

19 December 2025

Mr Jim Betts
Secretary
Department of Infrastructure, Transport, Regional
Development, Communication, Sports and the Arts

Dear Mr Betts,

Cleaner Fuels Program – Policy Design and Engagement Paper

A proudly Australian company with balance sheet strength, Fortescue is a global leader in large-scale, ultra-efficient and highly complex developments with a proven track record in developing and operating assets in remote and isolated locations. Fortescue has a strong focus on decarbonisation, evidenced by its industry leading target to achieve real-zero carbon emissions across our terrestrial mining operations by 2030. We are establishing a global portfolio of renewable energy, green iron, green hydrogen and derivatives, battery system and green technology projects and operations that are at the forefront of the global energy transition.

Fortescue welcomes the opportunity to provide comment on the Cleaner Fuels Program Policy Design and Engagement Paper. The \$1.1b Cleaner Fuels Program is a welcomed policy support for lower carbon liquid fuels from the Commonwealth Government aimed to kickstart domestic lower carbon fuel production in Australia. The program will provide the support required to begin to scale clean fuel production, aiding in lower emissions transport and related sectors in Australia and assist in reaching our interim and long-term emissions targets. In support of our verbal feedback provided to the consultation team, we are pleased to provide our written feedback on this consultation from the perspective of a large mining company and liquid fuel consumer but also a company that has deeply considered the production of green fuels in Australia and understands the challenges the sector faces to establish itself.

It is Fortescue's view that in assessing low carbon liquid fuel technology for support, the ability to electrify an application should be considered in the first instance given it provides the most effective emissions reduction opportunity. Where electrification is genuinely not a viable option, low carbon liquid fuels may be useful - particularly in maritime and aviation applications. There is a very real risk that investigation of using renewable diesel as a method to decarbonise, and actual application of this fuel in operations, will delay investment in electrification of these facilities. This will mean a slower than necessary reduction in Australia's emissions.

As a part of our decarbonisation program, we have assessed the viability of the available options to decarbonise our vast mining machinery fleet that would displace around 700 million litres of diesel per year. Our Scope 1 emissions stem mostly from diesel consumption on our operating Australian mines. Fortescue has elected to prioritise the electrification of our heavy mining equipment (HME) over using low carbon fuels to achieve significant early decarbonisation, as the economics significantly favour this pathway compared to



biofuel adoption. As part of this strategic transition, we are also building the dedicated renewable energy capacity to power these solutions, including significant solar, wind and battery systems, as well as a 629km transmission network to connect all of our Pilbara sites and renewable energy assets. This will supply renewable energy to a completely electrified mining fleet and infrastructure.

Our assessment considered the interim step of adopting drop-in replacement renewable diesel fuel for some use cases. Our analysis inevitably led us to bypass this interim step and move immediately to electrify for these use cases for two core reasons. Firstly, the economics of sourcing and importing renewable diesel could not compete with the efficiencies of electrification and secondly, there are still onsite emissions associated with burning renewable diesel, and in order to achieve our decarbonisation target, electrification represented a higher integrity pathway.

Our commercial assessment of various decarbonisation pathways has led us to discover how impactful the Diesel Fuel Tax Credit (DFTC) scheme is on project internal rate of returns (IRR). Because the DFTC pays consumers per litre of diesel consumed, it skews the business case for a company assessing the commercial return of a decarbonisation activity. This will require attention by the Department as it would be inefficient to be effectively incentivising fossil diesel use while actively trying to support and scale low carbon liquid fuel production (including renewable diesel).

For background, under the *Fuel Tax Act 2006* (Fuel Tax Act), taxes and excises on liquid fuels (including diesel and petrol), are credited back to certain business users. The rate of the fuel tax credit is currently 51.6c/L (indexed to CPI) for off road users, while heavy vehicle users on public roads receive a credit of 19.2 c/L¹. Light vehicle commercial users and households receive no fuel tax credit.

