



Summary of Stakeholder Engagement on Cleaner Fuels Program

June 2026

Summary

In November and December 2025, the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts (**DITRDCA**), the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) and the Australian Renewable Energy Agency (**ARENA**) undertook consultation on the design of the Cleaner Fuels Program (the **Program**), commencing with the public release of a '[Policy Design and Engagement Paper](#)' (**Consultation Paper**) outlining key questions on the design principles of the Program.

Consultation included receipt of 137 written submissions and 18 meetings with a wide range of stakeholders across fuel producers, project owners, the aviation, freight, maritime, agriculture, energy, and finance sectors, as well as industry peak bodies, government, academia and the public. Overarching themes to emerge from submissions included:

- Strong support for cohesive Government actions that catalyse domestic production of low carbon liquid fuel (**LCLF**). Stakeholders considered demand side policy would have the greatest impact and should be implemented alongside the Program for effective impact.
- Successful delivery of the first LCLF project supported by the Program is critical to give investors and the market the confidence needed to establish an LCLF industry in Australia.

Response to key topics from the Consultation Paper are outlined below.

1. Eligible Fuels

Several stakeholders supported all LCLFs being eligible for the Program, while many explicitly called for inclusion and prioritisation of Sustainable Aviation Fuel (**SAF**) and Renewable Diesel (**RD**). Stakeholders called for prioritisation of fuels for use in “hard to abate” sectors without alternative decarbonisation pathways.

2. Type of Production Support

Fixed vs variable credit

Stakeholders held mixed views on providing a fixed credit per unit of production or a variable amount that depends on the market price of LCLF and/or feedstocks used in production.

- Some stakeholders supported a fixed credit, noting it is easier to implement and can be deployed rapidly. Some stakeholders (including project developers and fuel suppliers) recommended an initial fixed credit that transitions to a variable credit as the industry matures.
- Others supported a variable credit linked to a LCLF reference price (such as an index or a comparable market price) as this would more effectively stabilise revenue from volatility in feedstock or international markets, reducing investment uncertainty. This view was largely held by project developers, financiers and fuel suppliers who are closer to the challenge of making LCLFs “bankable”. However, it was noted this option may face practical implementation challenges.

Volume based or carbon abatement-based credit

Stakeholders strongly supported linking payments under the Program to cost of carbon abatement of the fuel rather than focusing on the volume of LCLF produced, to reflect the lowest cost of carbon abatement for initial projects. Some stakeholders considered transitioning to a carbon intensity-based model over time as the market matures.

Individual project payment limits

Stakeholders held mixed views regarding the institution of a cap on total production credits for each project.

- Supporters of limits cited the ability to support multiple projects to foster competition among projects and pathways.
- Those opposed to caps noted limits may arbitrarily encourage smaller plants that produce higher-cost fuel or potentially stifle the ability for any project (otherwise considered high-merit) to proceed, resulting in a failed Program.

Alternative methods to support competition included:

- Flexible production credits with tiered or sliding thresholds.
- Time-based credits.
- Production caps be applied to each fuel market, rather than each project, to ensure multiple fuels are supported by the Program.

Exports

Stakeholders called for domestically produced LCLFs to be consumed onshore to ensure Australia still derives emission reduction and fuel security benefits. Noting some projects may need to access global markets to become bankable, some proponents noted the Program shouldn't ban exports but should create strong incentives for local consumption. Suggestions included minimum domestic volume requirements, domestic priority clauses, or reservation policies.

3. Production Pathways

Pathways prioritised

Stakeholders held mixed views on which production pathways should be eligible for the Program. Many stakeholders called for a technology agnostic program or for production support to go to mature technology pathways. It was widely recognised that the program should prioritise technologies that are previously demonstrated or late stage in their commercial development or deployment.

It was also recognised that for emerging technology pathways, distinct capital grant support may be a requirement in addition to a production credit to support project investment decisions.

Carbon intensity thresholds

Stakeholders supported the requirement for LCLF to meet a minimum level of carbon intensity reduction, as a way to ensure projects under consideration are genuine decarbonisation opportunities.

Feedstock restrictions

Stakeholders generally supported considering the sustainability of feedstocks (e.g. not competing with food sources), with no strong views on restricting certain feedstocks including imported feedstocks. Stakeholders recommended feedstocks are not excluded by category and are instead assessed against sustainability criteria including emissions reduction, indirect land use change (**ILUC**) risk, land use, biodiversity and social impact.

4. Other Policy Considerations

Stakeholders called strongly for LCLF demand policy, noting it is critical to implement it simultaneously with the Program. Many proponents stated the absence of a mandated demand policy which generated demand and supports bankability would result in projects failing to reach Final Investment Decision. Stakeholders also called for improvements to intersecting policies including the Safeguard Mechanism, Diesel Fuel Tax Credit and the Guarantee of Origin Scheme.

Stakeholders strongly supported using other funding and concessional finance, e.g. the Clean Energy Finance Corporation (**CEFC**) and National Reconstruction Fund (**NRF**), to support the LCLF industry.

Sustainability and certification

Stakeholders strongly supported the Program including additional sustainability criteria beyond emissions reduction e.g. biodiversity, ILUC. They supported use of international bodies to like ISCC and RSB to verify sustainability claims.