Cleaner Fuels Program: Policy Design and Engagement Paper

Submission from Australia Pacific Airports (Melbourne)

Introduction

Australia Pacific Airports (Melbourne) Pty Ltd (Melbourne Airport) welcomes the opportunity to provide this submission to the Department of Infrastructure, Transport, Regional Development, Communications Sport, and the Arts (DITRDCSA) on the Cleaner Fuels Program Policy Design and Engagement Paper.

Australia faces both a significant challenge and a generational opportunity. With average annual jet fuel consumption of 7.7 billion litres between 2018 and 2023, and aircraft operations accounting for approximately 85 per cent of a major airport's scope 3 emissions, sustainable aviation fuel (SAF) is the primary pathway for aviation to credibly decarbonise in the medium term. Simultaneously, Australia's abundant renewable resources, agricultural capability and strategic location position us well to become a significant global producer of low carbon liquid fuels (LCLF).

The success of this Program will be critical not only to achieving Australia's climate commitments but also to ensuring long-term fuel security, supporting regional economic development and maintaining the competitive position of Australian aviation in an increasingly carbon-conscious global market.

1. Eligible Fuels

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

Both SAF and renewable diesel should be eligible under the Program, recognising their distinct roles in transport decarbonisation. However, SAF must be the priority focus.

SAF represents the only currently available medium-term pathway to decarbonise aviation operations. The energy density requirements of commercial flight cannot be met through electrification or hydrogen in the near to medium term, particularly for medium and long-haul operations. International Air Transport Association (IATA) estimates that replacing 80 to 90 per cent of aviation fuel with SAF by 2050 would reduce global aviation emissions by 62 per cent[1].

Beyond decarbonisation, domestic LCLF production addresses critical fuel security concerns for Australia. The existing Australian market for imported jet fuel is significant, with an average of 7.7 billion litres used per year between 2018 and 2023. This presents major risks from both an environmental and fuel security perspective. Australia's long overseas fuel supply chains expose us to geopolitical changes and climate risks. The COVID-19 pandemic starkly demonstrated the impact that supply chain disruptions can have on Australia, and these vulnerabilities are only likely to increase in the future.

Establishing domestic LCLF production capability would diversify Australia's liquid fuel supply and mitigate risks from global supply chain disruptions. By producing SAF and renewable diesel domestically from Australian feedstocks, we can reduce dependence on imported petroleum products and strengthen our sovereign fuel capability. This is particularly important for aviation, which is essential for connecting Australia's communities across vast distances and supporting emergency response capabilities in regional and remote areas.

From an airport operator perspective, SAF offers the critical advantage of being a drop-in fuel compatible with existing Joint User Hydrant Installation (JUHI) systems without requiring infrastructure modifications, provided blending occurs off-site in accordance with relevant standards. This compatibility enables deployment at scale without additional infrastructure investment.

[1] IATA - Net Zero Roadmaps. Note this is dependent upon assumptions relating to the aircraft technology scenario by 2050.

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Renewable diesel merits inclusion as an important transitional fuel for ground support equipment at airports, particularly at regional airports where financial resources and electrical infrastructure capacity may be constrained. However, this role is inherently temporary as major airports like Melbourne are already deploying electric ground support equipment, electric ground power units and pre-conditioned air systems supplied by renewable electricity.

Question 1.2a: Should LCLF suitable for particular sectors or uses be prioritised? For example, should sustainable aviation fuel be prioritised over renewable diesel?

SAF should be explicitly prioritised because aviation is a genuinely hard-to-abate sector with no viable alternative decarbonisation pathway in the medium term. In contrast, ground transport sectors have increasingly accessible pathways to electrification.

The Australian context reinforces this priority. Domestic aviation is a critical mode of transport connecting communities across Australia's vast geography. In the year ending June 2025, domestic aviation carried over 63 million passengers[2], representing an essential component of Australia's transport network. Given the distances involved and the lack of viable alternative transport modes for many routes, aviation's decarbonisation through SAF delivers net benefits for Australia that cannot be achieved through other means.

Aircraft operations account for approximately 85 per cent of a major airport's scope 3 emissions. Whilst we are actively pursuing electrification of ground support equipment and recognise renewable diesel as a bridging fuel, the emissions reduction potential from SAF vastly exceeds that available from renewable diesel in ground operations.

