



INVESTING IN CHEAPER, CLEANER ENERGY AND THE NET ZERO TRANSFORMATION

AUSTRALIAN TRUCKING ASSOCIATION SUBMISSION 15 SEPTEMBER 2025

1. About the Australian Trucking Association

The Australian Trucking Association is a united voice for our members on trucking issues of national importance. Through our eleven member associations, we represent the 60,000 businesses and 200,000 people who make up the Australian trucking industry.

2. Introduction and summary

On 4 August 2025, the Productivity Commission released its interim report into investing in cheaper, cleaner energy and the net zero transformation.¹

This submission reviews the options for reducing the industry's emissions and the barriers to their adoption, and recommends that the Government adopt—

- a **voucher program** to encourage the take up of electrification and green hydrogen combustion options
- a **low carbon fuel standard** to increase the availability and use of renewable diesel and green hydrogen in both fuel cell and combustion applications. These two options are Australian versions of successful schemes in the world's fourth largest economy, California
- a **regtech solution, targeted infrastructure investment and road access upgrades** to support the use of high productivity and low emission vehicles. This approach has now been endorsed as a National Competition Policy priority.²

The submission recommends against interim report options 1 and 3, which would increase heavy vehicle charges. The ATA does not support increasing taxes or charges on Australia's hard working trucking businesses.

The submission does, however, offer some design considerations if the Government goes ahead with one of those options.

Section 6 of the submission draws on the commission's previous work to point out that increasing charges on road freight would not be effective at moving freight from road to rail.

The submission closes by arguing that the two proposals in the interim report for changing the Safeguard Mechanism should not be considered further.

¹ Productivity Commission (PC), [Investing in cheaper, cleaner energy and the net zero transformation: interim report](#). 4 August 2025 (2025a).

² Chalmers, J. [Treasurers advance economic reforms to boost productivity](#). Media release, 5 September 2025.

3. Reducing the trucking industry's emissions

Heavy trucks account for 23 per cent of Australia's transport emissions,³ and trucking is a hard-to-abate sector. There is no single technology available that can replace diesel engines, which now emit far lower levels of noxious emissions than in the past.

The suitability of the options available to reduce carbon emissions varies across the industry's tasks, as figure 1 shows.

Figure 1: Available and potential emission reduction solutions by task

	Task			Barriers to adoption
	Urban/near urban	Linehaul	Heavy haulage /remote	
Battery electric	Dark green	Light green	Grey	Capital cost Charging Road access
Hybrid/plug-in hybrid	Dark green	Grey	Grey	Capital cost Road access
Fuel cell electric	Dark green	Dark green	Grey	Capital cost Refuelling Road access
Powered trailer axles	Articulated only Light green	Dark green	Dark green	Capital cost
e-PTOs	Vocational only Light green	Grey	Grey	Capital cost
H2 combustion	Dark green	Dark green	Dark green	Capital cost Refuelling Road access
Renewable diesel	Dark green	Dark green	Dark green	Availability Cost of fuel
High productivity vehicles	Grey	Dark green	Dark green	Road access

In this figure: dark green=high suitability; light green=some suitability; grey=not suitable or not relevant.

Electrifying freight transport

Battery electric (BEVs), hybrid, and hydrogen fuel cell electric (HFCEVs) are available or potentially available solutions to reducing emissions from the urban and near urban task.

³ *ibid*, 20.

Battery electric vehicles are suitable for some linehaul tasks with the rollout of charging infrastructure. Hydrogen fuel cell electric vehicles (HFCEVs) can travel greater distances than battery electric vehicles without refuelling/recharging.⁴

Other electric solutions for reducing emissions are becoming available as well—

- **powered trailer axles**, such as the under-development SAF TRAKe axle,⁵ recover braking energy and use it to help propel the combination. Powered axles are a partial electrification option for tasks that require a diesel prime mover and can be retrofitted to trailers
- **electric power takeoffs** (ePTOs) replace mechanical power takeoffs for powering auxiliary equipment such as work platforms. A mechanical PTO requires the vehicle's engine to idle continuously, perhaps for many hours, so replacing them with ePTOs reduces fuel consumption, emissions and noise.

