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1. INTRODUCTION

Team Global Express (TGE) appreciates the opportunity provided by the Australian Government to respond to the *Cleaner Fuels Program Policy Design and Engagement Paper*. We also appreciate the announcement of the new \$1.1 billion Cleaner Fuels Program to encourage domestic production of LCLFs, while strengthening fuel security and supporting new jobs in the net zero economy.

While TGE believes all viable emission reduction solutions will need to be considered, collaboration between industry and government remains critical to establishing a clear pathway forward for all transport modes and enabling systems. To this end, TGE strongly supports DITRDCSA and the development of this work and believes Australia needs consistent and comprehensive incentives to reduce emissions to achieve net zero at the lowest cost.

TGE believes it is imperative that Government promote and support investment in low carbon liquid fuels such as renewable diesel (RD) and sustainable aviation fuels (SAF) to align economic incentives with the national interest and unlock private investment at scale.

The use of RD as a liquid fuel is the lowest cost and fastest option for the freight industry to decarbonise, as it is only the fuel component that needs to change, not the engine / truck type or widespread infrastructure.

TGE remains committed to working with government and industry to ensure the growth and transformation of freight and supply chains in the pursuit of net zero.

2. BACKGROUND

Team Global Express is one of Australia's largest and most significant transport and logistics networks spanning road, rail, air, and sea.

From couriers and small trucks to prime movers, planes, rail and ships, Team Global Express' diverse fleet can provide road freight transport for everything from parcels and documents to oversized machinery and bulk commodities. Our dedicated heavy fleet road services offer a wide variety of transport solutions, including scheduled daily runs to move regular volumes of freight, or dedicated project teams to manage all aspects of bespoke freight requirements. We move metro, intrastate, interstate, regional, and remote options in:

- Retail
- Mining
- Government & defence
- Chemicals & agribusiness
- Automotive & industrial
- Steel & materials
- ICT
- Consumer and beverage

As one of the largest users of liquid fuels in Australia in a multimodal application, TGE is working to decarbonise its footprint and reduce its scope one emissions by 30% by 2030 and striving to achieve net zero by 2040.

In a significant step towards meeting these commitments, TGE has begun its transition to decarbonise its 6,500-strong heavy transport fleet with an investment in 60 electric trucks based in Bungaribee, NSW.

However we know that in the future a combination of electric vehicles and low carbon liquid fuels such as renewable diesel will be necessary. In addition to this, the ships we use will rely on biodiesel and renewable diesel; our 47 strong fleet of planes will rely on sustainable aviation fuel.

We will also depend on supportive policy frameworks from the government and the update to several pieces of legislation – particularly to encourage the production and uptake of RD and SAF, along with larger electric and hydrogen fuel cell vehicles when they become more readily available.

3. RESPONSE

TGE recommends that the Cleaner Fuels Program adopt an inclusive approach to all LCLFs while strategically prioritising RD.

This will deliver immediate decarbonisation benefits, strengthen fuel security, and create economic opportunities across regional and First Nations communities.

RD's technological maturity and compatibility with existing infrastructure make it a critical enabler for Australia's transition to a net zero economy.

In addition, however, TGE notes that it is unlikely that production support alone will be sufficient to drive the uptake of LCLFs and may in fact result in two unexpected outcomes:

- The LCLF - whilst made locally - may still be sent internationally to places such as the EU and the US where recipients can claim double counting on carbon schemes; and/or
- The producer of the LCLF may not pass through the benefit of the program to the end user, resulting in fuel that is still at a high price point compared to TGP for an end user to economically use.

3.1 ELIGIBLE FUELS

The Program should remain fuel and technology-agnostic to encourage innovation and allow market forces to determine the most efficient solutions. However, RD should be prioritised alongside (SAF) because:

- RD is essential for all sectors such as heavy transport, mining, and agriculture, which (it is often forgotten or misunderstood) have very limited electrification pathways;
- RD can leverage existing diesel infrastructure, reducing transition costs and accelerating uptake; and
- RD production pathways (e.g., HVO) are technologically mature, lowering risk compared to nascent alternatives.

