

AIGN submission

Tasmanian draft future clean fuels strategy

July 2025

Submission to Tasmania's Draft Future Clean Fuels Strategy

The Australian Industry Greenhouse Network (AIGN) is a network of industry associations and corporations that provides a forum for discussion on key climate change issues, providing information and analysis on national and international climate change policy and the role industry can play in the transition to net-zero emissions by 2050.

AIGN supports an evidence and principles-based approach to climate policy. AIGN's policy principles inform our approach to and advice on climate change policy development. These principles confirm that Australia should develop a strategic national approach to responding to climate change, which is consultative, consistent, and effectively coordinated across all jurisdictions in Australia.

Summary

AIGN recognises Tasmania's strengths in renewable energy and its ambition to develop a clean fuels sector. We recommend that Tasmania align its strategy with a coordinated national approach to avoid policy fragmentation and promote effective investment. Since fuel markets (including for lower carbon fuels) are national and global, complementary policies across regions are essential.

AIGN's feedback focuses on five key areas:

1. **Coordination with national frameworks** – Aligning with existing federal strategies and international standards to ensure consistency and reduce regulatory duplication.
2. **Integration with broader decarbonisation plans** – Recognising cleaner fuels as part of a whole-of-economy, technology-neutral approach to decarbonisation.
3. **Technology-neutral policy design** – Creating market conditions for a range of cleaner fuel options based on performance and sustainability.
4. **Enabling investment and market signals** – Emphasising demand-side and supply-side coordination to support private sector investment.
5. **Industry experience and practical considerations** – Drawing on industry knowledge to inform terminology, cost management, infrastructure needs, and feedstock dynamics.

Feedback

The following feedback addresses key considerations for developing Tasmania's Clean Fuels Strategy, enabling effective policy implementation while supporting industry investment and development.

In the first instance, AIGN suggests that the strategy would benefit from clearly defining what constitutes "clean fuels" and what they are specifically targeting in the Strategy. Terms such as "clean" and "green" must be carefully defined to avoid perceptions of greenwashing, ensure policy credibility, and provide appropriate market signals.

In particular, the term "clean fuels" should be used with care:

- In Tasmania's context, "clean" may not equate to zero emissions, particularly in applications involving industrial feedstocks or waste-to-energy processes.
- The definition should differentiate between air quality improvements, lifecycle emissions reductions, and compatibility with net-zero targets.

Clarity in terminology is essential to avoid misleading claims and to support the integrity of Tasmania's investment attraction efforts.

1. Coordination with existing policy frameworks

AIGN recognises Tasmania's ambition to develop a clean fuels industry and improve fuel security, and that the state's renewable energy advantages provide a strong foundation for producing cleaner fuels.

However, realising this potential effectively and efficiently requires coordination with national policy development and other jurisdictions. Like conventional fuels, cleaner fuels markets operate both nationally and internationally, which requires coordinated policy frameworks to attract the necessary investment, prevent market fragmentation, and ensure consistency across markets.

Developing the local capability to produce cleaner fuels requires significant investment in infrastructure, supply chains, and production facilities that often span multiple state borders. Inconsistent state-based approaches risk creating inefficient markets and undermining investor confidence. To support national-scale development, Tasmania's strategy should align with initiatives across other Australian states and territories.

Critically, Tasmania's *Clean Fuels Strategy* should align with and complement emerging Australian Government initiatives, including the approach to low-carbon liquid fuels, the National Gas Strategy, the National Feedstock Strategy and broader decarbonisation policies. This alignment is essential to ensure policy consistency, support domestic markets, and avoid duplicative or conflicting schemes that dilute investment signals.

Notably, the Australian Government's approach to develop low-carbon liquid fuels through the Future Made in Australia Innovation Fund, focusing on sustainable aviation fuel and renewable diesel, shows strong national policy momentum in this sector. This investment aligns with the Government's consideration of demand-side measures, including a potential Low Carbon Fuel Standard, which would create the market certainty needed to encourage private investment in clean fuel production.

Given the state's significant agricultural and forestry sectors, Tasmania is also well-positioned to contribute to discussions about a national feedstock strategy, including sustainable feedstock development, supply chain coordination, and minimising competition between different end uses. A national approach to feedstock development would help ensure adequate supply for emerging clean fuels industries while avoiding price volatility that could undermine investment confidence. Tasmania should engage with other states and the Australian Government to develop frameworks for feedstock sharing, quality standards, and logistics coordination that could strengthen the entire national clean fuels sector while creating opportunities for Tasmanian producers and processors.

It should also align with national systems and carbon accounting frameworks, including the Guarantee of Origin Scheme, the National Greenhouse and Energy Reporting Scheme (NGERS), and the Safeguard Mechanism, to avoid creating inconsistent or superfluous regulatory obligations for industry.

Tasmania should align its Future Clean Fuels Strategy with these existing and emerging national frameworks to leverage federal funding opportunities, avoid policy duplication, and ensure that Tasmanian cleaner fuels projects can access national markets. Rather than developing separate Tasmanian approaches, the state should position itself as a key contributor to national cleaner fuels supply chains, allowing the state to leverage its unique advantages to attract investment under the federal framework while maintaining national consistency.

