12 September 2025

Productivity Commission
Collins Street
DOCKLANDS VIC 3008
Via online portal

To whom it may concern,

Re: Interim report - Investing in cheaper, cleaner energy and the net zero transformation

GrainGrowers welcomes the opportunity to comment on the Interim report – Investing in cheaper, cleaner energy and the net zero transformation. GrainGrowers has responded to recommendations relating to the expansion of the Safeguard Mechanism (draft recommendation 1.2), emissions reduction incentives for heavy vehicles (draft recommendation 1.3), the integration of Australian Carbon Credit Units (ACCUs) into all national emissions-reduction policies (draft recommendation 1.4), and the reform of national environmental laws (draft recommendation 2.1).

GrainGrowers is a national organisation working to enhance the profitability and sustainability of Australian grain growers. GrainGrowers achieves this through focus areas of policy and advocacy, grower engagement, thought leadership and active investment in future focused activities for all growers. Australian growers are at the heart of all that GrainGrowers does and the focus of its work.

It is critical to ensure that the net zero transformation does not inadvertently undermine the long-term viability and productivity of Australia's grain production. Expansion of policies such as the Safeguard Mechanism, or the integration of ACCUs into all national emissions-reduction policies, risks exacerbating the overreliance on land-based carbon offsets which could have unintended consequences for the agricultural sector and food security. Any updates to these policies must focus on encouraging direct emissions reduction first to ensure the agricultural sector is not expected to do the heavy lifting to offset emissions from other sectors that carry on with business as usual. Further, policies for incentivising emissions reduction for heavy vehicles must recognise the diversity of the heavy vehicle industry, be technology neutral and allow for adequate lead times.

Grain Growers Limited
ABN 25000245269

Level 19, 1 Market Street, Sydney NSW 2000 Australia | PO Box Q1355, Queen Victoria Building NSW 1230 Australia
Tel +61 2 9286 2000 | Freecall 1800 620 519 | Email enquiry@graingrowers.com.au | **www.graingrowers.com.au**

GrainGrowers looks forward to working with the Productivity Commission on this topic. Should we be able to provide further assistance or if there are any enquiries relating to this submission please contact Rebecca Hurst – Policy Manager, Sustainability and Natural Resource Management at [REDACTED].

Yours sincerely,

[REDACTED]
Zach Whale
General Manager, Policy and Advocacy

Reducing the cost of meeting emissions targets

Draft recommendation 1.2 The Safeguard Mechanism should cover more industrial facilities and carbon leakage provisions should be improved.

GrainGrowers is concerned that this recommendation risks exacerbating the overreliance on land-based carbon offsets and directly contradicts the key principles of the Agriculture and Land Sector Plan.

The interim report recommends as a priority action broadening the Safeguard Mechanism to lower the cost of reducing emissions by including more industrial facilities. The government has committed to several key principles that are to underpin the Agriculture and Land Sector Plan including:

- The agriculture and land sector will not be taken for granted to do the heavy lifting to offset emissions from other sectors that carry on with business as usual; and
- Action on climate change is necessary to ensure food security, and action on climate change won't come at the expense of food security.

Expanding the Safeguard Mechanism risks exacerbating the overreliance on land-based carbon offsets to achieve national emissions reduction targets, placing pressure on agricultural land. Instead, updates to the Safeguard Mechanism should focus on encouraging direct emissions reduction first to minimise the adverse effect of captured entities forcing the cost of their emissions burden onto other industries, namely agriculture.

Further, the cumulative impact of ACCUs and other drivers of land use change is an increasing source of frustration for landholders and regional communities. However, the extent and distribution of the impact of ACCUs on agricultural land is relatively unknown, as there is currently no land use change benchmarking data available.

While some land use trend data does exist, it has not been compiled into a cohesive and readily accessible resource that can be effectively leveraged for policy analysis and development. As a result, much of the discussion around land use change is based on anecdotal evidence rather than firm data.

It is critical that robust land use trend baseline data is developed to inform decisions around expanding the Safeguard Mechanism. This is necessary to ensure that agricultural land, and consequently food security, is not inadvertently threatened by policy changes.

Draft recommendation 1.3 Introduce an emissions reduction incentive for heavy vehicles and phase-out policy overlaps for light vehicles.

Any emissions reduction incentives for heavy vehicles should be designed to support industry transition and must not disadvantage operators where suitable low-emission technologies are unavailable or unviable.
The interim report makes several recommendations to incentivise emissions reduction for heavy vehicles. Options outlined in the report include:

- Carbon component in a future road user charge
- Safeguard Mechanism for fuel wholesalers
- Higher fuel excise for heavy vehicles

- Policy for low-carbon liquid fuels
- Policy for low emissions vehicles.

