MTAA SUBMISSION TO DCCEEW AND DITRDCSA:

Securing Australia's Cleaner Fuels Industry: Consultation Paper on a Demand Mechanism

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MOTOR TRADES ASSOCIATION OF AUSTRALIA

Introduction

Thank you for the opportunity to respond to the Australian Government's Securing Australia's Cleaner Fuels Industry consultation paper. The Motor Trades Association of Australia (MTAA) is the national peak body representing the automotive retail, repair and service sector. The industry comprises more than 70,000 businesses, employs over 360,000 people and contributes approximately $40 billion annually to GDP.

MTAA members include fuel retailers, service station operators, independent repairers, auto electricians, parts suppliers, tow truck operators and body repairers. They are predominantly small and medium-sized businesses operating across metropolitan, regional and remote Australia.

MTAA supports the development of a strong domestic low carbon liquid fuels industry and recognises the role LCLFs can play in reducing transport emissions, strengthening fuel security and supporting sectors with limited near-term decarbonisation alternatives.

The proposed mechanism should support domestic LCLF investment without imposing disproportionate costs on motorists, small automotive businesses or regional communities.

For MTAA, effective implementation will require obligations to remain with upstream fuel suppliers, careful management of fuel price impacts, clear fuel quality and vehicle compatibility standards, nationally consistent labelling, and adequate preparation for consumers and the automotive workforce.

This submission responds to the consultation questions most relevant to MTAA members and the automotive retail, repair and service sector.

Responses to consultation questions

Sectors impacted by an LCLF demand policy (Section 3.2.5)

1. Which sectors could be impacted, and what are the potential impacts?

The consultation paper identifies agriculture, aviation, freight and mining as impacted sectors but omits the fuel retail and automotive service sector. MTAA identifies the following impacts:

- Fuel retailers will face changes to fuel composition, supply logistics, labelling requirements and potential infrastructure modifications (storage, dispensing equipment). These businesses operate on thin margins and cannot absorb additional costs or administrative burden.

> Automotive repairers will be the first point of contact for consumers experiencing fuel-related engine or fuel system issues. Without clear compatibility guidance and updated fuel quality standards, these businesses risk bearing the cost of problems they did not create.

> Small automotive businesses, including mobile mechanics, tow operators and parts delivery services, face fuel as a significant direct operating cost. Any price increase reduces already-tight margins.

> Regional and remote automotive businesses face fuel costs already significantly higher than metropolitan areas and serve as anchor employers in their communities.

Targets (Section 3.3.1)

2. Views on the proposed target-setting approach, including volumetric targets during Phase 1 and transition to carbon-intensity targets from 2035?

Supported. The phased approach appropriately balances early investment certainty with longer-term flexibility.

3. Does the proposed target consultation range appropriately reflect the potential scale and pace of LCLF deployment?

MTAA recommends targets at the lower bound of the proposed consultation range: approximately 1% of covered fuel demand in 2030 and 7% in 2035. Australia's current domestic LCLF production capacity is limited. Ambitious targets in a supply-constrained environment risk driving fuel price increases for small businesses and consumers without proportionate benefit. Targets should increase only as domestic production capacity demonstrably scales.

4. Should a separate jet fuel requirement apply?

Yes. Aviation has fewer decarbonisation alternatives. A dedicated SAF component within the mechanism provides targeted investment certainty without concentrating compliance costs on road fuel users.

Obligation Fuels (Section 3.3.2)

5. Views on covering diesel, jet fuel and petrol from commencement?

Supported. Covering all three fuels (~95% of the liquid fuel market) spreads compliance costs more broadly, prevents disproportionate burden on diesel and jet fuel users, and utilises existing ethanol production capacity. However, the interaction between LCLF obligations on petrol and the New Vehicle Efficiency Standard (NVES) must be managed to avoid cumulative cost impacts on consumers.

6. Factors that should inform future reviews of fuel coverage?

Retail fuel price impacts (including regional differentials), LCLF compatibility across the existing vehicle fleet, interactions with other transport policies (NVES, road-user charging), and administrative impacts on fuel retailers.

Obligated entities (Section 3.3.3)

7. Should obligated entities be those that supply obligation fuels into the Australian market?

Strongly supported. Obligations must sit with upstream fuel suppliers – refiners, LCLF producers and importers. MTAA is firmly opposed to any arrangement that places compliance obligations on downstream participants including fuel retailers, service station operators or automotive service businesses. These businesses have no ability to influence fuel composition, limited administrative capacity, and cannot absorb additional regulatory costs.

8. Should a minimum fuel supply threshold apply?

Yes. The threshold should capture entities responsible for the majority of fuel supplied, while excluding small-volume suppliers from obligations.

9. Should an opt-in arrangement be available for large fuel users?

MTAA does not oppose opt-in arrangements for very large fuel users (e.g. major airlines, mining operations), provided they do not create administrative complexity for upstream suppliers or affect fuel availability and pricing for downstream retailers.

