service stations in Australia.

The scope of ACAPMA's membership extends from the 'refinery gate' through to the forecourt of Australia's national network of service stations and petrol convenience outlets. This includes importers, wholesalers, distributors, retailers, suppliers, and service providers.

ACAPMA's member businesses range from international companies to their Australian subsidiaries, large Australian-owned businesses, to independently owned mid-cap companies, and small family-owned businesses.

Given the diversity of our membership base, ACAPMA strives to assemble an aggregate *whole-of-industry* perspective on key public policy and market regulation - with a view to providing policymakers and regulators with meaningful industry insights that are directly relevant to issues under consideration.

Given the wide variance in the market propositions (and market presence) of individual market participants, ACAPMA's aggregate *whole-of-industry* perspective should not be taken as necessarily being wholly representative of the position of any individual fuel retailer.

Given the scope of interest of ACAPMA's members (i.e. fuel transport, fuel wholesale and fuel retail), our response to the consultation paper has been confined to issues associated with the transport, storage and retailing of low carbon liquid fuels in Australia.

2. Context

Australia's fuel distribution and wholesale businesses along with Australia's fuel retail businesses are not directly invested in the manufacture of transport fuels. However, given the scope of interest of ACAPMA's members (i.e. fuel transport, wholesale, distribution and retail), our response to the consultation paper has been confined to issues associated with the downstream components of LCLF in Australia. As such, ACAPMA will not be responding to each individual question posed in the Paper.

3. Overall Position

ACAPMA supports government action in promoting the adoption of low carbon transport fuels such as renewable diesel.

The development of supply of low carbon renewable diesel for the Australian diesel market presents a real opportunity to deliver emissions reduction from the 'hard to abate' road transport and heavy machinery industrial sectors (e.g. Mining, Agriculture, Road Freight), especially given the forecast near zero availability of BEV and FCEV drivetrains for these applications. The added advantage of renewable diesel is that it is compatible with existing fuel supply infrastructure and diesel vehicles and machinery.

ACAPMA queries however whether the uptake of LCLF production, supply and demand is best encouraged and incentivised through an industry policy framework such as the Future Made in Australia program rather than as a carbon abatement GHG environmental framework.

4. Fuel Security

Given the significance of factors such as geopolitical issues, government policy must balance required investment in low carbon mobility with the equally important requirement to continue investment in improving Australia's liquid fuel security.

It is uncertain whether the allocation of $1.1 billion over ten years to promote LCLF production will necessarily result in any significant improvement in Australia's fuel security. This is not to say that the production incentive is not a welcome initiative, but rather if one the objectives is to increase fuel security then this may not necessarily be an outcome.

5. Feedstock supply

In regard to the availability and affordability of suitable feedstocks, the feedstocks that are currently utilised for the economic production of LCLF around the world are predominantly used cooking oil (UCO), vegetable oils such as canola oil, and waste biomass (i.e. forestry residues, agricultural residues and municipal waste).

Past studies completed by the CSIRO and the Australian Department of Energy for the Biofuels Capital Product Grant programme (2004 to 2008) along with the Australian Government's 2012 Alternative Fuels Strategy, highlight that Australia's relatively small and geographically sparse population creates significant challenges for the economic aggregation of the high volumes of waste feedstocks (e.g. UCO and waste biomass) needed to support production of these fuels at scale.

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This situation has not changed since these reports were compiled, suggesting one of Australia's greatest challenges in converting the LCLF opportunity will likely be the availability and affordability of the production feedstocks needed to support economically viable domestic production of these fuels.

6. Fuel Market

As Governments seek to promote growth of the low carbon mobility market through local production, the design of government policies and funding programmes must avoid inadvertently ceding a concentration of market power to specific enterprises and/or organisations. This is particularly pertinent with respect to the awarding and allocation of government grants) for new low carbon mobility infrastructure or low carbon liquid fuel production plants.

While ACAPMA understands the Government's desire to incentivise domestic production of LCLFs under the banner of the Future Made in Australia Program, such an approach potentially creates two substantial issues.

First, it constrains the degree to which LCLFs could be used to lower emissions from conventional fuel consumption in the near-term. Secondly, disproportionate financial incentives for producers could potentially distort competition in the Australian wholesale diesel market.

ACAPMA believes that the avoidance of these two downside risks is best achieved via the application of modest production incentives that are supported by meaningful demand side incentives for the adoption of low carbon liquid fuels.

The provision of incentives for domestic production should seek to negate differences in the financial cost of domestic product and imported product – as opposed to providing a significant cost advantage for domestically produced LCLF's within the national fuels market.

