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1. INTRODUCTION

Team Global Express (TGE) appreciates the opportunity provided by the Australian Government's Productivity Commission to provide its views on key considerations provided in the *Investing in Cheaper, Cleaner Energy and the Net Zero Transformation*.

TGE strongly supports the development of this work and believes Australia needs consistent and comprehensive incentives to reduce emissions to achieve net zero at least cost.

Governments should fill policy gaps, remove overlaps and ensure incentives are neutral towards which technologies can achieve reductions, and in which states and territories.

To encourage and accelerate decarbonisation across a full transport and logistics network, TGE recommends the existing Fuel Tax Credit (FTC) regime or a new Road User Charge (RUC) could be used to give preference to the use of low carbon liquid fuels or lower carbon technologies.

For example, a higher FTC (or a lower RUC) attached to the use of low carbon liquid fuels would drive the uptake of renewable diesel.

While TGE believes all viable emission reduction solutions will need to be considered, collaboration between industry and government remains critical to establishing a clear pathway forward for all transport modes and enabling systems.

TGE believes it is imperative the Government promote and support investment in low carbon liquid fuels such as renewable diesel and sustainable aviation fuel to align economic incentives with the national interest and unlock private investment at scale.

TGE ranks the order of priority for decarbonisation pathways as:

- Low carbon liquid fuels
- Battery electric
- Hydrogen

The use of renewable diesel as a liquid fuel is the lowest cost and fastest option for industry, as only the fuel component needs to change, not the engine / truck type or infrastructure.

The use of battery electric will involve tremendous cost for both trucks and the charging infrastructure, as well as our national energy grid, and the sensible and economically feasible use of hydrogen is still many years away.

TGE remains committed to working with government and industry to ensure the growth and transformation of freight and supply chains in the pursuit of net zero.

2. BACKGROUND

Team Global Express is one of Australia's largest and most significant transport and logistics networks spanning road, rail, air, and sea.

As one of the largest users of liquid fuels in Australia in a multimodal application, TGE is working to decarbonise its footprint and reduce its scope one emissions by 30% by 2030 and striving to achieve net zero by 2040.

In a significant step towards meeting these commitments, TGE has begun its transition to decarbonise its 6,500-strong heavy transport fleet with an investment in 60 electric trucks based in Bungaribee, NSW.

In the future we know that a combination of electric vehicles, hydrogen fuel cell vehicles, and most critically the use of renewable diesel will be necessary. Our ships will rely on biodiesel and renewable diesel; our 47 strong fleet of planes will rely on sustainable aviation fuel.

We will also depend on supportive policy frameworks from the government and the update to several pieces of legislation – particularly to encourage the production and uptake of renewable diesel and sustainable aviation fuel, along with larger electric and hydrogen fuel cell vehicles when they become more readily available.

3. RESPONSE

TGE emphasises the critical role of low-carbon liquid fuels and the need for supportive policy frameworks in decarbonising Australia's transport sector while strengthening national fuel security.

It is imperative the Government consider a multi-faceted approach to address all environmental, economic and social dimensions of the future low carbon industry:

- The freight task must become more efficient. This can be achieved by designing transport systems and networks to encourage a shift to sustainable, low emissions ways of moving freight. Lower carbon solutions can reduce harmful pollution, reduce heat and noise, and provide health benefits levels.
- TGE believes the cost implications for commercial operators and consumers of adopting low or zero emission technologies across the freight sector must be highlighted. The transport and logistics sector currently operates on exceptionally low margins – as little as two and three percent. Low carbon solutions are substantially more expensive, and this cost must be passed on to the end consumer. Increasing access to intermodal facilities as well as rolling out the required energy and transport infrastructure to enable low and zero emission freight transport modes will be essential to the transition but expensive to do.
- Future heavy road freight will see the adoption of electric trucks, potentially liquid hydrogen, and most importantly the uptake of alternative fuels such as renewable diesel. Euro VI trucks will mean OEMs will enable fuel-saving technologies to Australian models other countries already have. However, this must align with reforms to state-based mass limits to support Euro VI to overcome the productivity penalty zero emission trucks face as a result of their heavy batteries. Alternatively, renewable diesel is a drop-in alternative that can be used now, with no changes to the types of trucks used or the infrastructure being utilised.

