



**DEPARTMENT OF INDUSTRY, INNOVATION AND SCIENCE
OPPORTUNITIES TO INCREASE AUSTRALIA'S DOMESTIC FUEL STORAGE
CAPACITY: REQUEST FOR INFORMATION**

**AUSTRALIAN TRUCKING ASSOCIATION SUBMISSION
9 JULY 2020**

1. About the Australian Trucking Association

The Australian Trucking Association and its member associations collectively represent the 50,000 businesses and 200,000 people in the Australian trucking industry. Together we are committed to safety, professionalism and viability.

2. Introduction

The ATA welcomes the Australian Government's request for information (RFI) exploration of options for strengthening domestic fuel security and its recognition of the importance of liquid fuel to economic activity.

The *Liquid Fuel Security Review – Interim Report* highlights the importance of liquid fuel to the transport sector, which represents 75 per cent of total liquid fuel demand.¹ The interim report also highlights that:

- 98 per cent of energy for the transport sector is sourced from liquid fuel
- Demand for diesel has grown faster than the economy since 2009-10
- 99 per cent of heavy freight vehicles use diesel and
- The freight task is expected grow by 52 per cent between 2016 and 2036.²

In 2020, we have seen the vital importance of trucking to support our economy and keep our community supplied. We have also seen the potential for unforeseen global events to occur.

The ATA's submission in response to the interim report recommended that the Australian Government design and implement a staged plan for developing Australia's domestic fuel security.³ The RFI is an important step towards that goal.

Recommendation 1

The Australian Government should ensure that the RFI process is followed by investments and decisions to increase domestic liquid fuel security.

¹ Australian Government. [Liquid fuel security review – interim report](#). April 2019. 15.

² Australian Government. April 2019. 15.

³ Australian Government. April 2019. 11, 12.

3. A national diesel storage network

Western Roads Federation, an ATA member association, has put forward the option of a national diesel storage network to form part of Australia's national fuel reserve. The ATA wrote to the Australian Government about this policy option on 5 May 2020.

Many trucking businesses maintain fuel storage facilities. Expanding this storage would provide a decentralised fuel reserve that could keep our economy moving during a crisis.

Trucking businesses could be incentivised to expand on-site storage by being able to purchase fuel exempt of the road user charge to establish a decentralised national fuel reserve.

The initial fuel purchase for the reserve would be road user charge exempt, but later purchases that cycle through the tanks would be purchased as normal by trucking businesses. Businesses within the scheme would commit to maintaining the level of fuel that is part of the national reserve, unless released by the Government for a fuel shortage emergency.

These storage facilities would need to meet established procedures to ensure they are properly designed and maintained. The Government already has procedures, as part of the audited accredited maintenance program option for claiming fuel tax credits, to achieve this. The Government could determine that trucking businesses should be within one of these programs to access the fuel reserve scheme (the ATA operates TruckSafe, which is one of these schemes).

The WRF decentralised fuel storage proposal would have advantages in dealing with regional fuel supply disruptions – such as the Victorian diesel supply disruption in 2012 – as well as national emergencies. The proposal would result in part of the national fuel reserve being diversified geographically, and closely accessible for the transportation of essential items during an emergency.

Recommendation 2

The Australian Government should consider a national diesel storage network as part of the framework for increasing domestic fuel security.

4. Addressing regional fuel stocks

The Australian Government should utilise scenario disruption modelling to identify regions at risk of greater stress during a disruption and explore policy options to improve physical stocks in those areas.

Depending on the disruption scenario, the level of stress in liquid fuel stocks is likely to vary by region. Some regions are likely more vulnerable than others. For example, building all the new physical storage in Melbourne and Sydney would still leave regions in WA and the NT highly exposed to the impact of a disruption.

Recommendation 3

The Australian Government should ensure that new liquid fuel storage facilities also address regional fuel stocks.

5. Incentivising alternative fuel sources

To secure Australia's energy for transport, the Government should ensure that policies on fuel security and low emission technologies are integrated. Whilst diesel is the overwhelming energy for moving freight around Australia's economy, there is potential to increase other energy sources, reducing our vulnerability to disruption in diesel supplies and reducing emissions.

For example, the early transition of public transport fleets to electric or hydrogen fuel cell vehicles would remove vulnerabilities for public transport from diesel fuel supply disruptions.

Encouraging electrification of the delivery fleet

Electric vehicles have considerable potential for urban intensive uses such as delivery vehicles (heavy and light rigids), buses and service vehicles (such as waste vehicles).