Within the mining industry some large miners, like Fortescue, have announced whole or partial decarbonisation of their mining activities. However, the fuel tax credit scheme is a significant disincentive to decarbonising assets currently fuelled by diesel. This disincentive does not support Australia's goal of reaching net zero by 2050 or our interim 2030 or 2035 targets, and in fact works against achieving them.

Reducing the cost of diesel for the mining industry incentivises its ongoing use and disincentivises investment in replacement technologies. Using cheap diesel dramatically impacts the IRR on any investment in decarbonisation. Figure 1 below shows a large mine consuming 150 million litres (ML) of diesel per year at \$1.50/L, where the DFTC provides a rebate of roughly \$75 million per year (150ML at \$0.5/L). This means a mine investing \$1.5 billion in eliminating diesel consumption loses \$75 million per year from its projected savings, increasing the payback period and decreasing the IRR. This also undermines the effectiveness of the Commonwealth's flagship industry decarbonisation policy, the Safeguard Mechanism.

¹ [ATO Website Rates for fuel acquired from 4 August 2025](#)
Cleaner Fuels Program – Policy Design and Engagement Paper



Figure 1: Impact of the DFTC on Return on Investment in Decarbonisation

Hypothetical example

Payback analysis, AU\$	DFTC	DFTC removed
Diesel usage p.a.	~ 150M litres	
Diesel price ¹	\$1.0/L	\$1.5/L
Diesel savings p.a.	~\$150m	~\$225m
Example investment	\$1.5b	
Implied payback (post-tax, real)	~12.4yrs	~9.9yrs
IRR (post-tax, real) ²	5.5%	10.4%

1. Assuming DFTC rate is held constant – in reality, DFTC is expected to increase over time.

2. Internal rate of return - simple calculation considering upfront investment of \$1.5 billion in yr0, and flat annual recurring tax-adjusted savings per the two cases, assuming no other benefits or costs associated with decarbonisation.

ACCUs can currently be purchased for approximately \$30 to \$40 each, while the first SMCs were issued in early 2025 and traded at a slight discount to the ACCU spot price. This ACCU price equates to approx. 10 cents per litres of diesel consumed. In other words, the 51.6 cents per litre DFTC is approximately 5 times the cost of exceeding the emissions baseline under the SGM. For every tonne of diesel burnt over a facility's baseline, the diesel user will pay ~\$30-\$40/t while earning \$1.

91 in fuel tax credits. Put simply, that's a \$30-\$40t/CO2-e incentive to decarbonise vs \$191t/CO2-e incentive not to decarbonise.

Fortescue encourages the consultation team to consider the relationship between the support provided to fossil diesel via the DFTC, given renewable diesel is likely to be a priority fuel supported by the Cleaner Fuels Program. Fortescue intends to raise the broader impacts of the DFTC policy on decarbonisation activities within the Safeguard Mechanism during the 2026/27 review of the Safeguard Mechanism.

For further information regarding the impact the DFTC has on low carbon liquid fuel usage and investment in decarbonisation activities, Fortescue has prepared a [summary paper available on our website](#). The remainder of our submission will provide responses to the consultation paper where we are able to comment. [REDACTED]

[REDACTED]



Yours sincerely

Bronwyn Grieve
Director of Global Sustainability & External Affairs
FORTESCUE



Consultation questions

1. Eligible Fuels

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

In addition to sustainable aviation fuel (SAF) and renewable diesel, Fortescue encourages the Department to consider the viability of green ammonia for bunkering fuel for the shipping sector for support in this program. We urge the Department to consider how this policy and others may begin to provide support and/or incentives to e-fuels such as eSAF and e-diesel to account for the long-term production needs for clean fuels in Australia.

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

Given the quantum of funding allocated to the Cleaner Fuels Program it may make sense to prioritise specific fuels over others to have the most impact on emissions reduction. A technology neutral approach may spread the funding across many applications, targeting the cheapest but perhaps not the most effective use of Government funding. As set out in our covering letter, our extensive research indicates electrification of mining fleet and plant is more effective than use of renewable diesel. Therefore, prioritisation of renewable diesel for mining applications may not be the best fuel form to receive support from this program.