- Australia's rail task will similarly require electrification, possibly hydrogen, and critically the use of renewable diesel to shift away from the use of heavier diesel locomotives.
- Australia's maritime sector will also require low carbon liquid fuels such as renewable diesel, along with hydrogen-derived fuels (such as green hydrogen, green ammonia and e-methanol), electrification and energy efficiency and optimisation improvements.
- Aviation will require sustainable aviation fuels (SAF) – which is a different fraction of renewable diesel. All SAF and renewable diesel available should be used as an immediate and drop-in alternative now.
- Government must continue to work collaboratively with industry, states and territories, unions, experts and local communities.
- Government will need to support the development of the low carbon liquid fuels industry through a mechanism such as a grant program or contract for difference (CfD). This would be the clearest and fairest market signal that can be widely used for the end user to deploy large scale uptake and provide certainty for long term offtake agreements. This could be driven through the availability of a higher FTC for the use of decarbonisation options or a lowering of any potential RUC.
- Government has the critical role to play of ensuring stringent emission standards are implemented to mandate the reduction of greenhouse gas emissions from liquid fuels and other mechanisms. These standards should be progressively tightened to encourage uptake and continuous improvement.
- Government needs to also develop and enforce regulations requiring comprehensive lifecycle analysis of fuel emissions from well to wheel, ensuring at all stages of production the end use is considered. This lifecycle analysis should be undertaken for both low carbon liquid fuels and the existing fossil fuel market so a fair comparison can be made.
- Government needs to consider the introduction of some form of carbon pricing mechanism to ensure the cost of lowering emissions is borne across the industry and not just by a small number of providers. Options could include a carbon tax on fuel, a cap-and-trade system, or a book and claim system allowing the environmental cost of carbon emissions to be spread, and incentivising the use of lower carbon alternatives.
- Government should consider the introduction of a renewable fuel or low carbon fuel standard to strengthen and expand the renewable fuel standards that require a certain percentage of fuel sold to be derived from renewable sources. This will drive the demand for low carbon liquid fuels. This could be undertaken through the introduction of a Low Carbon Fuel Standard such as that used in California.
- One of the most important elements of low carbon liquid fuels that is often forgotten – or at the very least completely underestimated – is that they are 'drop in' alternatives and in this way there is no changes required to existing infrastructure to support the distribution and refuelling costs. Existing infrastructure can remain in situ and existing fleet and capital can still be used – saving potentially billions of dollars. This includes the fact that existing fuel stations do not need to be upgraded, and new ones can still be built to handle both alternative fuels and existing fuels. This flexibility and potential savings in cost cannot be overestimated. This means that existing supply

chain and logistics infrastructure can be utilised for the efficient production, transportation and storage of low carbon liquid fuels, substantially reducing the overall emissions and costs to be borne by industry.

- Governments both federal and state need to collaborate with other nations to share best practices, technologies, solutions and research into the field of low carbon liquid fuels. Working towards the harmonisation of standards and regulations across borders to facilitate international trade and the adoption of low carbon liquid fuels will enhance our fuel security and provide greater certainty for the uptake of fuels, especially when considering our Original Equipment Manufacturers (OEMs) are based in Europe or the Americas.
- Australia already suffers from the outcome that our existing feedstocks for LCLFs are inevitably sent to the EU, Singapore and the US for the production of renewable diesel and SAF. These feedstocks need to remain in Australia to lower the price of the LCLFs.
- Government must provide for performance metrics based on real data and outcomes, establishing broad indicators to monitor the performance and impact of government policies related to low carbon liquid fuels. Regular review and adjustment of these policies will also be necessary. Government should ensure there is transparency in the progress and effectiveness of initiatives to foster growth of the industry, accountability and continuous improvement.
- Government has a role to play in the education and awareness of low carbon liquid fuels. Awareness among both consumers and businesses alike with clear scientific data on the benefits of LCLFs will be required to overcome misconceptions, address concerns and promote their adoption.
- Government should be at the forefront of fleet conversion programs and seen to be implementing and supporting the conversion of public and private vehicle fleets to low carbon liquid fuel options, not just the electrification of cars and buses. Financial incentives and technical incentives / assistance need to be broadly available.
- Government will need to provide financial support for the research and development in the advancement of low carbon liquid fuels. This can include grants for both the academic and private (industry) sector, subsidies for pilot programs, trials, and tax incentives for companies who are leading the pack by investing in greener technologies and solutions.
- Government has a role to play in fostering public-private partnerships and collaboration between government, industry, and academia to accelerate innovation, production and the commercialisation of new fuel technologies to enhance our local fuel security and uptake.

4. RESPONSE TO DRAFT RECOMMENDATIONS

In our response to the Draft Recommendations from the Productivity Commission, we have limited our input below to the most pertinent elements.

4.1 Draft Recommendation 1.2

TGE supports the review of the Safeguard Mechanism scheduled for 2026-27 and believes it should determine the new threshold of the scheme. However, any broadening of the scheme should ensure the levelisation of coverage across transport and logistics providers.

Should this not occur, larger entities will be forced to raise costs by way of the imposition of an effective cost of carbon when smaller entities do not have to, causing a direct distortion towards lower cost providers.

4.2 Draft Recommendation 1.3

TGE supports the introduction of an emissions-reduction incentive for heavy vehicles and highlights the incentive should be as technology-neutral as possible, creating the incentive to reduce emissions by switching from fossil fuels to electric vehicles, low-carbon liquid fuels or any other method to directly and absolutely reduce emissions.

As a general rule, TGE does not support the use of offsets or other book and claim methods.

4.3 Draft Recommendation 3.1

TGE supports the introduction of a climate risk information database covering all climate hazards, coordinated with relevant federal, state and territory organisations. This will enable a consistency of information and provide granular and accessible climate risk information and also lead directly to the enhancement and consistency of climate related financial disclosures under the Australian Sustainability Reporting Standard.