Land and Sea Transport Method 2015: Sunsetting Review

ALC Submission to the Department of Climate Change, Energy, the Environment and Water

4th August 2025

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Introduction

Australia's long-term economic competitiveness, decarbonisation objectives, and sovereign resilience depend fundamentally on the efficiency and sustainability of its freight and logistics systems. These networks enable the movement of over $1.2 trillion[1] in goods annually and underpin the operation of every major industry—from primary production to advanced manufacturing, retail, and healthcare. In a nation defined by geographical scale, decentralised populations, and export dependency, freight is not merely a commercial activity; it is an essential service that sustains economic continuity, community wellbeing, and national security.

Despite this critical role, the supply chain and logistics sector remains under-represented in emissions reduction frameworks. Transport is now the third largest and fastest-growing source of emissions, and the freight task is expected to

[1] https://www.oxfordeconomics.com/resource/the-value-of-goods-through-australias-industrial-assets

increase by 26 per cent by 2050. Without dedicated and investable mechanisms to support emissions reduction, abatement in this hard-to-abate sector will lag behind other industries.

The expiry of the Land and Sea Transport (LST) method in March 2024 has removed the only ERF pathway specifically designed for freight emissions reduction. This has occurred at a time when enabling technologies, low-carbon fuels, and carbon market conditions are aligning to support meaningful uptake.

The Australian Logistics Council (ALC), representing the nation's largest supply chain and logistics operators, submits this paper in support of remaking the LST method. Reinstating the method—with practical enhancements—would provide a credible, measurable pathway for freight operators to participate in the carbon market and contribute to Australia's climate goals.

This submission outlines the policy rationale and technical case for remaking the method in a form that:

- Supports transition to low- and zero-emissions fuels and vehicles.
- Enables modal shift to lower-emission freight modes such as rail.
- Reduces administrative barriers for project proponents, including SMEs.
- Integrates with Safeguard Mechanism obligations and broader decarbonisation policy.

Grounded in operational insights from ALC members, these recommendations offer a practical framework to restore industry confidence, unlock private investment, and ensure freight plays its full role in the national net zero transition.

1. Freight Transport: A Decarbonisation Priority

Freight transport is one of Australia's most emissions-intensive sectors, contributing over 38 million tonnes of CO_2e annually[2]—primarily from road freight. With the national freight task projected to increase by 26% from 2020 to 2050[3], scalable, credible decarbonisation mechanisms are critical.

The original Land and Sea Transport (LST) method was the only pathway under the Emissions Reduction Fund (ERF) for freight operators to earn Australian Carbon Credit Units (ACCUs) through fuel switching and modal shift. Its sunsetting in March 2024 created a policy vacuum at a time when low-emissions technologies are beginning to mature and when carbon markets are gaining momentum following the Chubb Review.

ALC urges the Department to remake the method to support:

- Modal shift from road to rail and sea.
- Transition to low-carbon fuels (e.g., renewable diesel, hydrogen, electricity).
- Intermodal and network optimisation for emissions efficiency.
- Long-term uptake of zero-emissions vehicles across the freight task.

2. Why the Method Should Be Reinstated and Improved

2.1 ADDRESSING A MARKET GAP

The LST method remains one of the only mechanisms suited to the freight transport sector under the ERF. Unlike sectors with multiple active methods, freight has limited options to demonstrate and monetise abatement. The market gap is significant, especially as zero-emissions vehicle trials scale and fuel alternatives such as HVO and renewable diesel enter the Australian market. With rising carbon prices and strengthened Safeguard Mechanism obligations, reinstating this method is both timely and justified.

2.2 ALIGNMENT WITH NET ZERO AND SAFEGUARD MECHANISM REFORMS

Remaking the LST method would support:

[2] https://www.cefc.com.au/insights/market-reports/delivering-freight-decarbonisation-strategies-for-reducing-australia-s-transport-emissions

[3] https://www.infrastructure.gov.au/sites/default/files/documents/National-Freight-and-Supply-Chain-Strategy-Review-Report.pdf

- Emissions reduction from operators subject to the Safeguard Mechanism.
- The delivery of high-integrity ACCUs as required by the Chubb Review.
- Implementation of national decarbonisation strategies, including:
- National Electric Vehicle Strategy (2023) [4],
- National Hydrogen Strategy[5],
- The forthcoming Transport and Infrastructure Net Zero Roadmap.

2.3 STRENGTHENING INTEGRITY AND ACCESSIBILITY

Integrity concerns regarding baselines, additionality, and verification can be addressed through practical updates:

- Use operator-specific baselines and chain-of-custody reporting.
- Enable use of verified telematics and fuel purchase data.
- Accept shorter or more flexible baselines (not necessarily three years), in line with NGER reporting.
- Incorporate default emissions factors from National Greenhouse Accounts.
- Introduce safeguards against perverse incentives (e.g. redundant vehicle movements).