The prioritisation is also essential to maintain Australia's competitive position in global aviation. International frameworks including the International Civil Aviation Organization's Long Term Aspirational Goal (LTAG) and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) are driving increasing focus on decarbonisation. Airlines are making substantial commitments to SAF uptake, with many targeting 10 per cent or more of their fuel mix by 2030. Without domestic SAF supply, Australian airports risk being disadvantaged in attracting international services.

Question 1.2b: Should LCLF for certain sectors or uses be de-prioritised due to other viable decarbonisation pathways?

The anticipated electrification of ground support equipment suggests a natural de-prioritisation pathway for renewable diesel over time. Melbourne Airport and other major airports are already implementing comprehensive electrification programs for airside operations. Government should examine how LCLF production fits within parallel transport and infrastructure decarbonisation roadmaps to establish realistic allocations of domestic refinery resources between sectors.

Question 1.2c: What market impacts are anticipated by influencing prioritisation of particular fuel types?

In the absence of a prioritisation policy that accounts for net carbon benefits within the transport industry, adverse market impacts are likely where aviation competes with road and rail transport for production volumes of LCLF at domestic refineries. The chemical process for producing SAF is more complex and costly than renewable diesel production. Without differential support, market forces will naturally favour renewable diesel production, potentially depriving the aviation sector of essential fuel whilst other transport sectors have alternative decarbonisation options available.

Prioritisation measures would incentivise the domestic industry to retain economic gains within Australia, preventing the perverse outcome of Australian feedstock being exported overseas for

[2] Bureau of Infrastructure and Transport Research Economics, Domestic aviation activity 2024-25, p 1.

refining into SAF, which is then purchased by airlines landing at Australian airports. Such an outcome would undermine environmental objectives, economic development opportunities and fuel security simultaneously.

The scale of domestic aviation's role in Australia's decarbonisation pathway reinforces this need. With domestic aviation accounting for approximately 70 per cent of total aviation activity in Australia by passenger movements, supporting domestic SAF production ensures that decarbonisation benefits are realised within the Australian economy whilst building sovereign capability in a critical transport fuel.

1. 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?

We strongly support fixed production tax incentives as the preferred mechanism for supporting domestic LCLF production.

Question 2.1a: Are there any potential benefits, risks or constraints considering the two different production credit options?

Production tax incentives provide a predictable benefit that can be directly correlated with the emissions intensity of fuel produced. This predictability is essential for attracting capital investment and helping to de-risk early-stage investment in production facilities. International experience, particularly the United States Inflation Reduction Act Sustainable Aviation Fuel Credit providing US$0.46 per litre, demonstrates that fixed production incentives result in tangible emissions reductions and encourage innovation across the supply chain.

A contract for difference mechanism introduces complexity and additional risk for producers. Whilst such mechanisms may appear to offer taxpayer protection through potential repayments when international prices exceed strike prices, they create uncertainty around long-term revenue projections that can hinder investment decisions. For a nascent industry competing against established overseas producers benefiting from substantial subsidies, investment certainty is paramount.

Question 2.1b: What outcomes do you think can be delivered with the available funding?

The $1.1 billion Program funding should be structured to secure an efficient, commercially viable and secure supply chain for SAF. We consider a target for domestic SAF sales of between 5 and 10 per cent by 2030 to be realistic, achievable and necessary to ensure the Australian aviation sector does not fall behind global expectations and policies.

This target would primarily address domestic consumption but would also position Australia advantageously to supply SAF to the broader region. New Zealand and Pacific Island nations are looking to Australia as a primary producer to support their own decarbonisation efforts. Establishing domestic production capability creates secondary beneficial outcomes through regional exports, strengthening Australia's role as a clean energy hub whilst generating additional economic returns from the initial investment.

This target accounts for the implementation timeline required. Approximately two years will be needed to finalise and implement policy settings, followed by approximately five years for projects to progress from final investment decision through planning, approvals and construction. This timeframe aligns with the Clean Skies for Tomorrow global target of 10 per cent SAF by 2030.

Question 2.1c: What type of mechanism provides the greatest investment certainty or level of bankability to projects?

