

Submission to the Productivity Commission Interim Report on Investing in Cheaper, Cleaner Energy and the Net Zero Transformation

Australia Post welcomes the opportunity to provide feedback on the Productivity Commission's interim report on investing in cheaper, cleaner energy and the net zero transformation. We acknowledge the broad range of considerations presented in the report and appreciate the inclusion of low carbon liquid fuels as a specific focus. This submission offers additional insights intended to inform and support the development of the final report. As one of Australia's largest freight and logistics providers, we play a critical role in enabling the movement of goods across the country.

Our approach to environmental management is multi-faceted and aligned with the UN Sustainable Development Goals. We set a target to reduce absolute Scope 1, 2 and 3 greenhouse gas emissions by 15 per cent from a FY19 baseline by 2025 and achieved a reduction of 19.9%. In addition, we achieved the performance target to source 100% renewable electricity by 2025, matching our grid consumption with renewable energy certificates. Furthermore, during this target period Australia Post was able to reduce emissions intensity by 41% from 132 tCO₂-e per \$m revenue to 78 tCO₂-e per \$m revenue.

In FY25, we introduced 425 electric delivery vehicles (eDVs) and electric motorcycles to our fleet, with an additional 1,500 electric motorcycles on order. Electrification of smaller diesel fleet vehicles is also becoming increasingly viable. During the same period, we purchased 36 Mercedes Benz eVito vans to deploy in FY26 and began EV readiness works, including installing 200kW of charging capacity across two major Victorian sites.

Heavy vehicles, such as rigid trucks and prime movers, account for around 85% of all transport fleet related Scope1 emissions. Transitioning these vehicles is challenging due to operational and cost constraints, insufficient charging infrastructure and regulatory design limitations. Despite this, we acquired our first electric heavy rigid truck for deployment in FY26, a Mercedes Benz eActros, under a test and learn program to validate performance across our network and inform future rollouts. We look forward to assessing the performance of this vehicle alongside the eVito vans. Insights from these trials will guide our strategy and help shape the next phase of our fleet transition.

We continue to innovate to reduce our aviation emissions with our partner Qantas, focusing on newer more fuel-efficient aircraft and fuel efficiency within our network. Australia Post is an inaugural member of the Qantas Sustainable Aviation Fuel (SAF) Coalition with five of Australia's largest companies, supporting Qantas to buy, use and trial SAF, to advocate for SAF production in Australia and to scale the SAF market so that Qantas can reduce its emissions.

The road transport sector is central to the economy, yet it is also one of the most challenging sectors to decarbonise due to its reliance on diesel, long asset lifecycles, and the scale of investment required.

We recognise the importance of transitioning to a low-emissions transport system in line with Australia's net zero commitments. However, this transition must be orderly, equitable, and



Australia Post acknowledges the Traditional Custodians of the land on which we operate, live and gather as a team. We recognise their continuing connection to land, water and community. We pay respect to Elders past, present and emerging.

underpinned by clear and coordinated policy and regulatory settings. Without certainty and appropriate incentives, industry cannot make the long-term investments needed to accelerate decarbonisation.

The Case for Low Carbon Liquid Fuels

Electrification will be critical to the long-term decarbonisation of road transport. However, this solution is not yet commercially viable or scalable for many heavy vehicle applications. In the near to medium term, low carbon liquid fuels (LCLFs) including renewable diesel, represent the most immediate and practical pathway to emissions reduction.

Renewable diesel is particularly promising because:

- It is a drop-in replacement for fossil diesel, compatible with existing engines.
- Existing refuelling and storage infrastructure can be repurposed, avoiding the need for significant upfront capital investment.
- It can deliver substantial lifecycle emissions reductions without disrupting fleet operations or supply chains.

Despite these advantages, adoption in Australia remains restricted due to cost barriers, supply limitations, and insufficient government policy support. In contrast, jurisdictions such as the United States and European Union have demonstrated that well-defined policy direction and financial incentives are crucial for establishing supply chains, scaling up production, and instilling industry confidence to transition.

We recommend the Government:

- Develop a national policy framework to support the production, import and uptake of renewable diesel and other LCLFs.
- Provide incentives to close the cost gap between renewable diesel and fossil diesel during the transition phase.
- Ensure fuel standards, excise and emissions reporting frameworks are updated to recognise and encourage renewable diesel use.

Developing a low carbon fuel sector presents significant and immediate opportunities for emission reduction, especially if domestic production can reduce the cost difference with conventional diesel. Additionally, it strengthens Australia's fuel security. To fully realise the anticipated benefits in emission reduction, it is essential to implement appropriate policy frameworks and financial incentives. The Australian Government should play a leading role in ensuring consistent production standards, reliable supply chains, and manageable costs. Furthermore, careful consideration will be required regarding the allocation of available supply across various transport sectors.

Higher Productivity Vehicles as an Efficiency Lever

Beyond fuel switching, decarbonisation can also be achieved by improving the efficiency of freight operations. High productivity vehicles (HPVs) can move more goods per trip, reducing fuel use, emissions and congestion.

However, uptake is constrained by inconsistent access requirements across jurisdictions and local government networks. Battery electric and hydrogen fuel cell vehicles are heavier than diesel ones, reducing their payload capacity except on specific routes. These routes are few and have varying requirements. A nationally consistent approach to HPV access – supported by investment in enabling infrastructure – would allow industry to realise productivity and sustainability benefits sooner.

We recommend that Government:

- Prioritise HPV access as part of its decarbonisation roadmap for freight.
- Work with states, territories and local governments to harmonise access regimes.
- Align infrastructure investment programs to support greater use of HPVs.

The Need for a Coordinated National Strategy

The road freight sector sits at the intersection of multiple government strategies – net zero transition planning, national freight and supply chain strategies, decarbonisation roadmaps, and regional development initiatives. At present, it is unclear how these strategies will be integrated. Misalignment creates uncertainty, slows investment, and risks unintended outcomes.

The efficiency of Australia's logistics, transport and supply chain network is hindered by inconsistent regulation between jurisdictions and levels of government. Freight policy is often fragmented, creating a high compliance cost for business, particularly national operators that must navigate variable requirements and standards. Integration of freight policy and regulatory settings across a broader spectrum of sectors should be a priority, with a particular focus on harmonising decarbonisation efforts.

Given the relatively short timeframes to achieve material reduction in transport emissions, highest priority should be given to enabling options that maximise the use of existing commercial transport assets, are proven and readily scalable, minimise the need for new, complex and expensive infrastructure, and provide the greatest possible overlap with the current workforce and processes that will use, service and maintain this technology.

A successful transition will require a whole-of-government approach that ensures:

- Transport decarbonisation pathways are integrated with national freight strategies.
- Clear sequencing of short, medium and long-term measures (e.g., renewable diesel now, electrification and hydrogen later).
- Equity is considered – ensuring costs and benefits of transition are shared fairly across regions, communities and industry participants.

Decarbonising the road transport sector is vital to achieving Australia's net zero goals. Industry is ready to invest but cannot do so at scale without clarity, certainty, and supportive policy. Renewable diesel and other LCLFs present an immediate opportunity to reduce emissions while preparing the ground for electrification in the longer term. Coupled with efficiency measures such as HPVs, and guided by coordinated national strategy, Australia can deliver a transport transition that is equitable, orderly and productive.

Australia Post looks forward to engaging further with the Commission and Government on shaping policies and frameworks needed to enable this transition, and to the release of the Government's sectoral decarbonisation plans as a key guiding framework. To discuss this submission further, please contact [REDACTED], Head of Industry, Policy and Regulatory Affairs at [REDACTED]