The principal barrier preventing businesses from investing in electric equipment is its high upfront cost, because—

- **trucking is an industry of small businesses.** 98 per cent of trucking businesses have 19 employees or fewer; 59 per cent are non-employing.⁶ These businesses are typically well aware that the long term cost of owning an electric vehicle might be comparable to a conventional diesel truck.⁷ Knowing that the costs might work out the same over time is not the same as having the ability to buy one now.
- for **fleet level purchasers**, the high cost of the equipment and the necessary charging infrastructure remain significant issues.

Green hydrogen

Green hydrogen is an alternative fuel made using electricity from renewable sources. As well as being used in fuel cells, hydrogen can be burned in specially designed internal combustion engines, such as the Cummins X15H engine.

This engine can deliver up to 400 kW of power with 99 per cent less tailpipe carbon emissions and a 75 per cent reduction in NOx.⁸

⁴ NSW Department of Primary Industries and Regional Development, [Green hydrogen](#). Viewed 11 September 2025.

⁵ SAF Holland, [SAF TRAKe](#). Viewed 7 September 2025.

⁶ ABS, [Counts of Australian Businesses, including Entries and Exits](#), June 2020 to June 2024, data cube 2.

⁷ See PC, 2025a, 21 for the interim report's view.

⁸ Alexander, S. *Destination zero*. Presentation to the 2023 Technology and Maintenance Conference. 14-15.

Renewable diesel as a drop in fuel

Renewable diesel, or hydrotreated vegetable oil (HVO), is a direct replacement for petroleum diesel or can be used as a blend. The production process typically involves hydrotreating under high temperatures and pressures.⁹

Renewable diesel is different to biodiesel, which is produced using a different chemical process, transesterification.

Road access for electric and high productivity vehicles

The Heavy Vehicle National Law and its regulations impose significant and unnecessary constraints on the use of electric and high productivity vehicles. The HVNL applies in every state except Western Australia and the NT.

Electric and hydrogen fuel cell electric vehicles are heavier than their diesel equivalents. This reduces the amount of freight they can carry – except on route networks that allow for higher mass. These route networks are limited and have inconsistent requirements. For example—

- **Victoria** has a pre-approved arterial and municipal road network restricted to the operators of Volvo FM and FH prime movers with no more than 7.5 tonnes of steer axle mass and 44 tonnes of gross combination mass), but¹⁰
- **New South Wales** has adopted a two year access trial allowing up to 8 tonnes on a single steer axle and up to 18.5 tonnes on a tandem drive axle, with a gross vehicle mass not to exceed 26 tonnes.¹¹

The rules for road network access remain inconsistent across state borders and restrict the use of high productivity freight vehicles, which are a key to increasing the industry's productivity and reducing its emissions for each tonne of freight moved.

Table 1 shows how dynamic businesses that switch from conventional semitrailers to A-doubles can move the same amount of freight in half the number of trips while using 72 per cent of the fuel.

⁹ Transport for NSW, [Renewable diesel](#). Viewed 11 September 2025.

¹⁰ VicRoads, [Heavy vehicle map networks in Victoria](#). Website viewed 26 June 2025.

¹¹ Transport for NSW, [Towards net zero emissions freight policy](#). Website viewed 26 June 2025.

Table 1: Comparison of key road freight configurations

Vehicle type	Payload (t)	Length (m)	Trips to move 1000t of payload	Fuel required per 1000km lead (per cent)
Semi-trailer	24.0	19.0	42	100
B-double	38.8	26.0	26	82
A-double	48.7	36.5	21	72

Source: ATA, [Truck impact chart technical advisory procedure](#). Edition 3, September 2024. 14.

These vehicles can only be used on specific road networks or under permits issued by the National Heavy Vehicle Regulator following what can be a complex and time consuming application process.

