



11 September 2026

Liquid Fuel Transition Team
Department of Climate Change, Energy, the Environment and Water
Department of Infrastructure, Transport, Regional Development,
Communications, Sport and the Arts

Submitted via: LCLFEngagements@dcceew.gov.au

To whom it may concern,

Re: Federal Chamber of Automotive Industries submission on *Securing Australia's Cleaner Fuels Industry*

The Federal Chamber of Automotive Industries (FCAI) welcomes the opportunity to provide the following submission in response to the consultation paper titled *Securing Australia's Cleaner Fuels Industry*.

The FCAI is the peak industry body representing the Australian automotive industry. Its membership comprises manufacturers, importers and distributors of light duty vehicles including passenger vehicles, SUVs and light commercial vehicles.

The FCAI supports a role for low carbon liquid fuels (LCLFs) in Australia's transport decarbonisation. While electrification is the primary pathway for reducing emissions from light-duty vehicles, LCLFs can be used to reduce emissions from the existing vehicle fleet and from vehicle segments and applications where electrification remains technically or commercially challenging.

The FCAI considers that any LCLF demand mechanism should be designed around three principles which are relevant to the automotive sector and Australian consumers. Protecting vehicles by only supplying the market with high quality, compatible fuels, maintaining a technology neutral approach to reducing emissions, minimising costs to consumers, and avoiding unnecessary regulatory overlap with the New Vehicle Efficiency Standard (NVES).

Prioritise Fuel Quality and Vehicle Compatibility

The global automotive industry has a long history of working in partnership with fuel manufacturers, including LCLF manufacturers, to ensure that engines work optimally when using new fuels. This is a critical interdependency between the two industries given the potential impact to vehicle operability that can occur when non-compatible fuels are used in vehicles.

In considering the development of an LCLF demand mechanism, it is imperative that the Australian automotive industry be consulted on the impacts of potential fuels or blends on new and existing vehicles. This would include allowing vehicle Original Equipment Manufacturers (OEMs) the opportunity to:

- Assess and validate the compatibility of new LCLF products with regard to the risk to new and existing vehicles; and;
- Consider any proposed changes to permitted blend limits.

Formal consultation with vehicle OEMs well in advance of any proposed changes would allow suitable opportunity to assess the impact to vehicle operations, service and repair requirements, vehicle emissions and any potential warranty implications.



The FCAI therefore recommends that formal OEM consultation and vehicle compatibility assessment be required before any change to fuel specifications or permitted blend limits arising from the development of a LCLF industry.

Balance a technology/fuel neutral approach against the cost to industry and consumers

The FCAI supports the development of a policy framework that provides long term certainty to encourage investment in LCLF production and supply. This certainty will be important to support investment in feedstocks, production capacity and supply chains required to establish a commercially sustainable LCLF industry.

However, the primary objective of the demand mechanism should be the achievement of emissions reductions in the most cost-efficient manner. Government policy should avoid favouring particular fuels, feedstocks or technologies where alternative pathways can deliver greater emissions abatement at a lower cost.

This is particularly important given the various decarbonisation pathways available across the transport sector. Electrification is viable for many light duty vehicle segments, while LCLFs may have a comparatively greater market advantage in segments and applications where electrification remains technically or commercially challenging.

The FCAI therefore supports a technology-neutral approach that allows resources to be directed towards applications which can deliver the greatest emissions reductions at the lowest overall cost. The design of the demand mechanism should provide sufficient flexibility to respond to changes in technology, vehicle uptake, fuel demand and the relative cost of different emissions-reduction pathways over time.

Interaction with the New Vehicle Efficiency Standards

As identified in the consultation paper, there is potential for interaction between an LCLF demand mechanism and the *New Vehicle Efficiency Standard Act 2024 (Cth)*. The FCAI considers that this interaction will require consideration in the design of any proposed demand mechanism, while also being an important element of periodic reviews.

Electrification is the primary pathway for reducing emissions from Australia's light duty vehicle fleet. In the year to August 2026, battery electric vehicles (BEVs) accounted for 18.2 per cent of new vehicle sales, with plug-in hybrid electric vehicles (PHEVs) accounting for a further 8.8 per cent. However, the transition is not occurring uniformly across the light duty vehicle market. Approximately 80 per cent of BEVs sold in 2026 have been concentrated in the Small SUV and Medium SUV segments.

For some vehicle segments and use cases, commercially viable BEV alternatives remain limited. This is particularly relevant for consumers requiring vehicles with towing or payload capacity, range or the ability to operate in regional and remote areas. Larger SUVs and light commercial vehicles, including utes, therefore remain more dependent on internal combustion engine (ICE) technologies, with PHEVs providing an emerging electrification pathway in some applications.

While advancements in vehicle and battery technology are expected to expand the availability and capability of BEVs, consumers will remain dependent on liquid fuels in these vehicle segments and applications until suitable alternatives are available.

This creates the potential for regulatory costs to compound for consumers. The NVES legislates increasingly ambitious targets on suppliers of new vehicles to reduce their emissions each year. These targets include vehicle segments, such as utes, where lower emission alternatives are currently limited. Where a supplier is unable to meet their NVES targets, penalties or costs will be incurred which would impact the cost of new vehicles.



At the same time, an LCLF demand mechanism would increase the cost of liquid fuels required to operate these vehicles. Consumers who have limited choice to transition to a BEV could therefore bear costs associated with both non-compliance with the NVES regulation and the additional fuel cost to operate the vehicle with an LCLF.

The FCAI recommends that the design and periodic review of the LCLF demand mechanism explicitly assess its interaction with the NVES, including the impact on vehicle and fuel costs across different vehicle segments. Particular consideration should be given to consumers and businesses that remain dependent on ICE and PHEV vehicles because commercially viable zero-emission alternatives are not readily available.

Conclusion

The FCAI supports the role LCLFs can play in decarbonising Australia's transport sector, particularly where they can complement electrification.

The FCAI recommends that any LCLF demand mechanism prioritise fuel quality and vehicle compatibility, remain technology neutral and support emissions reductions at the lowest practical cost. The framework should also recognise its interaction with existing policies, particularly NVES, to minimise cumulative costs for Australian consumers.

We look forward to continuing to work with the Government as they refine their options and progress with the design of a demand mechanism for low carbon liquid fuels.

Should you wish to discuss further, please contact me on (02) 6247 3811.

Yours faithfully

Tony Weber
Chief Executive

