AUSTRALIAN SUGAR MANUFACTURERS

Submission to the Department of Infrastructure, Transport & Regional Development on the Cleaner Fuels Program (Policy Design and Engagement) – 8 January 2025

ABOUT THE AUSTRALIAN SUGAR MANUFACTURERS

The Australian Sugar Manufacturers (ASM) is the peak industry body representing the nation's sugar manufacturing sector, with the sugar industry contributing $4.4 billion annually to the Australian economy and supporting more than 20,000 jobs in regional communities. ASM works closely with its members, industry stakeholders, and government to develop and advocate for policies that enhance the sustainability, competitiveness, and long-term economic contribution of the sugar manufacturing sector. From the production of raw sugar, bio-based manufacturing and generation of renewable energy, the sector continues to support communities, create jobs, and foster a sustainable future for the industry, and the broader economy.

The ASM thanks the Department of Infrastructure, Transport for the opportunity to provide comment on the Cleaner Fuels Program. Please find our responses to the consultation questions below.

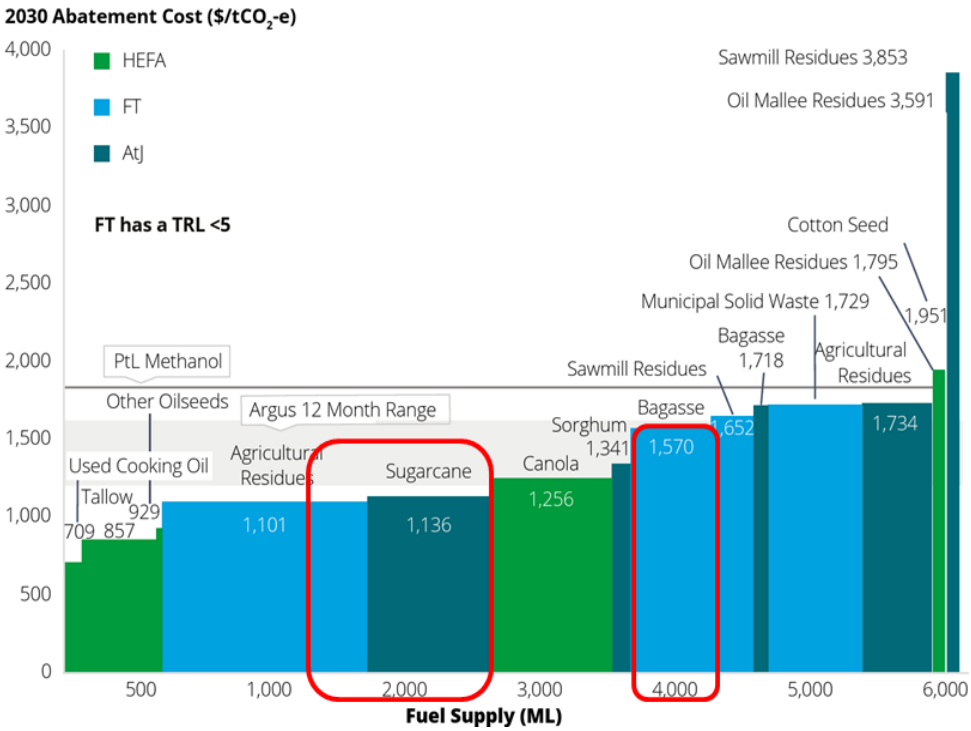
WAY FORWARD ON LOW CARBON LIQUID FUELS & THE SUGAR INDUSTRY

The opportunity

The sugar industry provides one of the cost-effective pathways for the production of low carbon liquid fuel (LCLF) at scale. The industry provides on average 30 million tonnes of sugarcane that could be potentially used for LCLF feedstocks. This includes the equivalent of 4million tonnes of raw sugar's worth of cane juice, 9 million tonnes of aggregated biomass (bagasse), similar amounts of disaggregated biomass (tops and trash on farms), over 1 million tonnes of molasses, and other processing byproducts and residues.

As per the Clean Energy Finance Corporation's (CEFC) 2025 analysis of opportunities within LCLF[1], Australia currently has enough feedstock to supply approximately 6,000 million litres of LCLF. Sugar in the form of sugarcane, bagasse and other agricultural residues forms a large portion of this potential supply as per the CEFC diagram below.