In 2023-24, the NHVR received more than 172,000 applications for these permits; the applications cost businesses more than \$6.2 million in fees.¹²

4. The ATA's recommended approach

As figure 1 shows, the trucking industry faces a series of different barriers to reducing emissions. The barriers cannot be addressed with a single instrument.

The ATA proposes that the Productivity Commission recommend three complementary approaches—

- address the up-front capital cost of electrification or alternative fuel options by establishing a **voucher scheme** covering half the price gap between comparable alternative fuel and conventional models
- offer production incentives and put in place a **low carbon fuel standard** to support the domestic production and use of enough renewable diesel to meet 5 per cent of Australia's diesel needs before the end of the 2030s, as well as **increasing the provision of EV charging and green hydrogen refuelling infrastructure**
- implement a **regtech solution, targeted infrastructure investment and road access upgrades** to support the use of high productivity and low emission vehicles. The funding could also be used to make the road network more resilient through flood proofing and the creation of alternative routes.

Deloitte Access Economics modelling shows that these policies would reduce emissions by a cumulative **35.1 million tonnes of CO₂-e over 25 years**.¹³

¹² NHVR, [Annual report 2023-24](#). 67, 56.

¹³ Deloitte Access Economics (DAE), [Pathways to decarbonising Australia's trucking industry](#). Report prepared for the ATA, July 2025. 2.

A voucher scheme for electrification and green hydrogen combustion

As well as in Australia, it is recognised internationally that the high upfront price of electric and other low emission technologies is the key barrier discouraging their take up.

A range of purchase price incentives have been adopted, including the CALSTART voucher incentive program (VIP) in California and some other US locations.

Under this model—

- publicly funded vouchers are used to reduce the incremental cost between conventionally fuelled and alternative fuelled vehicles
- voucher caps for each category of vehicle can be used to set an upper limit on the cost of the program.
- dealer networks help fleets navigate the incentive process and take on the financial responsibility of completing voucher redemptions.¹⁴

The version of the scheme implemented in California has resulted in the deployment of more than 8,400 electric, fuel cell and hybrid vehicles, as well as ePTOs.¹⁵

The ATA considers that an Australian version of the voucher scheme should—

- be available at dealerships
- cover half the price difference between alternative fuelled and equivalent models
- be available for purchases of battery electric and fuel cell hydrogen electric vehicles, hybrid vehicles, power axles, ePTOs and vehicles with H2 combustion engines. The ATA has widened the scope of our proposed scheme to make it more technology neutral, in response to the interim report¹⁶
- include a cap on the number of vouchers issued in each category to manage the cost of the scheme.

The ATA's emission modelling shows that our proposed voucher scheme would reduce emissions by **14.9 million tonnes of CO2-e over 25 years**. Most of this reduction would be from rigid truck purchases.¹⁷

Recommendation 1

The Australian Government should implement a voucher program covering 50 per cent of the higher price differential of a range of zero and low emission trucks and technologies.

¹⁴ Welch, D. and B Mandel, [Voucher incentive programs: a tool for clean commercial vehicle deployment](#). CALSTART, July 2019. ES-1.

¹⁵ Based on [California HVIP voucher map and data](#), 31 July 2025.

¹⁶ PC, 2025a, 27.

¹⁷ DAE, 2025. 11.

Supporting low carbon fuels

The Government is considering measures to encourage the production and use of low carbon liquid fuels, including renewable diesel.¹⁸

The ATA considers that the Government should offer incentives to produce enough renewable diesel to meet 5 per cent of Australia's needs before the end of the 2030s.

On the demand side, the Government should implement a **low carbon fuel standard** based on the California Air Resources Board (CARB) standard.

Under this model, fuel suppliers have an obligation to reduce the life cycle emissions intensity of the fuel they sell against declining benchmarks.¹⁹ They can meet their obligations through a range of certified pathways, including by selling renewable fuel and deploying EV fast charging sites or green hydrogen charging stations.²⁰

Fuel suppliers are able to spread the cost of meeting the standards across their customer base.