Compliance Pathways (Section 3.3.4)

10. Views on volumetric compliance during Phase 1 and carbon-intensity compliance during Phase 2?

Supported.

11. Views on the role and value of a buy-out price?

The buy-out price is critical to protecting fuel users from excessive price increases during LCLF supply constraints. It must be set to provide a genuine cost ceiling, reviewed regularly, and transparently reported. The Australian Government should publish estimated fuel cost impacts under different buy-out scenarios before finalising the design.

Credit Eligible Activities (Section 3.3.5)

12. Views on future consideration of non-fuel credits?

MTAA supports future consideration of non-fuel credits for electrification in Phase 2, given MTAA members are actively transitioning to service electric vehicles. However, non-fuel credits should not dilute the LCLF demand signal during Phase 1.

Credit Market (Section 3.3.6)

13. Views on a credit market?

Supported. Lower compliance costs for obligated entities are more likely to moderate downstream fuel price impacts.

14. Should credit banking be allowed?

Not during Phase 1 – consistent demand for physical LCLF supply is needed during market formation. From Phase 2, banking with controls (expiry periods, quantitative limits) is appropriate.

15. Potential interactions with existing policies?

The cumulative effect of LCLF compliance costs, NVES vehicle pricing impacts and potential road-user charging on consumers and the automotive sector must be transparently assessed and monitored.

Carbon-Intensity and Certification (Section 3.3.7)

16. Views on the application and level of a minimum carbon-intensity threshold during Phase 1?

MTAA supports a threshold toward the lower end of the proposed 40–70% range (approximately 40–50%) to maximise the pool of eligible fuels and production pathways, supporting supply availability and moderating cost impacts.

17. Views on certification requirements, including product tracing?

Robust product tracing and certification are essential for scheme integrity. For fuel retailers, certification must deliver:

- Unambiguous, nationally consistent fuel labelling so consumers can identify what they are purchasing and whether it is compatible with their vehicle.
- Assured fuel quality – fuel retailers should not be required to verify upstream composition or quality claims.

Policy Reviews (Section 3.3.8)

18. Priority issues for future reviews?

Reviews must explicitly assess:

- fuel retail margin and operational impacts
- regional versus metropolitan fuel price effects
- vehicle compatibility issues and consumer complaints
- cumulative regulatory burden on the automotive sector (LCLF, NVES, road-user charging).

19. Circumstances that should trigger an out-of-cycle review?

Material sustained fuel price increases attributable to the mechanism; widespread fuel-related vehicle damage or compatibility issues; evidence the mechanism is primarily driving demand for imports rather than domestic production; or significant supply disruptions.

Support for local production (Section 3.4.2)

20. Is the framework likely to support domestic production? Are additional measures required?

MTAA supports measures to strengthen domestic production. The mechanism should be designed to support growth in domestic production and avoid an outcome where increased demand is met predominantly through imports. Supported approaches include the carbon-intensity advantage for Australian feedstocks, a credit multiplier for domestic production, and consistent certification requirements for domestic and imported fuels.

Implementation (Chapter 4)

21. Are there significant implementation challenges not identified?

Yes. MTAA identifies the following:

1. Fuel quality standards must be updated before the 2029 commencement to accommodate new LCLF types and protect consumers and the existing vehicle fleet from compatibility issues.
2. Engine compatibility guidance must be provided by vehicle manufacturers and made available to independent repairers – not just authorised dealer networks – before new fuels enter the market.
3. Consumer communication must be developed in partnership with the automotive industry, addressing fuel types, vehicle compatibility and labelling.
4. Nationally consistent fuel labelling is essential. Inconsistent labelling across jurisdictions increases costs for fuel retailers operating across borders and confuses consumers.
5. Warranty and liability clarity – if LCLF use causes engine damage, liability must sit with manufacturers (design compatibility) and fuel suppliers (fuel quality), not with independent repairers.
6. Workforce training must be incorporated into implementation planning. Automotive training packages need updating to cover LCLF handling and vehicle compatibility, recognising the cumulative training burden of simultaneous EV, ADAS and LCLF transitions.

22. Are the proposed KPIs suitable?

MTAA recommends adding:

- consumer complaints relating to LCLF fuel quality or vehicle compatibility (annual);
- metropolitan versus regional fuel price differentials (annual); and
- administrative burden on downstream supply chain participants (at review).

Conclusion

MTAA supports the proposed direction of the LCLF demand mechanism, provided its design protects consumers and downstream automotive businesses from unnecessary cost and regulatory burden.

The mechanism should support growth in Australian production, maintain fuel affordability and availability, and provide clear safeguards around fuel quality, vehicle compatibility, labelling and liability.

MTAA welcomes continued engagement with Government as the detailed design and implementation arrangements are developed. Should you wish to discuss this submission further please contact us at info@mtaa.com.au.

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