3.2 TYPE OF SUPPORT – PRODUCTION AND / OR ALTERNATIVES

TGE supports production-linked incentives to ensure value for taxpayers and reward actual output:

- A fixed credit per litre or % of total for RD would provide investment certainty and bankability, while competitive bidding can apply across all LCLFs;
- Consideration should be given to linking incentives to lifecycle emissions reductions to align with broader decarbonisation goals;

In addition, TGE highlights the need for consumption ie end user support to increase the use of such fuels, and alternative mechanisms to encourage and accelerate decarbonisation across a full transport and logistics network:

- TGE recommends that the existing Fuel Tax Credit (FTC) regime or a new Road User Charge (RUC) could be used to give preference to the use of low carbon liquid fuels or lower carbon technologies;
- For example, a higher FTC (or a lower RUC) attached to the use of low carbon liquid fuels would drive the uptake of renewable diesel;
- TGE also notes that end user certainty and contracts will contribute to the ability of producers to raise capital.

TGE may support a contract for difference mechanism (similar to ARENA's support of a TCO gap) but with a strike price for each litre of LCLF **consumed** be determined through a competitive process **ie not produced**. If the strike price is higher than the international LCLF price, end users would need to be paid the difference (or a portion of) for each litre of LCLF produced.

3.4 FUEL PRODUCTION

TGE supports the aim to prioritise projects at a mature stage of development and late-stage Technology Readiness Level technologies that can deliver meaningful volumes of LCLF to the market to help decarbonise hard-to-electrify sectors:

- It is also important to consider that mature stage production facilities will result in LCLFs sooner to market and which will not require the user to require changes to other infrastructure such as road seal and bridges;
- Priority should be given to projects that use more established production pathways.

3.5 LIFECYCLE EMISSIONS AND SUSTAINABILITY

TGE notes that applying a carbon intensity threshold (for example, a 50% reduction vs fossil equivalent) for all LCLFs, would be consistent with international best practice:

- RD projects should be encouraged to meet and/or exceed this threshold, given their strong performance on lifecycle emissions; and
- Sustainability criteria should include feedstock sourcing, biodiversity protection, and avoidance where possible of potential competition with food production.

3.6 COMMUNITY AND ECONOMIC BENEFITS

RD projects can deliver significant regional benefits, including job creation, training opportunities, supply chain development and agricultural growth:

- Projects should demonstrate alignment with the Community Benefit Principles under the Future Made in Australia Act, particularly in supporting First Nations participation and strengthening domestic industrial capabilities; and
- TGE strongly supports the fuel security that these facilities can contribute to Australia's sovereign liquid fuel capability and security.

3.5 MARKET DEVELOPMENT AND KNOWLEDGE SHARING

RD should be positioned as a cornerstone for early market development, enabling price discovery and reducing barriers for future LCLF projects whilst the SAF market continues to develop:

- TGE believes that the Government should encourage collaboration and knowledge sharing across RD and SAF producers to build a robust domestic industry.

4. FURTHER POINTS OF CONSIDERATION

TGE emphasises the critical role of low-carbon liquid fuels and the need for supportive policy frameworks in decarbonising Australia's transport sector while strengthening national fuel security.

It is imperative the Government consider a multi-faceted approach to address all environmental, economic and social dimensions of the future low carbon industry:

- TGE believes the cost implications for commercial operators and consumers of adopting low or zero emission technologies across the freight sector must be highlighted. The potential use of LCLFs such as RD are the absolute lowest cost option to lower carbon in this sector.
- The transport and logistics sector currently operates on exceptionally low margins – as little as two and three percent. Low carbon solutions are substantially more expensive, and this cost must be passed on to the end consumer. Increasing access to intermodal facilities as well as rolling out the required energy and transport infrastructure to enable low and zero emission freight transport modes will be essential to the transition but expensive to do.
- The freight task must become more efficient. This can be achieved by designing transport systems and networks to encourage a shift to sustainable, low emissions ways of moving freight. Lower carbon solutions can reduce harmful pollution, reduce heat and noise, and provide health benefits levels.
- Future heavy road freight will need a variety of levers to be successful. Euro VI trucks will mean OEMs will enable fuel-saving technologies to Australian models other countries already have. However, this must align with reforms to state-based mass limits to support Euro VI to overcome the productivity penalty zero emission trucks face as a result of their heavy batteries. Alternatively, RD is a drop-in alternative that

can be used now, with no changes to the types of trucks used or the infrastructure being utilised.