In 2022, the Californian low carbon fuel standard helped replace nearly 7.5 gigalitres (2 billion gallons) of conventional diesel with cleaner alternatives.²¹

The ATA proposes that an Australian version of the approach should—

- allow suppliers to decide how to adjust their product mix to meet overall life cycle emissions intensity targets and the needs of their customers. Suppliers would not need to meet specific blending mandates, but businesses who wished to purchase a specific blend to meet their Safeguard Mechanism obligations or customer requirements would be able to do so
- enable the cost of meeting the targets to be recovered from all fuel purchasers, and
- allow suppliers to claim credits for rolling out fast EV chargers and green hydrogen refuelling.

The ATA's emissions modelling shows that replacing 5 per cent of Australia's diesel supply with renewable diesel would save **6.9 million tonnes of CO₂-e from 2026-2050**.²²

Most of the savings would be from articulated trucks, highlighting how this measure would complement the voucher scheme that the ATA is proposing.

¹⁸ DTRDCA and DCCEEW, [Low carbon liquid fuels](#). Consultation paper, 2024.

¹⁹ CARB, [Low carbon fuel standard](#). Viewed 7 September 2025.

²⁰ CARB, [LCFS credit generation opportunities](#). Viewed 7 September 2025.

²¹ CARB, [For first time 50% of California diesel fuel is replaced by clean fuels](#). Media release, 23 August 2023.

²² DAE, 2025. 13.

Recommendation 2

The Australian Government should implement a low carbon fuel standard to support the increased use of renewable diesel and other low carbon fuels, as well as supporting the roll out of EV charging infrastructure and H2 refuelling.

Increasing the trucking industry's productivity

The ATA's emissions modelling shows that improving high productivity and zero emission vehicle access to the road network would reduce emissions by **13.3 million tonnes of CO₂-e by 2050**.²³

But it would deliver more than emissions benefits. In 2019, modelling conducted for the ATA showed that increasing high productivity vehicle access could—

- reduce the industry's operating costs by \$13.6 billion in NPV terms over the years to 2050
- reduce the cost of house construction by \$30 million per year by 2050 and the cost of construction services by \$70 million per year, and
- save a typical Australian household more than \$400 per year on their everyday purchases.²⁴

To unlock these gains, the ATA considers that the Government should press ahead with a **regtech solution, targeted infrastructure investment and road access upgrades**.

Pressing ahead with a regtech solution to road access

The commission's interim report on harnessing data and digital technology points out that data and digital technologies are the modern engines of economic growth.²⁵

Australia's governments are working to create a National Automated Access System (NAAS) based on a system used in Tasmania since 2016. The NAAS would seek to replace 90 per cent of road access permit applications by providing users with an instant map showing the roads where their specific vehicle and load combination could travel legally and safely.

An early version of the NAAS has gone live for ADF heavy vehicles, but it is not clear when the system will be comprehensively implemented.²⁶

Recommendation 3

The Australian and state governments should accelerate the rollout of the NAAS and publish transparent timeframes for the implementation of each component.

²³ *ibid*, 15.

²⁴ DAE, [Economic benefits of improved regulation in the Australian trucking industry](#). March 2019. vi, 46.

²⁵ Productivity Commission, [Harnessing data and digital technology: interim report](#). August 2025. 1.

²⁶ Stagg, P. *A national automated access system*. Presentation to Trucking Australia 2025, 30 April 2025.

Eliminating bottlenecks on the road network

Once implemented, the NAAS would ease the compliance burden of applying for access permits.

It would not, however, eliminate the bottlenecks in the road system that need to be cleared to expand the use of high productivity trucks, as well as heavier alternative fuelled vehicles.

This can only be achieved through targeted investment in road upgrades, together with corresponding changes to heavy vehicle road access and more consistency across state borders.

