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SYD

11 September 2025

Productivity Commission
4 National Circuit
BARTON ACT 2600

Dear Sir/Madam,

Productivity Commission interim report – net zero

Sydney Airport (**SYD**) welcomes the opportunity to provide a submission to the Productivity Commission's ongoing inquiry into investing in cheaper, cleaner energy and the net zero transformation.

Australians rely on a strong and growing aviation sector to connect us with each other and the world. SYD is Australia's biggest aviation hub and the connector for significant supply chains for passengers and freight which have been built over decades. The economic contribution of the aviation sector as a whole is significant, and operations at SYD alone support more than 300,000 jobs and add more than $40 billion annually to GDP.[1] These numbers are due to increase in the years to come as SYD expects to double annual passenger numbers to 80 million by 2050. In order for these gains to be realised, increasing productivity at SYD is a priority.

SYD recognises the essential economic and social benefits of operations at SYD come with an environmental impact. Reducing carbon emissions will be central to the future growth of the aviation sector and, as a result, the economy.

SYD supports the Commission's view that incentives will be required to ensure net zero is achieved at least cost, and that incentives should be carefully designed and technology neutral to ensure they work as intended.

SYD acknowledges the Commission's recommendation to introduce an emissions reduction incentive for heavy vehicles, including the potential for a targeted policy supporting an on-road low carbon liquid fuels, such as renewable diesel. Aligned with the Commission's ambition for technology neutrality, SYD believes that any such policy should take a broader approach to low carbon liquid fuels and specifically encompass Sustainable Aviation Fuel (**SAF**).

As a hard-to-abate sector with no scalable short-term alternative to liquid fuels, SAF is vital to supporting decarbonisation in the aviation sector. Unlike alternative decarbonisation pathways, SAF is a drop-in replacement to conventional jet fuel, meaning it can be deployed using existing aircraft and airport infrastructure. Other technologies, such as hydrogen or battery electric aircraft, are still in the early stages of development, may not be suitable for long-haul destinations to and within Australia, and would invariably require expensive changes to airline fleets and airport fuelling infrastructure. By supporting the adoption of SAF, SYD believes meaningful progress toward meeting climate targets could be achieved today while putting Australia on a long-term trajectory to decouple growth in aviation from growth in carbon emissions.

Despite its advantages, SAF is not currently produced in Australia. Neither is renewable diesel. Comprehensive policy support will be required to help scale the production of low carbon liquid fuels in Australia, bridge the cost gap with conventional fuel types, and ensure the job creation, economic development, fuel security and productivity benefits of SAF are realised. Such policy support should comprise a combination of demand and supply measures. Given the similar production pathways and common feedstocks used across low carbon liquid fuels, care needs to be taken to avoid the creation of an uneven playing field given this could result in unintended consequences such as feedstock shortages, price volatility, and stalled investment.

To support the development of low carbon liquid fuels in Australia, SYD supports the introduction of:

- Demand-side measures such as a volumetric mandate or low carbon liquid fuel standard. While these measures should apply broadly, aviation-specific settings will be required to prevent competition with

[1] Deloitte Access Economics Pty Ltd (2024). *Economic contribution of Sydney Airport 2023.*

renewable diesel and promote dedicated growth in SAF supply while limiting negative impacts on the established road transport fuel market.

- Supply-side measures such as tax credits, revenue certainty mechanisms, and direct support for project development. SYD acknowledges the significant investments announced by the Federal Government to support low carbon liquid fuel projects, including $250 million announced as part of the Future Made in Australia Innovation Fund. Given low carbon liquid fuel refineries take 3 to 5 years to design, build and commission, and must then operate for 15+ years in order to spread high capital costs across large production volumes, longer-term supply-side measures will be required to assist projects progress. Of these, tax credits are appealing as they provide direct and predictable support by rewarding actual production or usage of low carbon liquid fuels.

Thank you for the opportunity to provide this submission. Should you require any further information, please contact Tim Christodoulou – Government Relations Lead at [redacted]

Yours sincerely,

[redacted]

Karen Tompkins
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