[1] Clean Energy Finance Corporation (2025), *Refined Ambitions – how Australia can become a low carbon liquid fuel powerhouse, at URL: https://www.cefc.com.au/document?file=/media/jh3gvm14/refined-ambitions-exploring-australia-s-low-carbon-liquid-fuel-potential.pdf*



Noting that the Australian domestic aviation industry alone uses 7,700 million litres of fuel annually[2], Australia needs to utilise and expand all the technology and feedstock pathways for LCLF to provide a viable net-zero pathway for hard to abate sectors and industries.

Benefits of sugar-derived LCLFs

Sugar-derived biofuels have significant benefits that could underpin an Australian LCLF market:

- It has a relatively low cost of carbon abatement compared to other domestic feedstocks (as per the chart above), whilst having the potential to provide LCLF at scale.
- Domestic sugar-derived biofuels will have a lower carbon intensity compared to the equivalent imported feedstocks.
- The technologies from sugar products underpinning alcohol-to-jet (ATJ) pathways are relatively mature, with LanzaJet having established a commercial alcohol to jet plant in North America in 2025.
- The sugar manufacturing sector is the key industry in terms of establishing a viable biomass to biofuels pathway, noting the availability of up to 9 million tonnes of aggregated biomass in the form of bagasse.
- The aggregation and processing of feedstocks and biofuels would take place near already established transport and economic infrastructure (airports, maritime ports and regional

[2] Queensland Government (2023), *Catalysing sustainable aviation fuel (SAF) in Australia,* at URL: https://www.statedevelopment.qld.gov.au/__data/assets/pdf_file/0025/85480/SAF-sust-aviation-fuel-report-summary.pdf#:~:text=Annual%20Australian%20demand%20for%20jet%20fuel%20has,will%20increase%20with%20growth%20in%20global%20travel.

centres), lowering the potential cost for transport and logistics in aggregating feedstocks for processing, and in terms of taking LCLF to demand centres.

Barriers

The following act as a barrier to investment in LCLF supply through the sugar industry:

- *Significant capital costs & market uncertainty:* To capture the biofuels, biogas and bioenergy opportunities at scale will likely need billions in private investment, but many of these markets and supply chains are still developing with highly uncertain demand and costs, and face stiff competition by subsidised international competition. This uncertainty is a major driver in minimal private investment to date.
- *Government policy* – The viability of a proposed LCLF projects are contingent on government policy. A lack of clarity on demand side policies and incentives, makes it very difficult to make investment decisions on biofuels, with potential market prices and demand volumes unclear and uncertain without these policies.
- *The need to incentivise intermediary processing:* Incentives or support are required for intermediary processing, such as the production of ethanol, which forms the basis for the identified ATJ pathways for LCLFs. We currently have a total capacity of less than 450 million litres for the production of ethanol in Australia which is well short of the requirement to be able to achieve net zero targets. Intermediary processing is fundamental to LCLF and requires commitment as part of the LCLF pathways.
- *Investment in long-lived assets needs long-term commercial certainty*: To establish a biofuels capability at scale, the sugar industry will need to invest billions of dollars in infrastructure and equipment that will have a lifespan in excess of 20-30 years. To ensure a balanced risk-reward equation, long term commercial arrangements, including long-term offtake agreements, are required to secure the large-scale investments from the private sector. There are previous examples of schemes that have worked (such as the Renewable Energy Target (RET) scheme) which stimulated private investment into cogeneration and something similar is required to support for LCLF agenda.
- *Project readiness:* The uncertainty mentioned above means that there are few shovel-ready projects due to high cost of feasibility and final investment decision analysis (2 to 4% of total capital cost) mainly driven by the lack of any certainty on demand volumes and market revenue.
- *Infrastructure challenges:* Little work has been done around aggregating feedstocks for biofuels, biogas and bioenergy production, and the transport and logistics infrastructure needed to support this aggregation. The sugar manufacturing sector has an advantage in this space with well established logistics systems that could be leveraged to support the LCLF pathways.

