Submission to Securing Australia's Cleaner Fuels Industry Consultation paper on a demand mechanism

September 2026

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Rural Sector: A Diesel School Bus in rural Western Australia potentially suitable for LCLF.

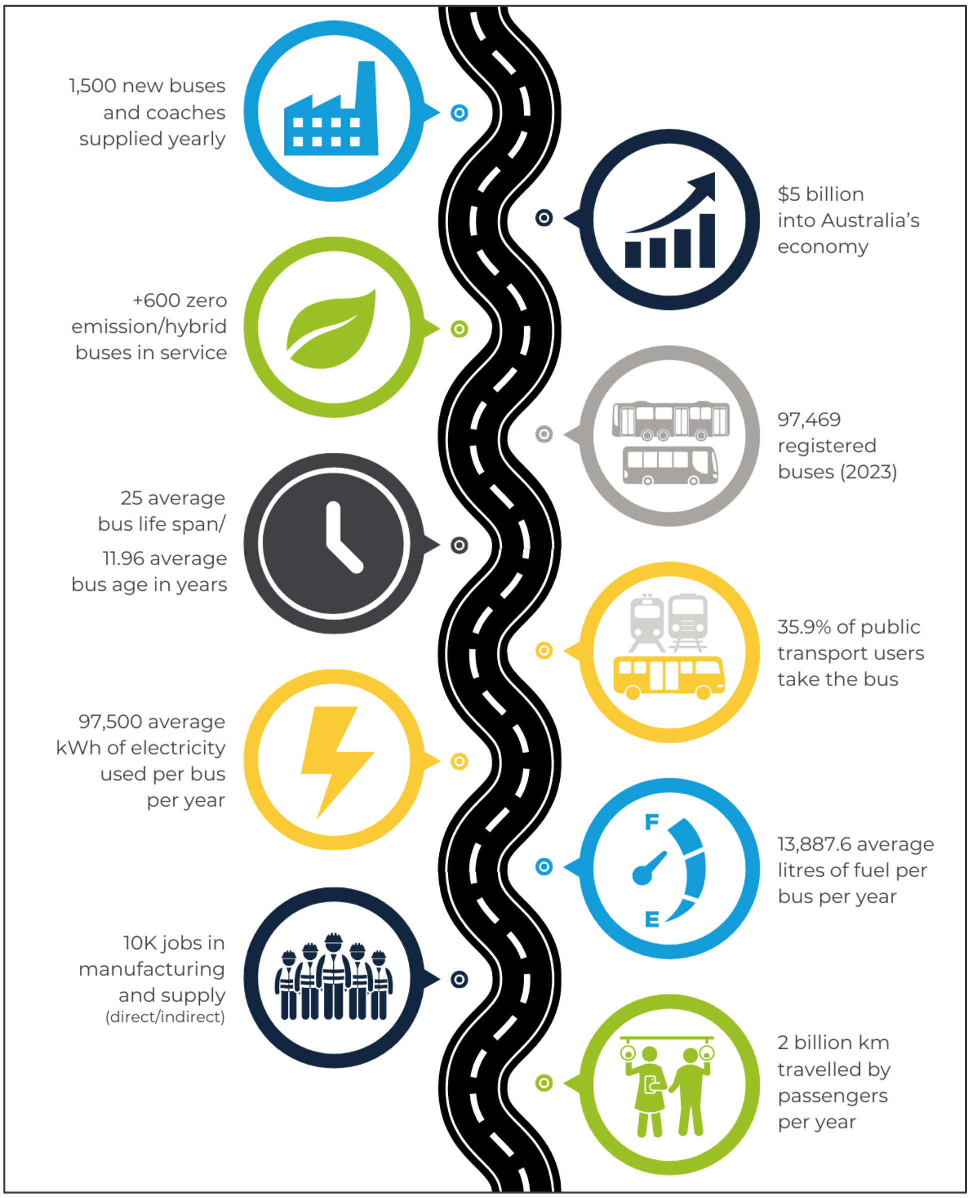
1. About the Bus Industry

The Bus Industry Confederation

The Bus Industry Confederation (BIC) is the national independent peak body for the Australian Bus and Coach Industry. With a focus on decarbonisation, local jobs and workforce shortages BIC represent over 160 bus and coach operators, body, chassis and complete bus manufacturers and suppliers, parts and service providers, professional services, and state bus associations.