7. Incentives

Recognising the current significant cost disadvantage of renewable diesel (150% of average diesel price) and synthetic diesel (250% of average diesel price), there will be a need to incentivise market adoption of these fuels via the simultaneous pursuit of Market Push policy and Market Pull policy mechanisms.

However, care will need to be taken with the design of Market Push (or Supply side) mechanisms to ensure that they do not distort market competition in the highly competitive national fuels market. Similarly, Market Pull (or Demand side) interventions should be targeted at the end-consumer directly as opposed to downstream fuel market participants such as fuel wholesalers or retailers.

8. Demand

ACAPMA believes there is already a latent market demand for LCLFs, especially renewable diesel.

This belief is based on a significant and increasing level of market inquiry being received by ACAPMA members from their wholesale customers. These customers include large entities that are liable under the Safeguard Mechanism (i.e. mining, construction, agricultural and industrial customers), enterprises that are seeking to advance ESG objectives, and road freight enterprises that support larger businesses in both categories.

The principal barrier is therefore not the absence of demand. Rather, the magnitude of the cost premium of LCLF (specifically Renewable Diesel) is currently deemed to be uneconomic from a commercial perspective and considered to be well above the current Australian Carbon Credit Units (ACCUs).

Hence it follows that if the unit cost premium of adopting renewable diesel (as mentioned above) and renewable diesel blends could be negated, then demand would grow naturally at a level that would likely justify investment in domestic LCLF production facilities.

ACAPMA therefore believes that the greatest near-term opportunity lies in the incentivisation of the market adoption of renewable diesel blends within the Road Freight sector.

Such a mechanism could utilise the existing indirect taxation mechanism for the RUC and would initially create a demand for between 780M and 1.560B litres of renewable diesel of which much of it could be formalised via near term fuel supply contracts between fuel industry enterprises and larger road freight enterprises.

9. Renewable diesel and SAF

ACAPMA notes that the Policy Design and Engagement Paper discussion about LCLFs has implied that the market development strategies for both sustainable aviation fuels and renewable diesel (on-road and off-road use) will likely be similar.

It is strongly suggested that the characteristics of these two markets are dramatically different in terms of scale and market behaviours. Accordingly, ACAPMA believes that the strategies for the development of the markets for these two fuels will likely need to be differentiated.

The nature of the LCLF premium for end users will be different for consumers of renewable diesel (and synthetic diesel) and SAF. Given the stark differences in these national fuel markets, there will likely be a need to provide a different quantum of assistance for the production of renewable diesel and the production of SAF.

10. Production

The establishment of a significant LCLF domestic production industry will require the provision of substantial government assistance to producers to negate the likely domestic cost premium. The quantum of this premium will likely vary depending upon the scale and geographic location of production facilities.

ACAPMA is aware of three significant projects that are planned to produce LCLFs in Australia by 2030.

The first of these is by Sherdar Australia Biorefinery Pty Ltd, a subsidiary of Trans Asia Minerals, an Indonesian based company. They announced in 2021 they would construct an East Coast facility and it that they projected to produce around 600 million litres of renewable diesel. There has been no update on the status of the project since the original announcement.

The second project is being advanced by Future Energy Australia and involves the construction of a renewable diesel production facility in Western Australia. The project is forecast to produce between 17 million to 25 million litres per year. The refinery was due for completion at the end of 2023, however in April 2025 the company announced that their original proposed site will not be pursued and that they will select a new site ‘over the coming months’.

The third project announced is by BP Australia and involves the reconfiguration of the Kwinana refinery in Western Australia. The project would produce around 600,000 litres of SAF and HVO (renewable diesel) per year and when announced was scheduled to be completed in mid to late 2026, is now understood to be on hold.

In summary, a small number of liquid fuel projects have been announced in recent years but none of these biofuel refineries are yet operational.

11. Summary

The degree of market substitution of conventional fuels is likely to be defined by several key factors, including: (a) availability and affordability of suitable feedstocks, (b) near-term development of national bio-refinery production capacity, (c) the rate of near-term reduction of the GHG emissions intensity of grid sourced electricity, and (d) the cost competitiveness of domestically produced fuels when compared with international production and imports.

While broadly supporting the Government's objectives, ACAPMA would urge Government to implement this Program in a careful and considered manner and engage meaningfully with industry to ensure its success.

Should you require clarification of any of the material provided in this report in the meantime, please contact me [redacted].

Yours sincerely

Rowan Lee

Rowan Lee
Chief Executive Officer