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

Fortescue's extensive experience suggests that in the mining sector, electrification will be the dominant pathway to replace diesel usage, as alternatives like renewable diesel, simply cannot compete economically. This trend may suggest that Government is best placed to focus its efforts on stimulating renewable diesel consumption in other sectors. Fortescue's experience suggests the majority of technology to electrify the main points of diesel consumption on a large mine site already exist and are available or will be soon.

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

Yes. Support via this policy should not disincentivise electrification where electrification can compete and often beat the use of fossil and/or low carbon liquid fuels, such as the mining sector.

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

As noted above, electrification should remain the priority decarbonisation pathway for sectors that have electrified technology available to them. A policy targeting such a sector may distort how the market



responds to decarbonisation policies introduced by Government and result in an inefficient pathway to achieving our emissions targets.

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?

Our experiences assessing the Hydrogen Headstart and Hydrogen Production Tax Incentive policies demonstrated to Fortescue that ease of access and timely implementation was much more readily achieved through production credits available to producers compared to contracts for difference that must be negotiated and therefore had a much stronger effect on business case development for projects.

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

No response.

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

No response.

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

No response.

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

No response.

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?

No response.

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?

Yes, lowest cost should be one of the primary considerations for project priority.



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

No response.

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?

No response.

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?

No response.

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?

No response.

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

No response.

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

No response.

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

No response.

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

The European Union SAF mandate requires that 2% SAF be used in 2025 scaling to 63% by 2050². Importantly, this mandate includes a sub-mandate for a specific portion of these fuels to be sourced from eSAF production pathways providing critical support for scalable eSAF beyond bioSAF. Fortescue strongly

² European Union Aviation Safety Agency, *Sustainable Aviation Fuels*, available at <https://www.easa.europa.eu/eco/eaer/topics/sustainable-aviation-fuels#:~:text=The%20European%20Commission%20has%20proposed,would%20be%20required%20by%202030.>



encourages the Commonwealth to consider a similar approach to begin to provide scale to efuel pathways that will be required as we reach production limits of biomass feedstocks for biofuel production.

3. Fuel Production

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

No response.

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?

No response.

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

No response.

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

No response.

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

No response.

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?

Fortescue encourages the Department to undertake analysis of comparable jurisdictions and their expected emissions intensity reductions for biofuel production and adopt an ambitious expectation for Australian biofuel production.

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?

No response.



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

No response.

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

No response.

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

Government should consider if alternative, more efficient pathways exist for the sector, such as direct electrification as part of the assessment criteria.

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

No response.

4. Other Policy Considerations

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

No response.

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?

No response.

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.

In October 2025, an important session of the International Maritime Organization (IMO) resulted in a decision to adjourn the formal adoption of its Net-Zero Framework for 12 months. This framework, which includes a global fuel standard and a world-first carbon pricing mechanism, faced significant pushback from major economies like the United States and Saudi Arabia leading to a postponed vote until October 2026. While the postponement creates temporary regulatory uncertainty for shipowners and investors, the "well-



to-wake" approach and the clear long-term trajectory toward net-zero emissions by 2050 remain the guiding signals for the global shipping industry.

For Australia, this framework is a vital catalyst for its domestic clean fuel ambitions and the Future Made in Australia agenda. The implementation of global carbon levies and fuel standards creates guaranteed demand for green commodities, such as green ammonia, methanol, and sustainable biofuels, which Australia is geographically and well-resourced to produce. By establishing an international market that penalises high-carbon fuels and rewards zero-emission alternatives, the IMO is assisting in de-risking the massive capital investment required for Australian renewable energy and green fuel production hubs. This global shift ensures that Australia's pilot projects in green hydrogen can scale into a multi-billion dollar export industry, transforming the nation into a primary supplier for the decarbonised shipping lanes of the Indo-Pacific.

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?

See response to questions 2.10 and 4.3.

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

See response to questions 2.10 and 4.3.

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

No response.