2025 consultation

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NSW Net zero Commission 2025 consultation

Net-zero Commission

11 July 2025

Dear Consultation team,

Thank you for the opportunity to provide input into the NSW Net zero commission's 2025 consultation. Viva Energy recognises the complex global challenges posed by climate change, and the complexity in progressing towards a lower carbon economy. Viva Energy supports the State's vision to act on climate change and can offer input to the commission specifically on the options to manage transport emissions, given our role in the supply of a significant portion of liquid fuels in Australia.

We have set out our submission below in detail and would welcome any follow-up to expand on or clarify any of the following points:

- Policy coordinated at a national level rather than state level ensures that decarbonisation efforts are complementary, rather than causing duplication of efforts.
- The importance of building the foundations for whole-of-economy approaches to decarbonisation in the current day, to allow us to foster the diversity of responses needed to sustain climate resilience in the long-term.
- Low carbon liquid fuels (LCLFs) offer a drop-in solution to help decarbonise transport and other fuel-using sectors without the need for equipment upgrades.
- LCLFs can also play a role in more immediately decarbonising other hard-to-abate sectors such as resources, particularly while new technologies are maturing and becoming more commercially viable. LCLFs can also provide an avenue to reduce reliance on offsets to meet emission reduction targets.

About Viva Energy

Viva Energy Australia Pty Ltd (Viva Energy) is one of Australia's leading energy companies, supplying approximately a quarter of the country's liquid fuel requirements from our oil refinery in Geelong, Victoria, and through a network of more than 20 fuel import terminals around the country.

In New South Wales we operate various fuels import terminals, depots and pipelines, notably the Clyde ex-refinery site, which is now a finished product fuel import and distribution terminal, and the Gore Bay fuel import terminal, which supplies Clyde via pipeline. The Clyde terminal is also connected by pipeline to Sydney airport for the safe and efficient supply of jet fuel. Leveraging our current infrastructure, market presence and customer base, we are in a strong position to pivot towards the supply of LCLFs and other new energies as demand grows.

In Victoria, our Geelong refinery plays a critical role in Australia's fuel security by processing local and imported crude oils to produce around 10% of the country's fuel needs. We also see the Geelong refinery's co-processing capabilities as playing a crucial role in supporting the energy transition by helping to reduce the carbon intensity of the fuel pool. Co-processing involves the processing of renewable feedstocks alongside crude oil to make lower carbon fuels and products. Fuels produced at our Geelong refinery are at times supplied to the NSW market.

Coordinated policy and building foundations for future whole-of-economy action

Reducing emissions and achieving an equitable response to climate change requires nationwide and coordinated policies to prevent market distortions. We have seen that differing state targets related to biofuels have caused supply and demand imbalances, with the financial burden and regulatory compliance often falling on suppliers. The importance of national alignment is also applicable to the other policy mechanisms that can support the uptake of biofuels, such as chain of custody for LCLFs. It is important that State policies are aligned with national policies and reporting requirements to complement decarbonisation efforts, rather than duplicating them.

As an industry we have been advocating with the Commonwealth to consider a policy such as a Low Carbon Fuel Standard (LCFS). This type of policy has been successful overseas in places like California, contributing to driving demands for lower carbon fuels and technology and resultantly the supply of these lower carbon options. The policy works by setting declining targets for the entire carbon intensity of the fuel pool, allowing the market to determine the best value decarbonisation pathway. This has been a successful policy, resulting in a reduction in the carbon intensity of the transport fuel pool by 12.5% since its inception. As an industry we are continuing to explore with the commonwealth the appropriate suite of policies to support both the production and uptake of LCLFs and we would encourage the State to be engaged in this work to consider what complementary measures can be undertaken and to avoid the potential for duplication of effort.

Like policy mechanisms, encouraging a collaborative response from all stakeholders, e.g. industry, government and customers will foster efficiency, and unlock synergies, contributing to a more sustainable supply chain in the long term. Pursuing complex transformation that involves various stakeholders such as developing LCLF supply chains creates employment opportunities, as well as contributing to improved environmental outcomes. Given the scale of the decarbonistion required from the Transport and other fuel using sectors, we expect that both supportive long-term government policies and financial support right along the whole supply chain, irrespective of the energy type being targeted, will be necessary to develop the infrastructure and scale needed to displace traditional fuels in any meaningful way.

Low carbon liquid fuels to support the decarbonisation of the transport sector

Low carbon liquid fuels such as renewable diesel (RD) or sustainable aviation fuel (SAF) are produced from bio or waste feedstocks, or through co-processing at existing petroleum refineries. These fuels are molecularly like traditional petroleum fuels and therefore can be used in existing infrastructure and engines whilst also offering GHG emissions savings of up to 90%.[1] In Australia these fuels are mostly imported due to a lack of domestic production. The importation of these fuels is at a nascent stage and does not come without challenges. The "green premium[2]" associated with these fuels can be up to 3-4 times the cost of traditional fuels, which is a significant barrier to their adoption. While feedstock costs contribute in large to the higher cost of these fuels, supportive policies to encourage both the production and use of lower carbon fuels along with the development of feedstock and import supply chains will help reduce costs in the future, whilst also allowing our customers to achieve their own decarbonisation goals. LCLFs offer a solution for a diverse range of applications, e.g. RD can be used to decarbonise light commercial, heavy-freight, resources, agricultural vehicles and more, all potentially supplied from the same finished product terminal as diesel.