While this is a cost to the Government, it is an investment worth making. It would deliver a significant productivity dividend that would flow right through the economy and to households. The productivity dividend would also assist in offsetting any additional costs that manifest due to the Government's broader emissions reduction policies.

The ATA considers that an appropriate level of additional investment would be **\$5 billion over ten years**. In conjunction with our members, we have identified eight projects that should be implemented as a priority—

- **New South Wales:** upgrade the Sheahan Bridge on the Hume Highway at Gundagai and extend parking bays to allow as of right access to the Hume Highway for 36.5 metre A-doubles
- **Victoria:** maintain the Australian Government's contribution to the non-tolled components of North East Link. The project will complete Melbourne's orbital system, improve access and reduce travel times.
- **Queensland:** upgrade the Inland Freight Route to establish an alternative to the Bruce Highway between Mungindi and Charters Towers.
- **Queensland:** replace the westbound Bremer River Bridge on the Warrego Highway near Ipswich. The westbound bridge was built in 1958 and has cracks in its steel girders.
- **South Australia:** build the Greater Adelaide Bypass to a standard that would allow trucks to bypass the Adelaide Hills at the open road speed limit. The Australian Government should cover 80 per cent of the cost of the bypass.
- **Western Australia:** upgrade the Great Eastern Highway from Perth to the Goldfields.
- **Tasmania:** complete the duplication of the Bass Highway between Launceston and Devonport.
- **Northern Territory:** comprehensively address the flood immunity of the Stuart Highway. The Stuart Highway is an essential link between the Northern Territory and southern Australia; flooding results in food shortages across the territory.

Recommendation 4

The Government should invest \$5 billion over ten years to eliminate bottlenecks on the road system and upgrade key routes, including the eight projects identified in this submission.

The investments should be accompanied by corresponding changes to heavy vehicle road access and greater interstate consistency.

Costings

Table 2 sets out the indicative cost of our recommended approach. The cost to government in 2027 would be **\$815.6 million**, noting that—

- the fuel industry would be responsible for the cost of meeting the low carbon fuel standard
- the cost of the voucher scheme would be at its highest in 2027, the year modelled, and would then decline, including because of the falling cost differential between alternative fuelled and conventional vehicles
- the industry's share of the cost of the targeted road investments would be recovered over time through heavy vehicle charges under the replacement for the NTC's PAYGO model, the Forward Looking Cost Base.

Table 2: Indicative cost of the ATA's recommended approach, 2027

Measure	2027 cost \$m
Voucher scheme	315.6
Low carbon fuel standard	0
Targeted road investment	500.0
Total	815.6

5. Introducing a carbon charge or removing fuel tax credits

Options 1 and 3 in the interim report look at increasing the charges on trucking businesses by—

- adding a carbon component to a future invoice-based road user charging scheme (option 1),²⁷ or
- dramatically increasing the effective fuel tax rate paid by truck and bus operators by removing their fuel tax credits (option 3).²⁸

²⁷ PC, 2025a, 25.

²⁸ *ibid.* 26-27.

The ATA does not support increasing taxes or charges on Australia's hard working trucking businesses.

Trucking businesses are already charged heavily for their use of the road system. Those charges are increasing much faster than inflation, and trucking businesses operate on low margins.

Pages 13-15 set out some considerations for designing a workable charging system if the commission decides not to take the ATA's advice and looks further at these options.

How the trucking industry pays for road access

All fuel users pay fuel excise, but businesses that use fuel off-road can claim fuel tax credits equal to the excise they paid.²⁹ Businesses that operate heavy trucks that meet one of four environmental criteria³⁰ can claim partial fuel tax credits equal to the fuel excise they paid minus a notional road user charge.³¹

This is because imposing general purpose taxes on business inputs is economically inefficient.³²

The amount that truck and bus operators need to pay in road charges is recommended by the National Transport Commission using a mathematical model, PAYGO, which calculates the road construction and maintenance costs attributable to each class of heavy vehicle. Transport ministers are not obliged to follow the NTC's recommendations.³³

The PAYGO cost base is recovered in two ways: the road user charge on fuel and a stepped system of registration charges that also covers the NHVR's operating costs. Western Australia and the NT do not use the national charges.