- Australia's rail task will similarly require electrification, possibly hydrogen, and critically the use of RD to shift away from the use of heavier diesel locomotives.
- Australia's maritime sector will also require low carbon liquid fuels such as RD, along with hydrogen-derived fuels (such as green hydrogen, green ammonia and e-methanol), electrification and energy efficiency and optimisation improvements.
- Government must continue to work collaboratively with industry, states and territories, unions, experts and local communities.
- Government has the critical role to play of ensuring stringent emission standards are implemented to mandate the reduction of greenhouse gas emissions from liquid fuels and other mechanisms. These standards should be progressively tightened to encourage uptake and continuous improvement.
- Government needs to also develop and enforce regulations requiring comprehensive lifecycle analysis of fuel emissions from well to wheel, ensuring at all stages of production the end use is considered. This lifecycle analysis should be undertaken for both low carbon liquid fuels and the existing fossil fuel market so a fair comparison can be made.
- Government needs to consider the introduction of some form of carbon pricing mechanism to ensure the cost of lowering emissions is borne across the industry and not just by a small number of providers. Options could include a carbon tax on fuel, a cap-and-trade system, or a book and claim system allowing the environmental cost of carbon emissions to be spread, and incentivising the use of lower carbon alternatives.
- Government should consider the introduction of a renewable fuel or low carbon fuel standard to strengthen and expand the renewable fuel standards that require a certain percentage of fuel sold to be derived from renewable sources. This will drive the demand for low carbon liquid fuels. This could be undertaken through the introduction of a Low Carbon Fuel Standard such as that used in California.
- One of the most important elements of low carbon liquid fuels that is often forgotten – or at the very least completely underestimated – is that they are 'drop in' alternatives and in this way there is no changes required to existing infrastructure to support the distribution and refuelling costs. Existing infrastructure can remain in situ and existing fleet and capital can still be used – saving potentially billions of dollars. This includes the fact that existing fuel stations do not need to be upgraded, and new ones can still be built to handle both alternative fuels and existing fuels. This flexibility and potential savings in cost cannot be overestimated. This means that existing supply chain and logistics infrastructure can be utilised for the efficient production, transportation and storage of low carbon liquid fuels, substantially reducing the overall emissions and costs to be borne by industry.
- Governments both federal and state need to collaborate with other nations to share best practices, technologies, solutions and research into the field of low carbon liquid fuels. Working towards the harmonisation of standards and regulations across borders to facilitate international trade and the adoption of low carbon liquid fuels will enhance our fuel security and provide greater certainty for the uptake of fuels, especially when considering our Original Equipment Manufacturers (OEMs) are based in Europe or the Americas.

- Australia already suffers from the outcome that our existing feedstocks for LCLFs are inevitably sent to the EU, Singapore and the US for the production of RD and SAF. These feedstocks need to remain in Australia to lower the price of the LCLFs.
- Government must provide for performance metrics based on real data and outcomes, establishing broad indicators to monitor the performance and impact of government policies related to low carbon liquid fuels. Regular review and adjustment of these policies will also be necessary. Government should ensure there is transparency in the progress and effectiveness of initiatives to foster growth of the industry, accountability and continuous improvement.
- Government has a role to play in the education and awareness of low carbon liquid fuels. Awareness among both consumers and businesses alike with clear scientific data on the benefits of LCLFs will be required to overcome misconceptions, address concerns and promote their adoption.
- Government should be at the forefront of fleet conversion programs and seen to be implementing and supporting the conversion of public and private vehicle fleets to low carbon liquid fuel options, not just the electrification of cars and buses. Financial incentives and technical incentives / assistance need to be broadly available.
- Government will need to provide financial support for the research and development in the advancement of low carbon liquid fuels. This can include grants for both the academic and private (industry) sector, subsidies for pilot programs, trials, and tax incentives for companies who are leading the pack by investing in greener technologies and solutions.
- Government has a role to play in fostering public-private partnerships and collaboration between government, industry, and academia to accelerate innovation, production and the commercialisation of new fuel technologies to enhance our local fuel security and uptake.