At a global level, Volvo Trucks are pioneering electric trucks as a viable commercial solution for cities and businesses. An important part of Volvo Trucks' ambition to move towards zero emissions, electric trucks also have potential for delivering quieter cities, cleaner urban air and better traffic flow. The vehicles are intended for urban use, such as deliveries, waste collection and light construction transport.⁴

The Government's Technology Investment Roadmap Discussion Paper cites the National Electric Vehicles Strategy as an upcoming element of the Government's broader energy and emissions reduction policies.⁵ This strategy should address policy incentives for bringing forward electrification in urban delivery and service vehicles.

Bringing forward hydrogen fuel cell vehicles

In terms of non-diesel technologies beyond urban uses, hydrogen fuel cell heavy vehicles have the potential to offer quick refuelling and the design feature of permitting greater vehicle range. However, take up within industry will remain low until refuelling infrastructure is in place and it is demonstrated that whole of life cycle running costs have reduced. Take up may vary by industry sector and be dependent on how accessible the technology becomes.

As pointed out by the 2019 Hydrogen for Transport issues paper, the freight sector is highly cost-competitive and additional costs cannot usually be recovered from customers.⁶ The

⁴ Volvo Trucks Global. [Electromobility](#). Accessed 17 June 2020. Volvo Group Australia is an ATA member.

⁵ Australian Government. [Technology investment roadmap discussion paper: a framework to accelerate low emissions technologies](#). May 2020. 12.

⁶ Australian Government. [Hydrogen for transport issues paper](#). National Hydrogen Strategy Issues Papers. July 2019. 8.

industry is also an industry of small businesses. More than 93 per cent of trucking operators have a turnover of less than \$2 million and more than 98 per cent have 19 or fewer employees.⁷

Government policy and investment will be critical to bringing forward hydrogen as a viable energy source for transport.

BP has previously outlined considerations for the Australian Government to develop hydrogen as a local energy source.

Developing local industrial uses of hydrogen would support a pathway to developing an export industry and the cost competitiveness of green hydrogen. BP's Kwinana refinery is evaluating the prospect of generating green hydrogen for its desulphurisation process and decarbonisation of an element of the oil refining process.⁸

Ultimately, BP observes that investment in hydrogen is expected to be uneconomical at this stage and scale of the technology, and that it will be dependent on some form of incentive or support.

Potential options could include targeted funding, excise production subsidies, carbon offset arrangements and feed in tariffs.⁹

The Australian Government should further develop and implement measures to bring forward the development and availability of hydrogen.

Hydrogen fuel cell heavy vehicles

Whilst real-world examples of hydrogen fuel cell electric vehicles trucks exist, none are in mass production.¹⁰ Without Government assistance, it is unlikely that an original equipment manufacturer of heavy vehicles would see a return on investment in hydrogen fuel cells for some time, and at current prices (if sold commercially), a trucking operator would also fail to see a return on investment.¹¹

The ATA welcomes existing Government incentives. The Hydrogen Transition Centre, established by Deakin University with \$2 million in Australian Government funding, will partner with truck manufacturer PACCAR to further develop the potential of this technology.¹²

⁷ Australian Bureau of Statistics. [8165.0 Counts of Australian Businesses, including entries and exits, June 2014 to June 2018](#), businesses by main state by industry class by turnover size ranges, June 2018 (a) and business by main state by industry class by employment size ranges. June 2018.

⁸ BP. [Submission to national hydrogen strategy issues papers](#). August 2019. 2. BP Australia is an ATA foundation sponsor.

⁹ BP. 2019. 5.

¹⁰ Australian Government. [Hydrogen for transport issues paper](#). National Hydrogen Strategy Issues Papers. July 2019. 8.

¹¹ Information provided to the ATA. 2020.

¹² Deakin University. [Warrnambool research centre tests trucks running on water](#). 16 December 2019. PACCAR Australia is an ATA member.

Delivering this solution for road freight transport in Australia will need to resolve additional issues including:

- Localising hydrogen fuel cells to be appropriate for Australia's high productivity freight vehicles
- Heavy vehicle mass and length concessions to account for the hydrogen fuel cells
- Upskilling technicians, including in the vehicle dealer network, to ensure these vehicles are supported, including in regional areas
- Designing hydrogen heavy rigids, for smaller transport tasks that need greater range.¹³

Government investment and policy frameworks will be critical to green hydrogen becoming a commercially viable, realistic low emission transport technology. This task cannot be pushed out to 2030 and beyond. Development support and incentives need to progress in the near-term future.

Recommendation 4

The Australian Government should incentivise the electrification of urban delivery and service vehicles and bring forward the development of hydrogen fuel cell vehicles to increase the long-term energy security for our transport fleet.

Recommendation 5

The Australian Government should support and incentivise the development of an Australian hydrogen industry, including for industrial uses.

6. ATA contact

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¹³ Information provided to the ATA. 2020.