Given that widespread adoption of low-carbon technologies is not expected until the 2030s and 2040s, policies should focus on incentivising innovation and uptake rather than imposing penalties on operators where commercially viable alternatives are not yet accessible. To ensure an effective and equitable transition, long term incentives should remain technology-neutral while recognising the near-term role of low-carbon liquid fuels as a bridging technology, enabling emissions reductions while zero-emission options mature and become commercially viable. GrainGrowers' Low Carbon Liquid Fuel Policy outlines the key policy priorities needed to harness Australia's position as a world leading feedstock producer including the need for:

- A joint industry-government working group to develop a National Feedstock Strategy.
- Long-term policy certainty to accelerate the growth of the low carbon liquid fuel industry and encourage investor confidence.
- A suite of production-side and demand-side policies to stimulate domestic production, accelerate the affordability of new technologies and build investor confidence in low carbon liquid fuel projects.
- Dedicated research and extension programs to ensure Australian grain growers are positioned to meet low carbon liquid fuel market requirements.

Emissions reduction policies must also account for the diverse operational needs of the heavy vehicle industry. Approaches designed for urban delivery vehicles which typically involve short, predictable routes and ready access to refuelling infrastructure will not necessarily be suitable for grain freight operations that require long-distance driving, often through remote areas with limited alternative fuel options. GrainGrowers' National Grain Freight Strategy includes a dedicated pillar on freight decarbonisation and outlines short-, medium-, and long-term priorities, including:

- The implementation of a National Transport and Infrastructure Net Zero Roadmap and Action Plan.
- Incentivising increasing the amount of freight on rail, where possible.
- Exploring the opportunities for the domestic production of canola-based biofuels.

Additionally, policy development in this space must provide adequate lead times for transition. The heavy vehicle fleet has a long asset life cycle, with growers typically buying heavy vehicles second hand, therefore operators require sufficient certainty and time to plan investments, manage equipment replacement, and adopt emerging low- and zero-emission technologies when they become commercially viable.

Draft recommendation 1.4 Apply frameworks to achieve emissions targets at least cost and improve transparency.

To safeguard Australia's long-term food security, frameworks to achieve emissions targets must prioritise direct emissions reductions first and be informed by comprehensive land use trend data.

The interim report recommends that the government integrate ACCUs into every national emissions-reduction policy in the long term so hard-to-abate emitters face consistent incentives.

The government has made a commitment that the agriculture and land sector will not be expected to do the heavy lifting to offset emissions from other sectors that carry on with business as usual. Carbon abatement strategies for large emitters must prioritise direct emissions reduction rather than relying on agricultural land-based carbon removals that diminish Australia's long-term food security.

Expanding the overreliance on land-based carbon offsets risks perverse outcomes for the agricultural sector. To avoid unintended consequences, GrainGrowers' Agricultural Land Use Policy makes several recommendations including the need for nationally consistent classifications for prime agricultural land to enable the identification and protection of critical agricultural assets by all levels of government, placing them on par with the strategic importance given to other critical national infrastructure.

The extent and distribution of impact on agricultural land from competing land uses such as ACCUs is not well understood. Comprehensive land use trend data is required to inform land use planning and to monitor impacts on agricultural land where decisions are made to change land use or allow co-use.

Speeding up approvals for new energy infrastructure

Draft recommendation 2.1 Reform national environment laws.

GrainGrowers supports the role of regional planning and the need for data and mapping tools to minimise delays in approvals. However, this must be informed by consolidated land use trend data to ensure policies strike the right balance between emissions reduction and protecting grain production while also enabling the sector to participate in the transition.

Inadequate data and mapping tools have been identified by the Productivity Commission as factors causing delays in approvals for clean energy infrastructure. The interim report also notes that regional planning is more efficient than project-by-project assessments, however there is a need for adequate data to inform regional planning processes and speed up approvals.

There is a lack of clear, comprehensive data on the extent and distribution of land use changes and their impact on the agricultural industry. This data is crucial for developing effective, evidence-based policies to manage the competing demands on agricultural land including clean energy infrastructure.

Currently, the available information and data are scattered across multiple sources, making it difficult to consolidate and interpret in a useful, user-friendly manner. Without integrated baseline data on land use trends, it will be challenging to formulate robust policies that can adequately address and manage the underlying drivers of land use change in a transitioning economy.

Baseline land use trend data would offer insights into the amount and distribution of land converted from agriculture to other uses. In the absence of this clear evidence base, policies may inadvertently prevent farmers and landholders from fully realising the potential benefits of social, economic, and technological change that may be derived from the transitioning economy. The lack of land use trend data will continue to be a barrier in speeding up the roll-out of new energy infrastructure.

By collecting and analysing comprehensive land use data, the government can develop evidence-based policies that strike the right balance, safeguarding food security while also

enabling the agricultural sector to participate in and capitalise on the opportunities presented by the transition to a low-emissions economy. This data-driven approach will help ensure that efforts to reduce emissions do not inadvertently undermine the long-term viability and productivity of Australia's agricultural lands.