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Major Government funding for Low Carbon Liquid Fuels

In my column last month, I detailed how Australia consumes over 56 billion litres of liquid fossil fuels each year across 11 major sectors of the economy, including heavy vehicle road freight. This liquid fuel use accounted for nearly 150 MtCO₂ in 2022–23, approximately 32 percent of domestic greenhouse emissions. With the heavy vehicle transport sector accounting for approximately 8.2 MtCO₂ of this. In addition, I detailed that Low Carbon Liquid Fuels (LCLFs) have a major role to play in decarbonisation of liquid fuels in hard to abate sectors, many of which present in the truck space. Also, due to our old truck fleet that has an average age of 15 years (30 year total life) a mechanism is required to, at least, partially decarbonise existing vehicles, as a new diesel truck sold today may not retire from the Australian truck fleet until 2055.

Further, in global markets, LCLF production is scaling up rapidly due to supportive climate and economic policies, with global supply reaching 33 billion litres as of 2024. The Australian potential for a LCLF industry was recently highlighted in a report published by the Clean Energy Finance Corporation (CEFC). That CEFC report details that the pace of electrification is increasing markedly as battery prices continue to fall and new models enter the passenger, light commercial, and some truck segments. However, a significant share of Australia's liquid fuel demand is hard-to-electrify, meaning net zero targets could be at risk without other decarbonisation options.

The development of an Australian LCLF industry could deliver the decarbonisation of Australia's hard-to-electrify sectors. The CEFC report details how production of LCLFs can boost Australia's economic prosperity, with benefits flowing directly to regional communities. A LCLF industry could deliver a significant economic benefit to Australian farmers and fuel producers. The Australian agriculture sector has a competitive advantage with our abundant feedstock resources to supply the global LCLF market. Australian tallow and canola are major feedstocks for LCLF production. Unfortunately, these feedstocks are currently exported to Europe and Asia where they are transformed into LCLFs for use in those markets and we currently import small quantities of these processed LCLFs for use in trucks, aircraft, trains, mining and construction equipment, trials.

The Australian Government has now acknowledged the potential for a local LCLF industry and in a recent announcement has committed \$1.1 billion to support the production of low carbon liquid fuels in Australia. This is the recognition and commitment that has been long missing from the Australian LCLF decarbonisation pathway. In their announcement, the government detailed that locally produced LCLFs, such as renewable diesel and sustainable aviation fuel, can help reduce emissions in hard to abate industries and sectors.

When announcing their \$1.1 billion funding, the government specifically detailed their target hard to abate industries include, aviation, heavy road freight, rail, shipping and mining. Further, the announcement detailed that LCLFs can be produced sustainably from, waste products such as used cooking oil, agricultural and forest residuals, as well as biomass (garbage) by combining renewable hydrogen with captured carbon dioxide in these waste products. Stating that these fuels will play an important role to deliver on Australia's Net Zero commitments.

The Cleaner Fuels Program will offer grants to domestic producers of LCLFs and will be designed to attract investment in LCLF projects in Australia. It will help projects to establish and compete with existing LCLF production overseas. Detailed design of the program will be undertaken later this year in consultation with industry. The Government plans to finalise details of the scheme in mid-2026, ahead of opening applications for LCLF projects in 2026-27.

The Truck Industry Council has been championing LCLFs as one of the solutions that is critical for decarbonising Australia's heavy vehicle fleet for some time now. Along with the electrification of urban road freight and the use of higher productivity vehicle combinations, collectively these technologies will form the major pathways to decarbonisation of road freight in our country. TIC applauds the Albanese government in acknowledging the role LCLFs can play in Australia's decarbonisation journey and setting Australia to become a major global supplier of locally produced LCLFs. The announcement of \$1.1 billion to develop a LCLF industry in Australia and support the production of low carbon liquid fuels here, is a major endorsement by the federal government of this decarbonisation pathway.

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