INFRASTRUCTURE PARTNERSHIPS AUSTRALIA

15 September 2026

Liquid Fuel Transition Team

The Federal Department of Climate Change, Energy, the Environment and Water

Via submission portal

SUBMISSION TO THE FEDERAL DEPARTMENT OF CLIMATE CHANGE, ENERGY, THE ENVIRONMENT AND WATER ON A DEMAND MECHANISM FOR LOW CARBON LIQUID FUELS

Infrastructure Partnerships Australia is pleased to provide this submission to the Federal Department of Climate Change, Energy, the Environment and Water in response to its *Securing Australia's Cleaner Fuels Industry Consultation Paper* outlining a proposed demand mechanism for low carbon liquid fuels (LCLF).

Infrastructure Partnerships Australia is an independent think tank and executive member network, providing research focused on excellence in social and economic infrastructure. We exist to shape public debate and drive reform for the national interest. As the national voice for the infrastructure sector in Australia, our membership reflects a diverse range of public and private sector entities, including infrastructure owners, operators, financiers, advisers, technology providers and policymakers.

Industry welcomes the Federal Government's continued commitment to pursue a market mechanism to underpin demand for LCLF. Infrastructure Partnerships Australia's recently released report, *Practical Productivity,* calls on the Federal Government to mandate a minimum target for the use of Sustainable Aviation Fuel (SAF) in Australia, supported by an appropriate, coordinated, and competitive policy and regulatory framework for renewable fuels[1]. A clear demand signal for LCLF, including SAF, would support uptake and the emergence of a domestic production industry. This represents a significant opportunity to strengthen Australia's fuel security and secure a reliable fuel supply chain, while supporting decarbonisation in hard-to-abate sectors and unlocking investment opportunities.

Investors have indicated strong interest in investing in a domestic LCLF industry; however, the implementation of a demand mechanism with clear signals on future demand is critical to providing the long-term certainty needed to support investment and give proponents greater confidence to commit capital. Delaying domestic action risks Australia forfeiting productivity and investment opportunities to international competitors that are already locking in long-term supply chains. To this end, we support this consultation process and encourage the Government to subsequently progress to codify a durable,

[1] Infrastructure Partnerships Australia (2026) Practical Productivity - "Seven of Hearts" measure

long-term, appropriately calibrated LCLF demand mechanism that realises the opportunities this sector presents for Australia.

Well-calibrated measures can support the establishment of a domestic LCLF industry

Supporting the emergence of an LCLF industry can unlock economy-wide benefits. Simply put, the demand profile of LCLF – particularly for sustainable aviation fuel (SAF) – does not currently provide confidence for industry to invest. There is a clear case for the Government to provide a market measure to support the emergence of this industry domestically, and a demand signal is crucial to providing the long-term certainty that underpins investment decisions.

The consultation paper appropriately acknowledges the policy trade-offs required to achieve this outcome. Ambition is laudable and indeed necessary to accelerate the industry's establishment. However, it is essential that ambition does not outpace an achievable implementation pathway.

To this end, the implementation framework should establish a clear pathway where the trajectory of the demand mechanism over the long-term is set out in advance, providing investment certainty, while building in periodic reviews of progression against targets as the industry develops and the framework transitions through its proposed phases. Legislating the review cycle would provide the investment confidence of policy stability, with any recalibration occurring through a transparent and predictable process.

The indicative timeline outlined in the consultation paper identifies that the first review could be initiated by 2032. Within this indicative timeline, and given the scale of the change contemplated in 2035, a review initiated in 2032 should be scoped and resourced to report sufficiently in advance of the transition from the proposed phase one to phase two, so that its findings can inform the settings that apply from that point. Reviews should apply proportionality, draw on the compliance, volumetric and carbon-intensity data collected from commencement, and focus on seeking to achieve an economically efficient pathway to a commercially sustainable domestic LCLF industry.

Compromise will be required – from governments and across different segments of industry. It is essential that this compromise is balanced, fair, and ultimately aims to deliver the best achievable outcome for customers, taxpayers and industry.

Sustainable aviation fuel is critical to supporting decarbonisation efforts in a hard-to-abate sector

The consultation paper outlines a proposed separate jet fuel requirement to apply from commencement and through both proposed phases of the implementation framework. This targeted approach for the aviation sector is welcome, in acknowledging the distinctions of this market compared to other sectors. A separate jet fuel requirement, reflecting the features of this sector, would support investment certainty and market development by providing a clear, targeted signal. SAF is a key mechanism to progress decarbonisation in the hard-to-abate aviation sector. Similar to broader LCLF demand measures, a

targeted SAF measure could support the development of a domestic SAF production industry, using domestic production capabilities and resources, while enhancing sovereign capabilities.

Policy settings should provide certainty, but retain the flexibility to evolve alongside the market as it develops

Long-term policy certainty is essential in supporting the uptake of LCLF and developing an industry domestically, with the proposed demand mechanism having the potential to play a crucial role in enabling this. However, while the core policy architecture should remain consistent, the demand mechanism should retain a degree of flexibility to be responsive to market changes, particularly in the early stages when there are unknowns in relation to domestic capabilities and pricing, and for the transition process between the two phases of the framework. A well-defined process guiding periodic and trigger point reviews will assist in enabling this. This approach should enable policy settings to respond to changes in technology or market conditions where necessary, while maintaining a consistent, predictable long-term framework that drives desired outcomes.

In October, Infrastructure Partnerships Australia intends to hold an LCLF roundtable, with a particular focus on SAF, comprising senior stakeholders from industry and Government, to further explore the policy levers, challenges and benefits in establishing a minimum target for SAF use in Australia, and how supply and infrastructure need to develop alongside any demand measure for it to succeed. We would welcome the opportunity to engage with the Government through this process.

We look forward to further assisting the Department on this consultation process. If you require additional detail or information, please do not hesitate to contact Katie Dempsey, Senior Policy Manager, at katie.dempsey@infrastructure.org.au.

Yours sincerely,



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