Tasmania's *Clean Fuels Strategy* should also align with international approaches to ensure Australian cleaner fuels can be integrated within emerging global markets and be developed in coordination with national trade and investment policies.

2. Integrate with whole-of-economy decarbonisation.

As identified in section 1, the development of cleaner fuels should be integrated with broader, national, and sectoral decarbonisation plans, recognising the interconnections between energy systems. The markets for liquid fuels, gas, and electricity are increasingly interconnected through shared feedstocks, production processes, and end-use applications.

Tasmania's strategy should recognise that hydrogen production relies on electricity, that gas and liquids can be used to generate electricity, that gases and electricity can be used in transport applications, and that some feedstocks can produce multiple fuel types. A whole-of-system approach will promote more efficient resource use and prevent unintended outcomes from isolated policy development.

The strategy should also recognise electrification as a key decarbonisation pathway for many applications, while positioning cleaner fuels as complementary for harder-to-electrify sectors such as heavy transport, mining, industrial process heat, shipping, and aviation.

Cleaner fuels can provide a critical and immediate decarbonisation opportunity for sectors where electrification is not yet viable or affordable, and can reduce emissions from existing vehicles, machinery, and industrial assets while long-term technologies continue to develop.

Tasmania's strategy should remain agnostic across clean fuel types but ensure pathways exist to support harder-to-commercialise fuels like Sustainable Aviation Fuel, which may require additional support mechanisms to ensure supply.

3. Priority areas: embed cleaner fuels in a technology-neutral framework.

While the consultation asks respondents to consider priority areas, Tasmania's clean fuels strategy should adopt a technology-neutral, evidence-based framework that allows different fuel pathways to emerge based on their performance, sustainability, and economic viability. Rather than prescribing specific technologies, this approach creates market conditions for hydrogen, biofuels, ammonia, e-fuels, and other cleaner fuel options to develop according to their merits.

Cleaner fuels should be positioned as enablers across multiple sectors, recognising that decarbonisation needs to extend beyond transport to encompass:

- Industrial processes and energy-intensive manufacturing (e.g., cement, aluminium, etc.)
- Construction, mining, and agricultural machinery
- Backup and remote power systems
- Maritime and aviation transport

This cross-sector approach acknowledges that many applications, particularly in hard-to-abate industries, will require liquid or gaseous fuels for at least the next two decades while alternative technologies develop. The strategy should therefore consider full lifecycle emissions of fuel production and use, ensuring environmental benefits are genuine rather than simply shifting emissions elsewhere.

Within this technology-neutral framework, some fuel pathways may require targeted support to overcome commercialisation barriers. Sustainable Aviation Fuel is an example of this. While it is likely to be commercially viable in the long term, current production costs and limited supply chains may necessitate interim support mechanisms, such as procurement commitments or blending mandates, to establish market confidence.

This approach recognises that different industrial applications and transport modes may require different solutions. Technology neutrality also ensures that emerging technologies have pathways to market participation as they mature and costs decline.

4. Support investment conditions and market development

Supply-side industry development for cleaner fuels will only occur where there is long-term, credible demand for these fuels. Tasmania can play a strategic role by aligning with national initiatives and supporting local implementation, particularly in regional communities. To attract and sustain investment, the Strategy should prioritise creating the right conditions for market development rather than relying on direct government spending.

Tasmania should work with the Australian Government to support national demand-side policies. To enable private investment, the Strategy should focus on:

- Aligning regulatory settings with national frameworks to give investors confidence
- Coordinating infrastructure planning with Australian Government priorities
- Leveraging Tasmania's renewable energy advantages to attract clean fuels investment
- Supporting skills development aligned with national clean energy workforce strategies.

5. Industry experience

Drawing on experience from AIGN members and international markets, Tasmania's strategy should account for several key factors.

Supply and demand balance: Successful cleaner fuels markets require careful coordination between supply development and demand creation. The strategy should avoid the risk of creating supply without demand (leading to stranded assets) or demand without supply (leading to market failure).

Cost management: Cleaner fuels currently command price premiums over conventional fuels primarily related to feedstock costs. Tasmania's approach should consider how to manage this transition, potentially through staged implementation.

Technology pathway flexibility: Different applications may require different solutions. Aviation will likely require sustainable aviation fuel (SAF), while heavy transport and industrial applications may be better served by renewable diesel, hydrogen, or other options. The strategy should maintain flexibility across these pathways.

Feedstock competition: Tasmania should be aware that feedstock markets are increasingly global and competitive. Early action to secure feedstock supplies to support local production, including the development of new dedicated production capacity, will be important for long-term success.

Conclusion

AIGN encourages Tasmania to focus on its renewable energy strengths while ensuring that its *Clean Fuels Strategy* aligns with Australia's broader decarbonisation efforts. The state should actively engage with the Energy and Climate Change Ministerial Council and use the Australian Government's cleaner fuels approaches as a basis for its strategy.

Tasmania's *Clean Fuels Strategy* presents an opportunity to contribute to national emissions reduction goals. Ensuring alignment with national and international policy frameworks will be critical to avoid inefficiencies and to attract investment.

AIGN welcomes engagement with the Tasmanian Government as the strategy evolves.