Way forward

Without addressing these barriers, Australia risks missing the opportunity to build a truly sovereign LCLF supply chain. At a high level, the ASM provides the following recommendations for the Program:

- Support the establishment of long-term offtake agreements that would provide the certainty to commit to long-term investment in LCLF supply and supply chains.
- The Program should include a broad range of LCLFs, including 1G and 2G ethanol, biomass to biofuels technology pathways, sustainable aviation fuel, biodiesel, maritime diesel, biocrude and methanol.
- The Program should provide the financial support to the feedstocks and technology pathways that will ensure investment in supply at the scale that will match the demand that the Government's demand side policies will create – making the finalisation of demand-side measures an absolute priority.
- The criteria for funding supports and supply-side incentives should consider the cost of carbon abatement in the medium to long-term, scalability of production, the ability to establish a sovereign capability and community/economic benefits.
- The need to support intermediary processing capacity, such as ethanol production, to ensure that processed feedstocks are available at the scale required to meet the LCLF demand within the market. For ethanol, this could be achieved through ensuring effective ethanol mandates are in place and enforced.

While the $1.1 billion investment in the Cleaner Fuels Program is a great first step in standing up LCLF capability, the quantum of money being put forward, in isolation, is unlikely to be enough to meet the states ambition of the Program – providing a credible net-zero pathway for all identified hard to abate sectors through LCLF. The quantum of funding should be juxtaposed with the $7.2 billion allocated for the Cheaper Homes Batteries Program, providing a reference point as to the resources required to create a step change in production within a national energy market.

The ASM understands that this Program will be part of a broader set of policies and incentives to stand up a LCLF market.

To assist the Department with its deliberation on establishing supply side frameworks and incentives, the ASM has endeavoured to provide further feedback to consultation questions where possible. The answers provided should be viewed as directional, noting the difficulty of providing concrete feedback in the absence of an understanding of what demand-side policies and incentives might be, and the volumes expected to be required to meet this induced demand.

AUSTRALIAN SUGAR MANUFACTURERS

LOW CARBON LIQUID FUELS ELIGIBILITY

Question: Should certain types of LCLF be prioritised over others?
Should LCLF suitable for particular sectors or uses be prioritised? For example, should sustainable aviation fuel be prioritised over renewable diesel?
Should LCLF for certain sectors or uses be de-prioritised due to other viable decarbonisation pathways?
What market impacts are anticipated by influencing prioritisation of particular fuel types?

The Government's stated priority is to ensure emissions reduction in hard to electrify sectors, with aviation, construction, mining, maritime transport and agriculture specifically called out. The ASM believes that the Program should allow support for a broad range of LCLF, including 1G and 2G ethanol, sustainable aviation fuel, biodiesel, maritime diesel, biocrude and methanol. These will all go towards addressing the potential demand from the Government's stated priority sectors. Overly prescriptive criteria that rules in or out LCLFs will likely have unintended consequences, increase the cost of LCLFs, and create barriers to the establishment of LCLF markets at scale.

There is a narrative that policies should be focused exclusively on the fuel use of hard to abate sectors, with a focus on the production of sustainable aviation fuel and biodiesel. However, the scalability of both fuel types is reliant on the utilisation of alcohol-to-jet (ATJ) fuel processing, where bioethanol is the feedstock, gasification pathways for biomass using bio-methanol, and the production of biocrude through hydrothermal liquefaction. Through all of these technologies the production of intermediary products is important and these need to be considered as part of LCLF program.

With respect to bioethanol, Australia has less than 450 million litres of bioethanol capacity and requires significant investment to increase this capacity to feed into other biofuel supply chains. Without government investment and incentives, the required investment to increase ethanol production capacity will not occur. It should be noted that Australia's bioethanol capacity has shrunk over the past five years, with the Dalby Bio-Refinery closing in 2020 due to significant financial losses, removing 80 million litres of bioethanol production from the market.

Similarly, the Program must give equal footing for pathways that can utilise biomass for LCLF, including processes that underpin the production of methanol and biocrude that can be converted into a multitude of LCLFs. Biomass, particularly from waste and residue sources, have the lowest carbon intensities attached to the feedstock, and are the most abundant category of feedstock available. The scalability of the LCLF industry will require the utilisation of biomass to biofuels pathways.

Imported bioethanol would likely not be suitable to fill this void, and would have a much higher carbon intensity, given the significant distances it would need to be transported, the emissions intensity of non-sugar derived ethanol (e.g. from maze), and the Australian sugar industries

superior sustainability performance compared to other sugar and biofuels producing nations. It would also not be consistent with the community benefit principles that underpin the Future Made in Australia agenda.

