

Australia's Cleaner Fuels Program: lessons from the US

By [Catie Moore](#), Partner, Hall & Wilcox

11 Dec 2025

The Australian Government's **Cleaner Fuels Program**, announced on 17 September 2025, marks a significant step toward decarbonising the nation's transport sector and supporting the growth of a domestic low carbon liquid fuels (LCLF) industry.

Backed by \$1.1 billion in funding over ten-years, the program is designed to boost domestic production of cleaner fuels using Australian feedstocks such as waste materials (via waste-to-energy plants), biomass and renewable hydrogen combined with captured carbon. The aim is to cut emissions, grow local capability and position Australia as a leader in clean fuel innovation.

Key features

- \$1.1 billion in funding for local LCLF production projects.
- Grants will be offered through a competitive process, with eligibility criteria to be finalised following public consultation (expected by mid-2026).
- Carbon intensity benchmark of ≤ 60 gCO₂e/MJ will apply to supported fuels.
- Target sectors include aviation, heavy transport and agriculture, where electrification is less viable.
- Builds on existing government support
 - \$33.5 million for sustainable aviation fuel
 - \$250 million via the Future Made in Australia Innovation Fund
 - Fuel quality standards introduced to support renewable diesel
 - Expansion of Guarantee of Origin Scheme to track LCLF emissions.

This sits alongside the December 2024 fuel quality reforms, including a new sulphur limit of 110 ppm for petrol, and supports Australia's Net Zero by 2050 target.

Lessons from the US

As Australia finalises the details of its own incentive scheme, there are useful lessons that can be drawn from the United States experience under the Bush Administration. During that period, the alternative fuels industry saw rapid expansion through a combination of clear mandates and financial incentives.

Introduced in 2005 and established under the Energy Policy Act 2005, the US Renewable Fuel Standard (RFS) played a key role in scaling up ethanol production. Several key mechanisms fuelled this expansion:

Blending targets

The RFS introduced clear and increasing targets for the amount of renewable fuel to be added to the national fuel mix, primarily ethanol and biodiesel, with the requirement increasing over time. This gave producers a guaranteed market, helped attract investment and supported the construction of new production facilities. The initial mandate of 7.5 billion gallons by 2012 was later increased to 36 billion gallons by 2022, signally long-term government commitment.

Financial incentives

To support and achieve these targets, the US government backed the policy with practical support, including:

- tax credits for fuel producers and blenders,
- grants and loan guarantees to help build and expand plants, and
- research funding for next-generation biofuels.

Investment confidence

The combination of mandated demand and financial support mechanisms gave the market long-term certainty and stability. Private investment followed and production scaled quickly. Ethanol plants grew from 54 in 2000 to more than 170 by 2008. By 2024, annual production had reached 17 billion gallons.

Focus on innovation

The RFS wasn't limited to conventional ethanol. It also included targets for advanced biofuels, encouraging ongoing innovation of next-generation technologies and keeping the policy relevant as the technology evolved.

Government and industry working together

The US government encouraged partnerships between public agencies and private industry, accelerating the commercialisation of new biofuel technologies and helping to build a robust supply chain.

What this could mean for Australia

As the details of the Cleaner Fuels Program take shape, the US experience highlights a few key lessons that could help Australia get the most out of its investment:

- **Set clear targets:** mandated blending requirements or production targets can provide the industry with the confidence needed to invest and grow.
- **Offer practical financial support:** a mix of grants, tax credits and loan guarantees can lower the cost of entry and help both new and established producers.
- **Give the market certainty:** a stable, long-term policy will help attract private investment and support local production at scale.
- **Back innovation early:** ongoing funding for research, development and commercialisation will help keep Australia competitive and sustainable as technologies evolve.
- **Work with industry:** collaboration between government and business can accelerate technology transfer and build a stronger, more resilient supply chain.

The Cleaner Fuels Program represents a pivotal opportunity for Australia to take the lead in producing low carbon fuels, reduce emissions and support local industry. As the policy takes shape, learning from what's worked overseas, particularly in the US, will be crucial in making sure the program delivers both environmental and economic benefits for Australia.

Contact



[Catie Moore](#), Partner, Hall & Wilcox

M: [+61 400 214 707](#) [Email Catie](#)