Fixed production tax incentives provide the greatest investment certainty and bankability. They enable project proponents to forecast revenue streams with confidence, which is essential for

securing debt finance and attracting equity investment. The certainty of receiving a specified amount per litre of qualifying fuel produced, linked to verified emissions intensity, allows for robust financial modelling and reduces perceived investment risk.

Question 2.1e: How do you consider pricing for LCLF will be set over the short-medium term and longer term?

The higher initial costs of SAF production currently result in a premium of between two and five times the price of conventional aviation fuel. Production tax incentives, including support for feedstock production, are intended to reduce this effective cost of production, allowing Australian producers to price competitively against established international producers benefiting from substantial subsidies. Supporting the entire value chain from feedstock production through to refined SAF is critical to maintaining domestic feedstock supply and preventing the export of Australian agricultural resources for overseas refining, which would undermine Australia's strategic positioning in the SAF market

In the short to medium term, pricing will likely reference both the premium to conventional fossil fuels and the cost of imported LCLF from jurisdictions with production incentives. Government intervention through production support and potentially through differentiated excise rates will be necessary to narrow price gaps and enable domestic producers to compete.

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?

We support prioritising projects based on cost effectiveness. Cost per unit of carbon emissions abated provides the strongest alignment with climate objectives and ensures taxpayer value by maximising emissions reduction outcomes per dollar invested. This approach creates incentives for producers to optimise their feedstock supply chains and production processes to achieve actual lifecycle carbon reductions.

However, previous consultations revealed that stakeholders hold different views on this matter, with some preferring a volumetric approach focused on production volumes. A hybrid approach could be considered where initial projects are assessed primarily on production cost to catalyse industry establishment, with increasing weight given to emissions intensity as the market matures.

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 credits should incorporate both elements to achieve multiple policy objectives effectively. A base credit linked to production volume provides certainty and supports industry establishment, whilst an additional credit component linked to emissions intensity reduction creates incentives for continuous improvement in production pathways and feedstock selection.

This structured approach ensures that production tax incentives deliver tangible emissions reduction whilst encouraging innovation. It aligns with international best practice, particularly models such as the United States system where credits increase with greater emissions intensity reduction.

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?

Australia currently faces a competitive disadvantage compared to established international producers. A new onshore SAF production market would compete directly with established industries in countries such as the United States and Singapore that benefit from robust policy support including substantial production subsidies. The United States Inflation Reduction Act provides US$0.46 per litre tax credit, whilst the European Union has implemented mandates requiring at least 20 per cent SAF blended by 2035, increasing to 70 per cent by 2050.

Without comparable support, Australian projects face a local premium reflecting higher input costs, smaller initial scale and the need to establish new supply chains. Currently, Australian airlines are seeking to purchase SAF in overseas markets with attractive subsidies rather than supporting domestic production.

However, Australia possesses comparative advantages that can offset some cost premiums over time, including abundant renewable energy resources, significant agricultural capacity for biomass feedstocks, and proximity to major Asia-Pacific aviation markets. Critically, establishing domestic LCLF production addresses fuel security concerns in an era of increasing global political uncertainty. The geopolitical instability affecting global energy markets reinforces the strategic imperative for Australia to develop sovereign fuel production capability. Reducing dependence on long, vulnerable supply chains for jet fuel enhances national resilience and ensures continuity of essential aviation services regardless of international disruptions.

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?

Production supported by the Program should be permitted for both domestic supply and export. Restricting production to domestic supply only would artificially constrain the market opportunity available to Australian producers and potentially undermine project economics by limiting revenue opportunities.

Australia's strategic location near Asia provides advantages in supplying SAF to airlines operating in the region, and there are opportunities to become a production hub supplying New Zealand and other Pacific Island nations. Permitting exports does not diminish the environmental benefit of domestic production, and export capability enables Australian producers to achieve economies of scale more rapidly, driving down costs and increasing long-term competitiveness.

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

There is an important role for combining production incentives with capital grants for first-of-a-kind facilities. Previous consultations highlighted industry preference for a hybrid approach that addresses both capital expenditure and operational expenditure challenges.

Capital grants such as the Australian Renewable Energy Agency (ARENA) Sustainable Aviation Fuel Funding Initiative should continue to support development of domestic production. These grants de-risk the substantial upfront investment required for novel production facilities. The recent announcement of $14 million in ARENA funding to support the GrainCorp and Ampol feasibility study demonstrates this approach in action.