TYPES OF PRODUCTION SUPPORT

Question: Should the production credit be a fixed amount per litre of production, or a variable amount that depends on the market price of LCLF?

Are there any potential benefits, risks or constraints considering the two different production credit options? What type of mechanism provides the greatest investment certainty or level of bankability to projects?

The mode of government funding that would provide investment certainty is some level of grant funding, long term off-take agreements or productions credits, and clear commitments to demand side measures. Demand-side factors underpinning the LCLF market are highly uncertain and contingent on very uncertain government policies domestically and abroad.

As such, certainty in demand side policies is a necessary condition to stimulate investment. This will potentially require a demand side mandate or a scheme equivalent to the Renewable Energy Target for LCLFs. It should be noted that the Renewable Energy Target (RET) spurred $500 million in investments by sugar manufacturers in capacity to cogenerate renewable electricity.

If a production credit is required, a fixed price credit that locks in price certainty would provide most certainty. Supply incentives should support and promote long-term offtake agreements with producers at the point of final investment decision and could be aligned to the commercial realities of the various production, feedstock and technology pathways.

How do you consider pricing for LCLF will be set over the short-medium term and longer term? Will pricing be matched to a premium on equivalent fossil fuel or price of imported LCLF or be on a carbon abatement basis?

The Federal Government's core liquid fuel policy priorities have been focussed on carbon abatement and developing sovereign capabilities. In addition, the FMA agenda puts forward community benefit priorities for the Program. As such, pricing should be guided by carbon abatement, domestic production, including the use of domestic feedstocks in the production of biofuels, and the maximisation of community benefit.

Market prices will be set like any other market through supply and demand and thus will be heavily reliant on the Federal Government demand side policies for biofuels. A demand side incentive akin to the Renewable Energy Target (RET) for biofuels may provide an effective mechanism to stimulate demand cost effectively.

Any demand side incentive or mandate must ensure compliance through penalties and enforcement action. Ineffective mandate regimes for biofuels, such as those for drop-in ethanol, means that governments must redouble their resolve to demand-side measures to win back trust from potential producers.

Question: To deliver the policy intent of the Program while maximising the value for taxpayers, do you agree that projects with the lowest cost should be prioritised under the Program, with the cost being measured either as per unit of LCLF produced or as per unit of carbon emissions abated?

The primary criteria should be the ability to scale LCLF production in the medium to long-term, and the ability to provide the largest amount of carbon abatement cost effectively.

All LCLF are high-cost relative to fossil fuels. A misguided focus on lowest cost at the inception of the project will lock the market into technologies that will have very limited production capacity. As an example, biofuels derived from tallow and used cooking oils are likely one of the lower cost LCLFs in the market today. However, prioritising this pathway would provide Australia with a very limited biofuels production capability noting the limited availability of the feedstock, nowhere near enough to address the carbon abatement challenges faced by air and maritime transport.

Noting that this Program is a core component of the Federal Government's *Future Made In Australia (FMA)* agenda, priority of funding should also consider the community benefits principles put forward by the FMA agenda including securing domestic supply chains and skills, and promoting diverse workforces and secure jobs in regional Australia.

There are also interdependencies between the cost of various technologies and biofuels feedstock. A narrow focus on what is low cost now, will not guarantee low cost into the future. If we cannot leverage a diversity of feedstocks and technologies, the incumbent technologies and producers will need to pay higher prices for the limited supply of feedstock available, eroding their cost competitiveness.

Question: Should the production credit be linked to the quantum of LCLF produced, or the carbon emissions saving potential of the fuel?

The primary imperative is carbon abatement, as such carbon emissions savings should be at the heart of any scheme, with incentive linked to the quantity of LCLF provided to the market. Further consideration should be given to developing sovereign LCLF capabilities, where local production and local feedstock use are incentivised, and in meeting the Federal Government community benefits principles.

Question: What are your views on the cost to deploy LCLF domestically compared to internationally? Is there a local premium for domestic production?

We can overcome the high cost of doing business in Australia, if carbon intensity fundamentally underpins financial incentives within the market, with the cost and carbon intensity of importing biofuels negating their potential lower cost of production.