BIC supports sustainable operations, workforce capability, and long-term local employment across Australia. BIC advocates for its members to federal, state and territory governments and relevant agencies, working to ensure the safe and efficient transport of passengers and the development of safe, sustainable operations and supply chains that underpin the industry.

Industry Snapshot



2. Executive Summary

The Bus Industry Confederation's (BIC) submission to the Cleaner Fuels Industry consultation focuses on the concerns of bus and coach operators as fuel end-users, rather than answering the paper's producer-oriented questions.

BIC's core position is that any Low Carbon Liquid Fuel (LCLF) must remain fully compliant with the Fuel Quality Standards Regulations 2019 at all times, given the industry's diverse fleet from Euro 2 to Euro 6, with some vehicles more than 25 years old. These vehicles cannot safely handle non-compliant fuel. Non-compliance risks costly engine damage, workshop capacity overload, and contract penalties for government services.

BIC also stresses that LCLF pricing must remain competitive with conventional diesel, as operators' thin margins and indexed government contracts leave little room to absorb cost pass-through.

Recommendations

- Embed fuel quality compliance as a permanent, explicit condition. Whatever mandate or carbon-intensity framework is adopted, it should require all eligible LCLF to meet the Fuel Quality Standards Regulations 2019 continuously and unconditionally. Any future changes to those standards must be subject to sign-off from the Fuel Standards Consultative Committee and automotive peak bodies.

- Maintain price parity through continued production-side support. Government should keep supporting LCLF production, rather than shifting compliance costs onto fuel users, until LCLF reaches genuine cost-competitiveness at the bowser, protecting operators' already-thin margins, particularly under fixed or indexed government service contracts.

City Sector: Every vehicle in this picture is a Diesel powered bus.

3. Response

Thank you for the opportunity to respond to the Securing Australia's Cleaner Fuels Industry consultation paper. The Bus Industry Confederation (BIC) is the national peak body for the Australian bus and coach industry, representing operators, body, chassis and complete bus manufacturers, parts and service providers, and state bus associations. Our members sit at the end user side of this policy, they buy, run and maintain the vehicles that this fuel goes into, day in and day out, right across the country.

This response does not step through the consultation paper question by question. The questionnaire is substantial and, as set out below, most of it is written for producers, investors and scheme administrators rather than operators. Instead, BICs submission sets out the points relevant to our members as end users of Diesel and the matters that actually affect how a bus fleet operates on the ground.

Relevance of the Consultation Questions to End Users

Having gone through the consultation paper and the accompanying questionnaire, the majority of the questions are not directed the end user such as our members. The paper itself is clear that the entities being asked to comply with any mandate or carbon-intensity standard are fuel suppliers, not the businesses and passengers who ultimately use the fuel. Questions on production incentive design, credit markets, carbon-intensity calculation methods, certification schemes and obligated entity thresholds are genuinely important, but they sit with fuel producers, importers and refiners to address, rather than a bus operator filling up at the depot.

We raise this not as a criticism of the consultation process, but to provide context so that our submission is considered in the appropriate manner. Where we have not answered a specific question, it is because we do not believe we are best placed to answer it, not because we do not have a view on the broader direction of the policy. The points below are the ones our members consistently raised as directly affecting their operations, their budgets and their passengers.

Compliance with the Fuel Quality Standards

Any LCLF introduced into the market, whether that is renewable diesel, bio-diesel, renewable diesel, or any blend of the two, must fully comply with the Fuel Quality Standards Regulations 2019[1] at all times. This is not a negotiable position from an operator's point of view. These standards exist for good reason. They give our members, their drivers, their maintenance crews and their insurers confidence that whatever comes out of the bowser will perform predictably in the engines which it is used.

Any changes to these standards should of course be fully endorsed by the Fuel Standards Consultative Committee and relevant automotive peak bodies.

Fuel Standards

From a bus perspective this is critical as our fleet spans engines built to emission standards ranging from Euro 2 through to Euro 6. In many cases, state governments are actively operating bus fleets with engine 25+ years of age. This also occurs in the private sector. A fuel

[1] Fuel Quality Standards Regulations 2019 – Federal Register of Legislation

that technically meets a future definition of “low carbon” but sits outside the existing quality standards is not something our members can safely or reliably use in their engines.