Question 2.8: What other types of funding or concessional finance could support LCLF projects?

Additional mechanisms include low interest loans and loan guarantees from institutions such as the Clean Energy Finance Corporation (CEFC) and the National Reconstruction Fund (NRF). Green bonds targeted specifically at renewable fuel industries could attract investment from sustainability-focused investors. Project facilitation support, where government assists producers in navigating and streamlining regulatory approvals, could accelerate project timelines and reduce development costs.

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

Enabling domestic production requires a comprehensive policy framework. A robust and credible accounting framework for emissions reduction from feedstock supply and domestic SAF production is essential. The expansion of the Guarantee of Origin scheme to include LCLF must be implemented to track and verify emissions from production.

An emissions intensity compliance program under the National Greenhouse and Energy Reporting (NGER) Scheme is needed to administer any demand-side mandate. A domestic book and claim system must be established to track chain-of-custody of LCLF certificates. Changes to the NGER Act and the Safeguard Mechanism are required to enable a credible LCLF trading mechanism based on market-based accounting methodology. Any such system must be transparent to enable airports to access data for carbon accounting purposes.

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

International experience demonstrates that successful LCLF industries have been established through combinations of supply-side production incentives and demand-side mandates. The United States Inflation Reduction Act Sustainable Aviation Fuel Credit exemplifies robust supply-side incentives that have catalysed significant investment. The Californian Low Carbon Fuel Standard demonstrates how market-based credit schemes can spread economic burden across petroleum markets whilst driving emissions reductions.

The European Union's approach combining stringent mandates with clear long-term trajectories provides market certainty for investors. However, European experience also demonstrates the importance of calibrating mandates toward building domestic supply rather than relying on imports.

A critical lesson is that early, substantial and sustained policy support is necessary to overcome path dependence on imported fuels. Jurisdictions that have delayed policy implementation have seen feedstock exports to countries with supportive policy environments.

2. Fuel Production

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

The Program should maintain flexibility to support multiple production pathways whilst recognising their different maturity levels. Currently, the Hydrogenated Esters and Fatty Acids (HEFA) process dominates global SAF production, with forecasts suggesting it will account for 70 per cent of production in 2030. This pathway's maturity makes it appropriate for near-term focus.

However, Power-to-Liquid (PtL) production processes represent the long-term scalable SAF supply solution and merit support despite higher current costs. PtL leverages Australia's abundant solar and wind energy resources for green hydrogen production and offers advantages over biofuels by not depending on biomass feedstocks that may compete with food production. Emerging production pathways including synthetic fuels are required to achieve the scale necessary for net zero targets.

Question 3.1a: 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?

Initial Program deployment should prioritise more-established production pathways to achieve rapid establishment of domestic production capacity. HEFA and Hydrotreated Vegetable Oil (HVO) pathways offer proven technology and lower execution risk.

However, the Program design should not exclude nascent production pathways entirely. Provision should be made for supporting emerging technologies that demonstrate clear pathways to commercial scale and offer superior long-term scalability or emissions performance.

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?

The LCLF certification process should include emissions reduction thresholds as part of eligibility criteria. Previous consultations indicated that a 50 per cent emissions intensity reduction threshold

was broadly in line with international jurisdictions. However, concerns were raised that some of Australia's most prospective feedstocks, such as canola, might not meet this threshold in the short term.

An indicative threshold could begin at 25 per cent emissions intensity reduction relative to conventional fuels and increase over time as production pathways and feedstock supply chains are optimised. This progressive approach balances utilising a broad portfolio of Australian feedstocks to catalyse refining capacity whilst applying downward pressure on carbon intensity over the long term.

Thresholds should be calculated using lifecycle carbon intensity methodologies adapted from ICAO CORSIA approaches, but modified to better reflect Australian agricultural and production conditions. Verification should occur through the expanded Guarantee of Origin scheme, with independent third-party assessment using recognised and transparent methodologies.

Question 3.3a: If the production incentive is based on carbon emissions reduced, rather than volume of LCLF produced, is a minimum carbon intensity threshold still needed as part of the eligibility criteria?