The ASM would note that the issue is not just the cost to deploy LCLF, but the level of government commitment and support. The production of LCLFs are costly compared to fossil fuels in all markets where there is production capacity. The differentiator between countries that produce LCLFs and those that don't is long-term government investment and commitment to supply and demand side incentives.

Question: Should the total value of production credits be capped for each project? If yes, what should the capped amount be and why?

There does not seem to be a strong rationale to impose caps on credits provided to producers, if credits are based on actual production of LCLF

Question: Should production be focused on domestic supply only or should export also be permitted? What impact could restriction have for projects or the market?

The ASM understands the need to ensure that the Program induces the supply of LCLF to provide affordable and reliable LCLF to hard to abate sectors. Equally, locking the supply of LCLF domestically will distort the market and create significant risk in an already risky nascent market, where the lack of competitive tension may mean that the benefits and surplus from this market disproportionately goes to consumers, severely curtailing any future investment in supply and putting the viability of producers into question.

A middle ground approach may be to reduce the quantum of credits provided for LCLF if and when it is exported, or ensuring that domestic market demand is first satisfied before allowing for exports. It should be noted that a stated outcome from the *Future Made in Australia* agenda is to 'crowd-in' investment in 'value-added export industries' – to limit the export potential of LCLFs would go against this policy priority.

Question: Is there a role for combined production support with capital grants for first-of-a-kind facilities?

Capital grants would assist in reducing the first-of-a-kind risks (technology risk, market development risk and delays, supply chain risks etc.) to project proponents, and the ASM fully endorses this proposition (see response to question 2.1). The ASM also cautions that the policy should take a principled approach to what 'first-of-a-kind facility' actually means and not to repeat needlessly restrictive approaches to grant funding, that focus on 'innovative' technologies.

A fundamental challenge to any LCLF production capability will be establishing the physical supply chains, intermediary processing, and commercial arrangements up and down the value chain. Ensuring the transport and logistics infrastructure is available, and that commercial arrangements maintain and expand the availability feedstock, service providers and processing is a 'first-of-a-kind' challenge.

These challenges have largely been ignored by government, and failure to address it will translate into a very limited LCLF capability in Australia.

Question: What other types of funding or concessional finance could support LCLF projects (e.g. funding from CEFC and NRF)?

Concessional loans and access to finance will be an important consideration. As an example, some sugar manufacturers have a cooperative organisational structure, making it more difficult to secure large-scale finance even if a proposed project is viable. As such, there is a role for government on this issue.

Question: Is any other support required across the supply chain to enable domestic production of LCLF?

In addition to supply-side measures, long-term commitment to policy and regulatory measures that will underpin demand for biofuels at a price that will provide returns for producers is required, noting the 20–30-year investment horizons for establishing biofuels capabilities.

With respect to supply-side measures, there are significant challenges to develop the physical supply chains and the commercial arrangements and incentives to stand up a LCLF production capacity. On the most, this challenge has been ignored by policymakers, and it will be the key determinant as to whether this agenda will be successful.

The ASM has developed a comprehensive package of recommendations to ensure the required supply and value chains are developed for LCLF. Support is required for transport and logistics infrastructure, intermediary processing, and R&D. The ASM's submission to the National Bioenergy Feedstock Strategy (***attached***) provides a comprehensive overview of required supports, with a summary of recommendation at page 25.

Question: What lessons can Australia learn from other jurisdictions that have already implemented LCLF production support measures?

As previously mentioned, the differentiator between countries that produce LCLFs and those that don't is long-term government investment and commitment. Countries like Brazil, the USA and India have significantly increased their biofuels production capability through consistent and long-term government incentives and support.

Without long-term commitment, the risks for industry are simply too great. This is exemplified by the shockwaves created amongst UK biofuels producers, when a US-UK trade deal abolished the 19% UK tariffs on US ethanol. The two major producers, Vivergo and Ensus, who account for nearly all of the UK's biofuels production, have suggested that the removal of the tariff has made operating in the British market 'impossible'.

A detailed overview of this issue has been provided in ASM's submission to the National Bioenergy Feedstock Strategy at pages 20-24.

FUEL PRODUCTION

Question: Considering this objective, what production pathways should be focused on or prioritised?
Should priority be given to projects that use more-established production pathways (e.g. HEFA and HVO) than nascent production pathways that may present a higher level of technology risk?