By applying conservative emissions assumptions and leveraging verifiable datasets already used under the Safeguard Mechanism and NGER, the method can uphold Offset Integrity Standards while improving usability.

3. ALC Member Perspectives and Case Studies

ALC's membership includes Australia's largest logistics companies with operational footprints across road, rail, intermodal and maritime freight. Members report:

- Missed opportunities to register modal shift projects due to the method's sunset.
- Delays in project investment decisions while awaiting method clarity.
- Inability to unlock co-benefits under state/federal co-investment schemes where ERF eligibility was previously a prerequisite.

3.1 RAIL MODAL SHIFT PROJECT

Before the method lapsed, a major freight operator was preparing an Emissions Reduction Fund (ERF) project to shift containerised freight from road to rail on an interstate corridor between Melbourne and Brisbane. The project was expected to reduce emissions by over 20,000 tonnes of CO_2e annually. With the method no longer in effect, these abatement activities cannot generate Australian Carbon Credit Units (ACCUs), despite continued emissions reductions.

3.2 FUEL SWITCHING TRIALS

Freight and logistics companies are trialling renewable diesel and electric trucks in urban logistics operations. Under a revised transport method, such fuel-switching initiatives could credibly generate ACCUs, enhancing project viability and attracting private investment.

These examples underscore the importance of reinstating the method to support current and emerging decarbonisation pathways.

4. Key Design Improvements for a Remade Method

ALC recommends the following improvements be made:

[4] https://www.dcceew.gov.au/energy/transport/national-electric-vehicle-strategy

[5] https://www.dcceew.gov.au/sites/default/files/documents/national-hydrogen-strategy-2024.pdf

4.1 EXPANDED APPLICABILITY

- Recognise renewable diesel, biodiesel, hydrogen, and electricity as eligible fuels.
- Include vehicle propulsion upgrades and operational efficiency improvements.
- Allow for grouped projects and supply chain aggregation to enable SME participation.
- Harmonise with existing and emerging methods (e.g., aviation, electrification, integrated transport).

4.2 ENHANCED DATA AND TOOLS

To streamline uptake and maintain integrity, the method should:

- Provide a standardised abatement calculator using actual or default inputs.
- Accept data from NGERs, telematics, and fuel cards.
- Offer clear guidance, example scenarios, and templates—particularly for smaller operators.
- Reduce application complexity and align data requirements with typical logistics practices.

4.3 INTEGRATION WITH BROADER POLICY AND INCENTIVE FRAMEWORKS

The method should align with:

- Clean Energy Finance Corporation (CEFC) financing for low emissions transport.
- National Electric Vehicle and Hydrogen Strategy.
- Safeguard Mechanism compliance pathways for large transport emitters.

This integration would allow dual recognition of abatement under both ERF and Safeguard reforms and encourage uptake across multimodal supply chains.

5. Broader Policy Context

Reforming and reinstating the *Land and Sea Transport* method supports wider government objectives, including:

- Australia's 43% emissions reduction target by 2030 and net zero by 2050.
- Enhancing carbon market liquidity with high- integrity supply (Chubb Review).
- Promote cleaner freight corridors, particularly in regional and urban areas.
- Enable new partnerships with Aboriginal and Torres Strait Islander businesses across fuel production, logistics, and infrastructure.
- Drive innovation and green jobs in transport technology, vehicle servicing, and infrastructure deployment.

Environmental risks, such as battery lifecycle management, can be addressed through complementary policy instruments. Ensuring access for regional and subcontractor fleets via aggregation is essential to prevent unintended exclusion.

6. Recommendations

ALC recommends that DCCEEW:

1. Remake the LST method to cover fuel switching, propulsion change, and modal shift.
2. Update baseline and measurement requirements to allow flexible, verifiable approaches using NGER-aligned data.
3. Enable participation by SMEs and regional operators via aggregated projects and default emissions factors.
4. Ensure cross-sector integration, particularly with Safeguard reforms and national strategies.
5. Provide tools and templates to reduce administrative burden and accelerate uptake.
6. Engage industry in method design, leveraging ALC and its members' operational insights.

Conclusion

The freight, supply chain and logistics sector must be equipped with effective mechanisms to contribute to Australia's decarbonisation agenda. Remaking the Land and Sea Transport method—with appropriate updates to scope, data integrity, and usability—would restore confidence, unlock abatement at scale, and align carbon markets with real-world logistics operations. ALC and its members stand ready to support the co-design of a method that delivers environmental outcomes and economic productivity.