HEAVY VEHICLE
INDUSTRY AUSTRALIA

HVIA Submission

Low Carbon Liquid Fuels

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Background

Heavy Vehicle Industry Australia (HVIA) is the peak industry association for Australian manufacturers of trucks and trailers (collectively referred to as heavy vehicles), as well as the dealerships, repairers, suppliers, and service providers that support the entire industry. We represent almost every major truck manufacturer/importer, all of Australia's major trailer manufacturers, and an ever-growing list of their component, equipment and technology providers.

Our 300-plus corporate members collectively employ a local workforce of over 70,000 staff. Our member's interests cover an extensive range of vehicles, starting with 3.5-tonne light commercial trucks, and extending all the way up to Australia's unique 50-metre long, 100-tonne road trains.

Our industry provides some of the world's most efficient, safe, innovative, and technologically advanced vehicles. HVIA seeks to work with government and industry stakeholders to promote an innovative and prosperous industry that supports a safe and productive heavy vehicle fleet operating for the benefit of all Australians.

Summary

A high-level summary of the main points of HVIA's position follows:

- Availability and cost will be the key factors in the take-up of LCLF in the freight transport sector.
- The ability of policy to address those factors will ultimately determine the success of renewable diesel in reducing carbon emissions.
- HVIA strongly supports policy to encourage the development of local LCLF feedstock production and refining industries, as it would be a considerable missed opportunity if Australia were to remain a limited LCLF feedstock producer and exporter, and LCLF importer.
- If local feedstock availability is low, HVIA strongly encourages policy that directs those feedstocks to the production of renewable diesel for road freight.
- HVIA is open to a wide range of supply and demand side mechanisms to encourage the development of a local LCLF industry, including production/supply incentives and rebates, non-binding targets, and standards such as a low carbon fuel standard.
- HVIA recommends that any standard expressly consider availability and cost. A standard enacted while supply remains low, and cost is high, will simply add undue operational and financial pressures to the sector.

HVIA's position

HVIA is committed to working with government at all levels to support the industry on its decarbonisation journey and is harnessing the experience of its members and stakeholders to resolve issues across regulation, policy, skills and training, and infrastructure.

HVIA values the opportunity to provide comments on the Low Carbon Liquid Fuels (LCLF) Consultation Paper, from the Australian Department of Infrastructure, Transport, Regional Development, Communications, and the Arts (DoITRDCA). In preparing this response, HVIA consulted with members, partners and stakeholders who are actively working on future energy and fuel supply.

HVIA agrees with DoITRDCA that LCLF will be a crucial element in reducing emissions in the transport sector, and in the importance of effective policy to support the development of an Australian LCLF industry.

As the paper identifies, electrification and the use of hydrogen may not be immediately viable for some sectors including heavy road freight transport. An associated hindrance is the present lack of suitable supporting infrastructure.

The specific LCLF types proposed in the paper for the road freight transport sector are synthetic fuels, which are sometimes called 'renewable' diesel. They are produced from a variety of renewable sources, known as 'feedstocks', which include canola seed, and animal tallow. These synthetic fuels differ from earlier types of renewable fuels, often referred to as 'biodiesel', made from vegetable oils and ethanol.

The crucial difference between renewable diesel and biodiesel, is that renewable diesel is a 'drop-in' fuel at any blend percentage with conventional diesel up to 100%, meaning that it is completely compatible with existing vehicle hardware and fuel transport and delivery infrastructure.

Notwithstanding, HVIA notes the paper's estimation that renewable diesel may be twice the cost of conventional diesel. Availability and cost will be the two key factors in the take-up of LCLF in the freight transport sector. HVIA does not expect that transport operators will deviate from planned routes solely to access renewable diesel, and they are similarly unlikely to opt for a more expensive fuel when cheaper alternatives are adjacent. The ability of the government's policy to address those two factors will ultimately determine the level of success that renewable diesel can achieve in contributing to Australia's decarbonisation targets.

HVIA strongly supports policy to encourage the development of local LCLF feedstock production and refining industries, noting the CSIRO findings that highlight Australia's natural geographic and other existing advantages. In that context, it would be a considerable missed opportunity if Australia were to remain a limited LCLF feedstock producer and exporter, only to continue to import both conventional fuels and LCLFs in the future.

Consistent with the government's science-aligned approach, it is imperative that investment in LCLFs be directed to sectors capable of delivering the largest and fastest emissions cuts. This is not aviation. HVIA does not support policies that incentivise the production of Sustainable Aviation Fuel (SAF) over renewable diesel. The complete decarbonisation of air travel would deliver a less impactful emissions reduction than decarbonised road freight could deliver. Aviation may be an obvious source of emissions and a hard-to-abate sector, but it is not capable of achieving the level of contribution required under current targets.

In contrast, renewable diesel that is both affordable and readily available could immediately reduce the 22 per cent share of transport emissions attributable to trucks, plus a portion of light vehicle emissions as well. In-line with the above comments regarding availability and cost, HVIA strongly encourages policy and incentives that support directing local feedstocks to the production of renewable diesel for the road freight transport sector, if feedstock availability is low.

Of the various policy options available to government to accelerate the development of a local LCLF feedstock and refining industry, HVIA is open to a wide range of supply and demand side mechanisms, including production/supply incentives and rebates, non-binding targets, and standards such as a low carbon fuel standard.

Notwithstanding, HVIA recommends that any standard expressly consider availability and cost. A standard enacted while supply remains low, and cost is high, will simply add undue operational and financial pressures to the sector. Setting targets that are impractical and/or unachievable will undermine confidence. Additionally, standards enacted whilst supply is limited reduces the flexibility of the industry to offer tailored solutions.

Additionally, the possible influence of the following factors is unknown, yet may profoundly impact the overall success of any standard:

- several LCLF feedstocks are also potential food crops and are subject to variations in market price both domestically and internationally

- the ability to scale up feedstock production also depends on land availability (e.g. seed oils) or, if they are by-products of other processes, the scale and volume of production of the main product (e.g. tallow)
- any lack of future technical innovations (i.e. development stagnation)
- future energy costs, particularly for energy-intensive processes.

The specific policies favoured by HVIA focus on incentivising and accelerating local supply of LCLF feedstocks, and renewable diesel refining and supply capabilities, and include:

- competitive grant-based production incentives such as Contract for Difference (CfDs), and fixed amounts per production unit
- production tax incentives per production unit
- an appropriate and achievable low carbon liquid fuels standard
- existing targeted grant and incentive schemes, including ARENA and the 'Future Made in Australia Innovation Fund'
- further direct investment in LCLF R&D and commercialisation.

HVIA notes that competitive grant-based production incentives may tend to favour established businesses and recommends that future policies be carefully designed to be technology neutral and ensure a level playing field.

HVIA is generally supportive of the concept of emissions reduction thresholds being part of a production incentive program and the concept of increasing the threshold over time. Enacting thresholds is expected to assist in ensuring that the magnitude of the benefits exceeds the cost of the support provided by Government. However, HVIA does not have a view on the appropriate starting point for the threshold and considers that further analysis is required.

HVIA supports the introduction of a guarantee of origin scheme and certification arrangements to provide the end user with certainty on how the fuel will contribute to their reduction targets.