Truck and bus charges increased by 6 per cent per year from 2023-24 to 2025-26.³⁴ In August 2025, transport ministers agreed in-principle to increase truck and bus charges by another 6 per cent in 2026-27.³⁵

The PAYGO model has reached the end of its life, and the NTC will soon issue a consultation RIS on the replacement system, known as the Forward Looking Cost Base (FLCB). The FLCB is based on the well-understood building block model.

The charges calculated under the new model will not commence until 2027-28. The ATA expects that charges will continue to rise faster than inflation.

²⁹ *Fuel Tax Act 2006* (Cth), s 43-5(1).

³⁰ s 41-25.

³¹ s 43-10.

³² Parliamentary Budget Office, [Fuel taxation in Australia](#). September 2022, 5.

³³ NTC, [Heavy vehicle charges consultation report](#), December 2022. 9-12.

³⁴ *Fuel Tax (Road User Charge) Determination 2023*.

³⁵ Infrastructure and Transport Ministers' Meeting. [Communiqué](#). 11 August 2025.

The industry would struggle to manage the cost increases in options 1 and 3

The trucking industry works on tight margins. Previous research by ANZ put the industry's median profit margin at just over two per cent, with the bottom quartile of the industry either experiencing negative, flat or very tight profit margins.³⁶

Trucking businesses have a limited ability to pass on increases in charges. ATA survey research shows that—

- only 34 per cent of trucking businesses can pass on increased fuel costs (including as a result of changes in fuel tax credits)
- businesses that can raise their charges are rarely able to increase them by more than CPI.³⁷

Given the industry's margins and low ability to pass on cost increases, it's hardly surprising that businesses are exiting the industry.

One business closing down is O'Connor Haulage, a Sydney-based operator that grew from one truck in 1979 to 30 trucks and 65 trailers in 2025. The firm's owner, Ashley O'Connor, told industry newspaper *Big Rigs* why he was closing—

Like most transport operators, the real reasons to get out are the rising costs and shortage of drivers. Customer payment terms are getting pushed out further and further, because customers are doing it hard as well.³⁸

In this environment, trucking businesses would struggle to pay the cost increases involved in options 1 and 3, particularly with road user and registration charges increasing at such a high rate.

In any case, options 1 and 3 would not address the barriers to reducing emissions

Figure 1 on page 2 identifies the barriers to trucking businesses adopting low emission solutions.

Options 1 and 3 could not conceivably address most of the identified barriers, except as a way of helping to offset the cost of better measures.

The options would not affect the upfront cost of purchasing alternative fuelled vehicles.

They would not change the regulations preventing businesses from using heavier electric and high productivity vehicles on the road network. They would not rebuild or strengthen a single bridge.

³⁶ ANZ Bank research provided to the ATA, 2017 and 2018.

³⁷ ATA, [2021-22 heavy vehicle charges consultation report](#). Submission to the NTC, March 2021. 4-5.

³⁸ Quoted in Danielle Gullaci, [Sydney transport business closes doors, as owner retires after 46 years](#). Viewed 2 September 2025.

The options would enable a change to the tax treatment of renewable diesel (page 14), but our proposed low carbon fuel standard would increase the use of renewable diesel more effectively. It would also support the rollout of EV charging and H2 refuelling infrastructure.

Design considerations for options 1 and 3

Apart from the broader question of whether trucking businesses should be taxed more, options 1 and 3 would not be workable as they are drafted.

Option 1 would raise significant design and transitional issues

Option 1 proposes to add a carbon component to a future invoice-based road user charging scheme. The interim report draws on the commission's 2023 productivity inquiry to argue that the road user charging system should comprise—

- a basic charge for all road users based on how far they travel
- damage premiums
- congestion charges for road users on crowded roads, and
- a carbon charge.³⁹

The High Court's judgement in *Vanderstock*⁴⁰ means that including damage premiums in the charge needs to be rethought.