A minimum carbon intensity threshold remains appropriate even if production incentives are primarily based on emissions reduced. The threshold serves as a gateway eligibility criterion ensuring that only fuels delivering meaningful environmental benefits receive any Program support, whilst the incentive structure can then reward superior performance above that baseline.

Question 3.3c: Should any feedstocks be prioritised or otherwise considered out of scope?

Government should prioritise Australian feedstock for use in SAF to support domestic agriculture and ensure feedstock supply security. Australia has global comparative advantage in farming capability and land availability, with the Asia-Pacific region producing an outsized share of SAF feedstock including broadacre crops such as wheat, sugar and canola, crop residues, and by-products from animal and forest production.

Municipal solid waste represents an additional opportunity. Novel crops with even greater carbon emissions reduction potential should be encouraged through long-term offtake agreements that provide farmers with confidence to diversify production.

Feedstocks should not be considered out of scope provided they meet sustainability criteria and do not compromise food security or appropriate land use. However, LCLF production must be structured to avoid competition with food and fibre production whilst ensuring biodiversity.

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

Previous consultations indicated strong support for a comprehensive sustainability framework incorporating environmental and social criteria. Sustainability criteria must address potential environmental impacts including land use change, biodiversity protection, water usage and soil health. Food security considerations must be incorporated.

Social sustainability criteria should address labour practices, community impacts and engagement with First Nations peoples. The Program's alignment with the Future Made in Australia Act's Community Benefit Principles provides an appropriate framework for addressing social sustainability considerations.

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

Australia should recognise established international sustainability certification schemes that are accepted under the ICAO CORSIA framework, including the Roundtable on Sustainable Biomaterials (RSB). This ensures Australian SAF production meets global requirements.

The expanded Guarantee of Origin scheme for LCLF should be developed to provide domestic verification whilst ensuring interoperability with international schemes. This domestic framework should be designed to integrate with international book and claim systems in the future.

3. Other Policy Considerations

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

The merit factors outlined appropriately capture the multiple objectives of the Program. Supporting a domestic LCLF industry delivers increased fuel security by diversifying Australia's liquid fuel supply and mitigating risks from global supply chain disruptions, which were starkly demonstrated during the COVID-19 pandemic.

Carbon emissions reduction potential should be assessed not only in terms of total abatement but also considering where that abatement occurs and its relative importance to sectors achieving net zero. For aviation, which has limited alternative decarbonisation pathways, SAF abatement has greater strategic importance.

Economic benefits including new jobs for regional Australia, diversified income streams for farmers and development of high value-adding industries should be assessed appropriately. Regional economic development opportunities are particularly important given the concentration of feedstock production and potential facility locations in regional areas.

Question 4.2: 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?

The Community Benefit Principles are highly relevant to LCLF projects given their potential for significant regional economic impact. The principles relating to promoting safe, secure, well-paid jobs with good conditions, and developing more skilled and inclusive workforces are directly applicable to establishing a new refining industry.

Engaging collaboratively with and achieving positive outcomes for local communities is essential, particularly regional communities where production facilities and feedstock cultivation are likely to be concentrated. Supporting First Nations communities and traditional owners to participate in and share benefits from the transition to net zero has particular relevance where projects are located on or near traditional lands.

Question 4.3: How will overseas policy developments interact with domestic policy settings to support projects reaching final investment decisions?

Overseas policy developments are critically important because without appropriately competitive domestic policy settings, Australian airlines are likely to purchase SAF in overseas markets where attractive subsidies exist. Major Australian airlines have indicated that their SAF purchasing decisions will be price and volume driven.

International frameworks including the LTAG and CORSIA create increasing pressure on airlines to decarbonise. As international SAF mandates strengthen, particularly in the European Union where 20 per cent blending is required by 2035, airlines operating into those markets must secure SAF supply.

The interaction between demand-side mandates and supply-side incentives is crucial. Demand-side mandates provide market certainty for producers, but if implemented without adequate domestic supply-side support, they simply drive imports. A target for domestic SAF sales should be introduced before implementing a full mandate.

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

Demand-side mechanisms are critical to complement supply-side production support. A SAF supply mandate or fuel carbon intensity standard provides market certainty that production will have buyers. International experience demonstrates that SAF mandates are internationally recognised as critical to deployment and scaling.

