LCLF submission – Port of Newcastle

Port of Newcastle welcomes the opportunity to provide feedback on the Cleaner Fuels Program (CFP) Policy Design and Engagement Paper. We support the Australian Government's ambition to reduce emissions from the transport sector, strengthen domestic fuel security, and enable the transition to lower-carbon liquid fuels (LCLF).

As an organisation with a strong interest in decarbonising hard-to-abate transport sectors, we consider the policy settings of the Cleaner Fuels Program to be critical in unlocking private investment, accelerating market development, and ensuring Australia remains competitive in a rapidly evolving global fuels market.

The Cleaner Fuels Program will also help to advance the International Maritime Organisation (IMO) climate targets by promoting the development and uptake of renewable and low-carbon fuels from the shipping industry. This will contribute to the decarbonisation pathways sought by the IMO's net-zero framework, which targets significant reductions in greenhouse gas intensity by 2030 and toward net zero by 2050, by offering alternatives to traditional fossil bunker fuels and helping shipping operators switch to fuels with lower emissions that support compliance with international emissions standards.

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

Eligibility of fuels should be aligned to international practice and standards with focus being given to renewable diesel. Renewable diesel is not readily available in Australia and, as it is chemically identical to conventional diesel, it can be used as a direct replacement in existing diesel engines without modification.

Renewable diesel should be prioritised under the Cleaner Fuels Program (CFP) because it offers the fastest, lowest-risk and most scalable pathway to materially reduce emissions from Australia's transport sector this decade. This is particularly important for hard-to-abate sectors such as freight, maritime, mining, construction and port operations. Compared with other LCLFs, renewable diesel can deliver immediate emissions reductions using existing infrastructure, vehicles and supply chains.

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

Sectors that are readily electrified, such as those with majority light-vehicles, should be deprioritised within the CFP. While electrification is a key government priority and essential to the broader decarbonisation task, it is more appropriately addressed through other policy mechanisms and programs. The CFP should instead focus on sectors where electrification is not currently viable at scale.

Prioritising renewable diesel would stimulate both supply and demand, improving commercial viability and accelerating uptake in hard-to-abate sectors. This targeted approach would deliver a greater near-term impact on reducing national greenhouse gas emissions.

Question 2.1: Fixed vs variable production credit; design issues

Our overarching position is that fuel tax credits should be given top priority as the primary policy lever for LCLF under the Cleaner Fuels Program, alongside stronger and more direct support for offtakers. Together, these measures are essential to address the current cost gap between conventional fossil fuels and low-carbon alternatives, reduce investment risk, and stimulate both supply and demand.

Without clear, bankable incentives on both the supply and demand sides, Australia risks delayed project development, capital flight to overseas jurisdictions, and missed opportunities to decarbonise aviation, maritime and heavy transport.

Fuel tax credits are a proven and internationally competitive mechanism to accelerate LCLF deployment. Jurisdictions such as the United States and the European Union have demonstrated that predictable, long-term tax credits:

- Improve project bankability and investor confidence
- Reduce the delivered cost of LCLF to offtakers
- Enable earlier final investment decisions (FIDs)
- Crowd in private capital at scale

To be effective, tax credits should:

- Be long-term and legislated, providing certainty beyond electoral cycles
- Be technology-neutral, based on lifecycle emissions performance
- Apply across multiple fuel end uses, including aviation, maritime, and heavy road transport
- Be accessible to domestic producers while remaining compliant with international trade obligations

Clear eligibility criteria and streamlined administration will be essential to avoid unnecessary complexity and delays.

Question 2.2: Prioritisation

Priority should be given to projects with established and proven production pathways, particularly HVO, as these technologies are commercially mature and can be deployed immediately within the heavy transport sector.

Project location should also be a key consideration to ensure facilities are well positioned for feedstock import and fuel export. Strategic port locations, such as the Port of Newcastle, offer strong advantages due to existing import and export capability, bunkering infrastructure, and connectivity to national transport networks. This approach would align with international best practice, such as the Neste renewable fuels facility at the Port of Rotterdam. This could also play a factor in the enablement of cleaner fuel bunkering to support the IMO targets.

Question 3.4: Sustainability criteria

Key sustainability considerations should include:

- Mandated use of sustainable feedstocks, with clear restrictions on high-risk or unsustainable sources, including those linked to deforestation, habitat loss or high-carbon land-use change. Preference should be given to waste and residue feedstocks and by-products from existing supply chains.
- Responsible water sourcing and efficient water use, with monitoring and management of water pollution, run-off and air emissions.
- Transparency regarding energy inputs used in production, with incentives for the use of renewable electricity, waste heat recovery and efficiency improvements.
- Consideration and management of modern slavery and labour risks across the supply chain.

Proposed factors

While the proposed factors affecting the merit of a proposal are generally satisfactory, the program must place stronger emphasis on ensuring the commercial viability of LCLFs for offtakers. Although supply-side incentives are critical, the current policy landscape does not adequately address the risks faced by fuel users.

Major fuel users continue to face:

- Significant cost premiums for LCLF
- Limited ability to pass costs through to customers
- Uncertainty regarding long-term availability and pricing

Without targeted support, many potential offtakers are unable to enter into long-term offtake agreements that underpin project financing.

We recommend that the Cleaner Fuels Program include direct and explicit support for offtakers, such as:

- Offtake tax credits or rebates tied to verified LCLF use
- Demand-side grants or co-funding for early adopters in hard-to-abate sectors

Such measures would send a strong demand signal, accelerate market maturity, and reduce overall system costs over time.