At present, the stepped system of state-level registration charges helps recover the additional road wear caused by heavier trucks.

As a result of the judgement, an invoiced-based road user charging system would need to be imposed by the Australian Government. Trucking businesses would pay twice for their road wear if the charging system included a damage premium unless the states agreed to flatten their registration charges.

Western Australia and the Northern Territory would under this approach lose the ability to charge trucking businesses less for road access than is charged nationally. The damage premiums under the invoice-based road user charging system would need to be consistent across Australia.⁴¹

The move to an invoice-based system would also create significant transitional issues.

Small trucking businesses often use their fuel tax credits as a cashflow management tool: the fuel tax credits on their BAS offset the GST and other taxes they need to pay.

To address this issue, the ATA considers that the best approach would be to allow the existing fuel tax credit system to continue until the road user charge approaches the fuel tax rate, which we project would occur after the mid-2030s.

³⁹ PC, 2025a, 25.

⁴⁰ *Vanderstock v Victoria* [2023] HCA 30. The ATA appeared in the case as amicus curiae.

⁴¹ *Constitution*, s 51(ii).

Option 3 would overcharge trucking businesses for their carbon emissions

Option 3, removing the ability of trucking businesses to claim fuel tax credits, would effectively be a 19.2 cents per litre increase in fuel tax.

The tax increase would be equivalent to a \$71 per tonne of CO₂-e carbon price,⁴² far more than the actual market price of carbon, about \$37 per tonne.⁴³

It would also breach the sound economic principle of not taxing business inputs.

If a carbon charge was to be included in the fuel tax system, a better way of doing it would be to—

- incorporate a notional carbon charge as a separate charge to the road user charge, and use it to reduce the fuel tax credits of all claimants, including off-road users
- amend the *Fuel Tax Act* to provide that the carbon charge did not apply to low carbon fuels, with the charge for blended fuel reduced in proportion to the blending ratio. This approach, modelled on former s 43-8(3),⁴⁴ would address the interim report's concern about the tax treatment of renewable diesel⁴⁵ and provide a tax advantage to the users of this fuel
- align the value of the carbon charge to the ACCU price and adjust it once a year, on 1 July.

Supporting trucking businesses to pass on charge increases

The Fair Work Commission can now make road transport contractual chain orders that apply to all participants in the road transport contract chain.⁴⁶

The commission is considering an application for an order proposing a requirement for regular freight rate reviews.⁴⁷ The application includes an itemised list of costs that it says should be covered in these reviews. The list does not include the cost of changes in the road user charge, invoice-based road user charges or carbon charges, although it is not inclusive.

If the Government adopts options 1 or 3, it should apply to the commission for an order, or an amendment to this order, to make it clear that rate reviews must incorporate the additional costs involved in these options.

⁴² Based on the 4 August 2025 fuel tax rate.

⁴³ Based on the closing ACCU spot price, 1 September 2025.

⁴⁴ As inserted by the *Clean Energy (Fuel Tax Legislation Amendment) Act 2011*. Repealed by the *Clean Energy Legislation (Carbon Tax Repeal) Act 2014*.

⁴⁵ PC, 2025a, 24.

⁴⁶ *Fair Work Act 2009*, Chapter 3B.

⁴⁷ [Application for a road transport contractual chain order](#) (MS2024/4)

Giving industry a say in its decarbonisation pathway

If the Government decided to impose a carbon charge on the industry, it would be appropriate to hypothecate the revenue to supporting the reduction of the industry's emissions.