How can nascent production pathways compete with more-established production pathways (e.g. HEFA and HVO)?

As previously mentioned, the objective of the scheme should be to promote long-term scalability of LCLF production, which will necessitate support for a variety of technologies and feedstocks, including ATJ and biomass to liquid fuels. A supply curve analysis that provides the volume of LCLF from different feedstocks can be arranged based on the cost of abatement and will provide clarity as to what the Program might need to do to ensure the viability of investments in LCLF supply.

A narrow focus on technologies that are more established in Australia, like HEFA:

- does very little in progressing other technology pathways, including biomass to biofuels;
- would have limited scalability, noting the limited availability of used cooking oil and tallow;
- would lose its cost advantage if other feedstocks, such as canola, were utilised (canola HEFA has a much higher cost of abatement than used cooking oil and tallow); and
- would increase the cost of the technology, through higher prices for limited feedstocks for that technology.

It should be noted that ATJ pathways for the production of sustainable aviation fuels, producing bioethanol from sugar or molasses, is a mature and lower risk technology pathway overseas. The ATJ pathway recently achieved an important milestone with the world's first commercial-scale production at LanzaJet's Freedom Pines Fuels facility in Georgia, USA.

If there is a goal for immediate carbon emissions reduction from liquid fuels at the lowest cost, then governments should include increasing the efficacy of ethanol mandates for blended fuels, which can provide significantly more carbon abatement and at a much lower cost, and provide a growing and long-term supply of ethanol that can be used for biofuels via ATJ.

What minimum stage of project development (and evidence) should be expected by projects under the Program?

A one size fits all approach will not be sufficient in terms of project development support. Noting the cost to get to a final investment decisions (FID) for a proposed project can be up to 4% of the project's cost, the Program should consider funding support for feasibility studies for biofuels proponents, with an emphasis on later stage feasibility assessments.

This support could be provided in a similar manner to ARENA funding but should go beyond a narrow focus on the refining technology or refining operations and look to support the supply chain investments required to support biofuels production, including feedstock development / collection and intermediary processing.

Commitment to funding or the provision of production credits should be provided to proponents at the FID stage, where finances and long-term agreements have been put in place. The finalisation of government commitments will provide the certainty needed to progress with the project.

Should Indirect Land Use Change (ILUC) be included in the method for determining carbon intensity, for the purpose of the Program?

We believe that ILUC should not be used to determine carbon intensity. Australia's sugar industry exports about 80% of its raw sugar to global markets. Australian sugar producers could switch from sugar production to ethanol production to support domestic production of SAF, for example. While this would represent a shift from a food product to a fuel product, it would underpin sovereign supply of a renewable fuel without impacting domestic sugar supply.

Should any feedstocks be prioritised or otherwise considered out of scope?

No. However, the ASM would suggest that prospective feedstocks that are not being commercially produced have their carbon intensity validated when commercial production is underway.

Theoretical life cycle analysis for prospective feedstocks based on small pilot projects and trials will be insufficient, noting that commercial production will be subject to factors like crop damage from pest and disease, natural disasters, supply chain breakdowns, lower yields and other challenges that will increase the per tonne carbon intensity of the feedstock.

The ASM further understands that the Federal Government is undertaking food and fuel security strategies side by side, and as such, suggests that feedstock prioritisation co-optimise these two security priorities.

Question: Other than carbon intensity, should any other sustainability criteria be included?

The Program should consider the community benefits principles put forward by the FMA agenda including securing domestic supply chains and skills and promoting diverse workforces and secure jobs in regional Australia.

Promoting a truly domestic supply chain for the LCLF should be a criterion. This includes demonstrating the use of domestic feedstocks for LCLF production.

The establishment of an ATJ or biomass/bagasse to LCLF capability in the sugar industry would ensure the asset renewal and longer-term sustainability of the industry (which is under pressure) for the benefit of regional Queensland and securing regional manufacturing.

Question: Which international and domestic sustainability schemes should be allowed to verify sustainability claims?

There are a range of credible domestic and international schemes that should be allowed under the Program. For current bioethanol production in Queensland, producers adhere to stipulations under the *Liquid Fuel Supply Regulation 2016*. Members involved in the production of bioethanol have noted that they rely on the Roundtable on Sustainable Biomaterials (RSB) Association certification, which is consistent with the Queensland regulations.