In the Australian context, developing and communicating a comprehensive transition roadmap for different transport sectors would provide crucial market signals regarding LCLF supply requirements. This roadmap should clearly articulate the expected trajectory for SAF uptake in aviation, renewable diesel requirements for heavy transport, and the timelines for electrification across various transport modes. By mapping out sector-specific decarbonisation pathways and their corresponding fuel needs, government can provide the demand certainty necessary for producers to make confident investment decisions about production scale and pathway selection. This integrated approach would also help prevent market distortions where different transport sectors compete for limited LCLF supply without clear policy guidance on prioritisation.

The sequencing of demand-side policy is important. A SAF target should be introduced first, providing a clear signal of demand without the binding nature of a mandate that could necessitate imports if domestic supply is insufficient. Once domestic production begins to scale, a mandate can be implemented with confidence.

Establishment of a transparent market for trading LCLF credits is essential. An emissions intensity compliance program under the NGER Scheme would administer any mandate or fuel carbon intensity standard.

Regulatory certainty and streamlined approval processes are critical for investment decisions. Project facilitation support from government to navigate planning, environmental and operational approvals can significantly reduce development timelines and costs.

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

The LCLF policy framework must integrate seamlessly with existing climate and energy policies. The expansion of the Guarantee of Origin scheme to include LCLF is essential. Changes to the NGER Act and the Safeguard Mechanism are required to enable credible LCLF trading mechanisms.

The policy framework should not negatively affect existing federal net zero initiatives such as the New Vehicle Efficiency Standard or the Safeguard Mechanism. State and territory policies relating to planning approvals, environmental protection and renewable energy deployment will significantly affect project development timelines. Coordination between Commonwealth, state and territory governments is essential.

Agricultural policies relating to land use, water allocation and farming practices will intersect with feedstock supply chains. Transport and infrastructure decarbonisation roadmaps should explicitly incorporate SAF supply and use.

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

The need to contain costs for SAF relative to conventional fuels is a key demand driver. Consumer research conducted for the Australian Airports Association shows that flyer willingness to pay additional costs for SAF-fuelled flights has consistently decreased, with 40 per cent unwilling to pay any extra as of June 2024. Only 32 per cent were prepared to pay between $1 and $20 additional per flight, down from 50 per cent in December 2021.

This consumer price sensitivity underscores that production incentives must enable SAF to be supplied at prices that do not significantly increase airfares. Government intervention through

production support and potentially through differential excise rates will be necessary to narrow price gaps in the short term.

Investment in airport infrastructure to accommodate SAF should be recognised within the broader policy framework. Whilst Joint User Hydrant Installation systems at major airports can accommodate blended SAF without modifications, clarity is needed regarding responsibility for any infrastructure investments required and funding mechanisms available.

The role of airports as facilitators and advocates for SAF deployment should be acknowledged. Support for airport-led initiatives such as SAF trials and ultra-low emissions aircraft turnaround demonstrations would complement production-focused Program elements.

Conclusion

The Cleaner Fuels Program represents a pivotal opportunity to establish Australia as a significant producer of SAF and secure the decarbonisation pathway essential for the long-term viability of Australian aviation. As a major airport operator, Melbourne Airport is committed to working collaboratively with government, airlines, fuel producers and the broader aviation sector to ensure the Program's success.

The key elements of effective Program design are clear from international experience and industry consultation. Production tax incentives must be substantial and sustained to overcome Australia's current competitive disadvantage. SAF must be explicitly prioritised over renewable diesel. Demand-side mechanisms including targets progressing to mandates must be carefully sequenced to support domestic supply development rather than driving imports.

The policy framework must integrate comprehensive sustainability criteria, robust emissions accounting through the expanded Guarantee of Origin scheme and transparent trading mechanisms. Support for first-of-a-kind facilities through combined capital grants and production incentives will be essential to catalyse initial investment.

With appropriate policy design, Australia can seize the generational opportunity to develop a globally competitive SAF industry. This will deliver the emissions reductions essential for aviation to contribute to national climate commitments, enhanced fuel security, regional economic development and high-value jobs in clean economy industries.

Melbourne Airport appreciates the Government's commitment to consultation and evidence-based policy development. We stand ready to continue engagement as Program guidelines are finalised and implementation proceeds, and we look forward to supporting the successful deployment of SAF across the Australian aviation network.

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