The specifics of the measures to be funded should be guided by an industry steering committee, in the same way the Government has appointed a steering committee to guide the provision of truck rest areas.⁴⁸

6. Substituting rail or sea freight for road freight

in its discussions about low carbon liquid fuels and reducing the threshold for the Safeguard Mechanism, the interim report raises the potential to substitute rail or sea freight for road freight.⁴⁹

But the commission concluded in 2006 that—

- only 10-15 per cent of the freight task was contestable between road and rail
- for many freight tasks, road and rail freight are more complements than substitutes
- aggregate modal shares would not alter much even if heavy vehicle costs were to increase significantly
- across the board taxes and charges on road freight have more impact on the overall demand for freight than on modal share.⁵⁰

In the ATA's view, the best way to increase the use of rail would be to eliminate the regulatory and operational inconsistencies that prevent rail from operating as a single national system. The NTC is actioning this work through the National Rail Action Plan.⁵¹

7. The Safeguard Mechanism options should not be considered further

The interim report puts forward two options for changing the Safeguard Mechanism, which currently covers facilities emitting more than 100,000 tonnes of CO₂-e each year.⁵² The options are—

- reducing the threshold from 100,000 to 25,000 tonnes of CO₂-e per year from 2030⁵³
- applying the Safeguard Mechanism to the fuel sold by wholesalers.⁵⁴

⁴⁸ Chisholm A. [Steering committee extended to drive heavy vehicle safety](#). Media release, 11 September 2024.

⁴⁹ PC, 2025a, 22, 27.

⁵⁰ PC, [Road and rail freight infrastructure pricing](#). Report 41, December 2006. xxix, xxxvii-xxxviii.

⁵¹ NTC, [National rail action plan](#). Website viewed 10 September 2025.

⁵² PC, 2025a, 15.

⁵³ *ibid*, 14.

⁵⁴ *ibid*, 25-26.

Reducing the Safeguard Mechanism threshold to 25,000 tonnes

The current threshold for the Safeguard Mechanism means that it only applies to the largest businesses in Australia.

Reducing the threshold to 25,000 tonnes would bring a small number of businesses into the mechanism,⁵⁵ but it is a poor fit to reduce their emissions.

- The mechanism extends beyond the own-source emissions of a business to include all the entities subject to their operational control.⁵⁶ The trucking industry has extended sub-contracting chains. There would be considerable ambiguity, and potential double-counting, in determining who, if anyone, should be responsible for a sub-contractor's emissions
- The rules for calculating emission baselines under the scheme are complex and can require the creation of additional internal reporting systems. This imposes a considerable compliance burden and risk of mistakes
- The trucking businesses in the 25,000-100,000 tonne emission range compete with businesses whose emissions are lower than the proposed 25,000 tonne threshold. The businesses captured by the mechanism would face a cost disadvantage compared to their peers below the threshold.

Applying the mechanism to the fuel sold by fuel wholesalers

The interim report considers the option of applying the Safeguard Mechanism to the scope 3 emissions of fuel wholesalers.

Fuel wholesalers would be given an annual baseline and required to purchase SMCs or ACCUs to cover their extra fuel sales. The report argues that this would give them an incentive to sell more low carbon fuel.⁵⁷

The interim report itself covers the issues with this proposal, which include ambiguity and the potential double counting of transport emissions, since aviation and rail emissions are already covered by the mechanism.⁵⁸ The potential for double counting would increase even further if the threshold was reduced.

The Australian Institute of Petroleum has separately raised concerns about the impact of this option on Australia's fuel exports to New Zealand and the Pacific, as well as its impact on domestic refineries.⁵⁹

⁵⁵ *ibid.* 17.

⁵⁶ *National Greenhouse and Energy Reporting Act 2007* (Cth), s 22XH. 'Operational control' is defined in s 11.

⁵⁷ PC, 2025a, 25.

⁵⁸ *ibid.*

⁵⁹ Australian Institute of Petroleum, [Investing in cleaner, cheaper energy and the net zero transformation](#). PC submission, July 2025. 21-22.

Simpler calculation and reporting tools are needed

Regardless of the approach that the Government takes to changing the Safeguard Mechanism, it should ensure that simpler calculation and reporting tools are available for—

- covered businesses that need to account for their road freight emissions
- non-covered businesses that are required to provide information to firms that disclose their scope 3 emissions.