We are supportive of the electrification of buses and other heavy transport segments, and note the State's 20% EV public bus fleet target by 2028. We see LCLFs as being complementary to these measures and an opportunity for additional value and more immediate emissions reductions with the use of products such as RD in the existing and remaining 80% of the bus fleet. This could support the more immediate decarbonisation of existing buses out to their end-of-life or alternatively be used post-2028 to decarbonise the

[1] neste_renewable_diesel_handbook.pdf

[2] The "Green premium" refers to the additional cost per unit of LCLF compared to traditional fossil-based fuels.

remaining 80% of the buses that haven't been electrified. These strategies also have the added benefit of providing the necessary demands which can support organisations like Viva Energy to make investments in LCLF supply chains. Increases in demand for these products will naturally contribute to a reduction in the green premium as well as building customer confidence and our own in-house expertise.

Helping to decarbonise other hard-to-abate sectors

Equipment used in sectors such as resources is expensive and has long life spans, which means that replacement with lower or zero emissions drivetrains will not only be costly but could be decades away from equipment turnover cycles. The consultation paper calls for measures to support the resources sector to prioritise direct, on-site abatement rather than offsetting. LCLFs could provide an opportunity to reduce the emissions generated by existing infrastructure in this sector whilst also reducing the reliance on offsets to achieve safeguard mechanism compliance. Earlier this year, Viva Energy imported a bulk-parcel of renewable diesel via ship, to Rio Tinto's Parker Point terminal for use in their iron ore operations in the Pilbara. 10 million litres of RD was blended with conventional diesel at a 20% blend, which resulted in the reduction of Rio's scope 1 emissions by about 27,000 tonnes of direct greenhouse gas emissions.[3]

Chain of custody mechanisms

Chain of custody mechanisms like "book and claim" will be important to promote the SAF market in Australia, and in their design, allow for customers to purchase the carbon benefit of these LCLFs without necessarily needing to physically receive and use the fuel. In the nascent stages of these product markets, it is infeasible to immediately develop supply chains at each terminal or in this case, airports. By utilising a book and claim system, the customers would purchase the associated carbon credentials of the fuel, despite it potentially being supplied to different supply chains and combusted elsewhere. This decoupling of the carbon credentials means that the expensive and bespoke supply chain development which can further add to the cost constraints of LCLFs is somewhat mitigated. Book and claim systems will be instrumental in supporting SAF uptake in the aviation sector.

[3] Rio Tinto renewable diesel trial press release - Viva Energy Australia

Viva Energy is in the process of starting a trial for a book and claim system as a part of our ARENA supported SAF project in Queensland[4]. We look forward to sharing the learnings from this trial with the Government and aviation stakeholders. SAF production is limited globally and at this stage non-existent locally, and the decoupling of supply and demand allows for supply and cost efficiency, whilst also supporting environmental goals and driving a more resilient and flexible LCLF supply chain.

The resources sector also faces similar challenges, often requiring fuels to be delivered into remote parts of the country. Therefore, setting up a bespoke supply chain to transport a small volume of renewable fuel to customers is resource intensive and often unfeasible. This is a complex challenge due to the high carbon emissions associated with the sector. This is where a system similar to a book and claim for SAF is required for renewable diesel and other LCLFs, to help enable the uptake of LCLFs in resources, resulting in further optionality to decrease emissions. As the market for LCLFs grows both in size and complexity in the future, the need for a marketplace to trade the sustainable credentials of fuels will need to be in place to facilitate efficient transactions, whilst also verifying the authenticity of sustainable fuel claims and mitigating cost.

Conclusion

Viva Energy appreciates the opportunity to participate in the NSW Net-zero Commission's 2025 consultation. We commend the State for their ambition to achieve decarbonisation and build climate resilience, and we welcome collaboration on the role that we and LCLFs can play to help decarbonise transport and other fuel using sectors. We have outlined our view on the importance of a nationally aligned policy approach, and the importance of building whole-of-economy action, engaging stakeholders across the value chain to achieve sustainable climate resilience in the long term. We particularly see LCLFs as an avenue to decarbonise the transport sector with minimal requirement to upgrade existing equipment and assets to use these fuels (note: significant investment would be required to build dedicated production infrastructure of LCLF). LCLFs can also provide a pathway to achieve decarbonisation within the resources sector, which could contribute to reducing their reliance on offsets to achieve Safeguard mechanism compliance.

We look forward to further consultation with the NSW Net-zero Commission on the role that we can play in supporting the decarbonisation of the state's fuel pool.

[4] Viva Energy secures ARENA funding to establish Sustainable Aviation Fuel infrastructure - Viva Energy Australia

Please contact me at [redacted] or [redacted] if you have any queries regarding our submission or would like to discuss the points we have raised.

[redacted]

[redacted]

Viva Energy Australia