Ensuring that sustainability requirements capture current practices and certification will be vital in terms of not creating needless costs through red tape.

Question: Recipients under the Program will need to deliver benefits according to the Community Benefit Principles under the Future Made in Australia Act (see Appendix D). How do you consider the Community Benefit Principles in relation to LCLF projects? Are there specific Community Benefit Principles that are more or less relevant?

The Program should also consider the community benefits principles put forward by the FMA agenda including securing domestic supply chains and skills and promoting diverse workforces and secure jobs in regional Australia.

Similarly, maintaining and developing domestic capabilities across the entire LCLF supply chain must be a priority within the Program. A key issue for Australia is its reliance on imported liquid fuels, and if a LCLF industry underpinned by the Federal Government simply replaces the dependence for imported liquid fuels for imported ethanol, this is a bad outcome for the Australian economy.

Question: How will overseas policy developments interact with domestic policy settings to support projects reaching final investment decisions? For example, LCLF demand-side targets or mandates, and international frameworks such as the International Civil Aviation Organisation long-term global aspirational goal for international aviation (LTAG) of net-zero carbon emissions by 2050.

The Program must be very careful on placing a significant emphasis on global policy development to underpin the viability of a domestic LCLF project. By placing too much weight on overseas developments, the government is simply placing undue risk on LCLF project proponents.

As an example, The International Maritime Organization's net zero framework was delayed due to opposition from key countries and concerns about the framework's emission reduction targets. As such, implementation of binding emissions targets and a global carbon pricing system for the shipping industry has been indefinitely postponed, creating uncertainty around the maritime industry's medium-term need for LCLF.

As such, long-term aspirational goals from fuel consumers, such as those promoted by the International Civil Aviation Organisation, cannot be relied upon in making commercial decisions, noting ample evidence of the difficulties of converting aspiration into action.

Question: In addition to production support, what other measures are considered critical to achieve final investment decisions for projects? What are their key features?

An important measure is the establishment of a long term and stable regulatory framework that establishes a market demand and sustainable price for LCLFs. The Program should support those seeking offtakes entering into longer term contracts to underpin the significant investment required to develop LCLF capacity.

With respect to supply chain development, the Federal Government must make grant funding available for the capital and infrastructure required to stand up a LCLF supply chain. As an example, the ATJ pathway for LCLF will require significant quantities of ethanol.

The sugar industry provides one of only two ethanol facilities in Australia, and the underlying commercials for the maintenance and expansion of the facility is not attractive under current market conditions. Yet, government policy seems to be myopically focussed on subsidising biorefining technologies and developments, a necessary but insufficient approach to establishing a biofuels capability.

Similarly, very little thought has been given to the transport and logistics infrastructure required to underpin a LCLF supply chain. As an example, biomass to LCLF pathways will be underpinned by biomass from the sugar industry (bagasse and potentially tops and trash). This in turn is reliant on the 4,000km of cane rail infrastructure the sugar industry operates and maintains, which could also be utilised in the off-season to aggregate other agricultural and forestry biomass for the production of LCLF.

The cost of this infrastructure exceeds $2.5 billion and becoming exceedingly difficult for the sugar industry to maintain. Yet there is no federal or state government support for the maintenance or expansion of a transport network that will be central to a LCLF industry.

Question: What are the intersecting policies you expect need to be considered to unlock a domestic LCLF production industry?

Industry specific regulations will act as a barrier to unlock the domestic LCLF production industry. As an example, the sugar industry is governed by the Sugar Industry Code of Conduct federally and the Queensland Sugar Industry Act, that provides for pre-contract arbitration.

In effect under the Code and the Act, if negotiations are initiated within the sugar industry, including those exploring what commercial arrangements may look like to participate in a biofuels supply chain, either party to the negotiations can take the matter to pre-contract arbitration if those negotiations are not finalised, and a commercial outcome can be imposed.

This creates a significant barrier to establishing new commercial arrangements that can facilitate new opportunities, including those in biofuels production.

To discuss this submission further, please contact Mr Ash Salardini, Chief Executive Officer at a.salardini@sugarmanufacturers.org or on 0490 785 390.

Yours sincerely

Ash Salardini
Chief Executive Officer