Any framework that comes out of this consultation, whether it lands on a volumetric mandate, a carbon-intensity standard, or something in between, must make continued compliance with the Fuel Quality Standards Regulations an explicit and permanent condition of any fuel eligibility, rather than an assumption left unstated.

Risk of Engine Damage from Non-Compliant Fuel

Stepping outside these fuel quality standards carries real financial and operational risk, and these risks ultimately borne by our members carry, not fuel producers or government. Repairs to a diesel engine damaged by unsuitable or out-of-specification fuel can routinely run into the tens of thousands of dollars per vehicle. For an operator running a fleet of any size, even a small number of affected vehicles can represent a significant and unplanned cost, and that is before accounting for the bus being off the road and unable to run its timetabled or contracted services.

Diesel technicians, parts supply chains and workshop capacity are all structured around normal wear and tear and scheduled servicing, not a sudden spike in repairs caused by a fuel quality issue. If a non-compliant or incompatible fuel entered the market and caused widespread engine problems, the repair networks would quickly become overwhelmed, turnaround times would blow out, and operators would be left carrying vehicles off the road for extended periods. Just as importantly, the wider repair and maintenance industry is not resourced or geared up to deal with engine damage at mass scale from fuel quality issues.

For services that are contracted to state and territory governments, widespread bus outages caused by engine faults also risks flowing through as missed service penalties, on top of the repair bill itself.

Fuel Pricing Must Remain Competitive

Pricing has to remain competitive with both imported fuel alternatives and today's conventional diesel. The consultation paper acknowledges that compliance costs under any of the modelled approaches, whether a volumetric mandate, a carbon-intensity standard or a higher ambition option, are likely to be passed through to fuel users to varying degrees. That detail matters a great deal to our members, because in the bus and coach sector, fuel cost increases cannot simply be added onto the cost of providing a service. In many cases, operators have contracted indexed contractual arrangements with government. Increases in fuel costs end up cutting operating margins that are already extremely thin. This isn't to say we don’t support LCLF, we do, but price parity is important.

Price also flows through to the businesses that support the fleet. Vehicle manufacturing, including body and chassis building, still has a genuine and valued base here in Australia, and those businesses are also exposed to fuel costs, both directly and through their supply chains.

Our view is that whatever demand mechanism is ultimately chosen, government support for production needs to continue until LCLF is genuinely cost-competitive at the bowser, rather than shifting that cost onto operators, and the broader supply chain in the meantime.

Any proposed changes to these standards should be subject to full consultation with, and consideration of the views of, the Fuel Standards Consultative Committee and relevant automotive peak bodies.

Our 2024 Submission commentary

BIC’s 2024 submission to the previous LCLF consultation, Low Carbon Liquid Fuels: A Future Made in Australia, in July 2024, remain relevant today.

A number of the points raised in that submission are still directly relevant to the conceptual framework now being consulted on, and we ask that they be read alongside this response rather than treated as superseded.

- The need for governments to recognise the importance of fuel choice in decarbonising their operations, consistent with BIC's Zero Emissions Policy Position Paper (right), rather than applying a single mandated pathway, such as electrification, uniformly across a diverse industry.

- The 25 year-plus transition timeframe for the bus fleet, which means vehicles purchased today will still be on the road well into the 2050s, including Diesel and Diesel-electric hybrid buses that will rely on LCLF compatibility for their operating life.

- The role LCLF can play as the best available option in rural and remote areas, where electricity infrastructure upgrades needed to support electric heavy vehicles are a long way off, and where LCLF can be integrated into existing fuel distribution with comparatively minor adjustment, helping those areas progress along their decarbonisation pathways.

- The importance of not penalising regions or operators where LCLF is not readily available due to geographic or supply constraints, and the need for any mandate or target to be phased in a way that reflects that reality.

These points map directly onto several of the design questions in the current paper, including the coverage and timing of obligation fuels, the phasing proposed under Phase 1 of the conceptual framework from 2029, and the design of any mandate or carbon-intensity standard. We would welcome the opportunity to walk through the 2024 submission in more detail with the department if that would be useful.

4. Reference Papers

- BIC Bus Industry Policy Position Paper Driving Towards Zero Emmissions, July 2024.
- BIC submission to Low Carbon Liquid Fuels: A Future Made in Australia, in July 2024.

5. Contact

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