

Interim Report: Investing in Cheaper, Cleaner Energy and the Net Zero Transformation

A Submission to the Australian Productivity Commission

Monday, 15th September 2025

Introduction

The Australian Logistics Council (ALC) represents Australia's largest end-to-end freight and logistics companies, spanning road, rail, ports, air, and intermodal supply chains. Freight and logistics are fundamental to Australia's economic prosperity, connecting producers, manufacturers, and consumers across vast distances. As the sector transitions toward net zero, the availability of affordable and reliable energy, effective decarbonisation incentives, and resilience against climate risks will be essential to maintaining productivity and competitiveness. The Productivity Commission's Interim Report provides an opportunity to embed freight-specific needs into the national transition framework.

This submission responds to the draft recommendations in the Interim Report through the lens of ALC's strategic pillars: productivity, decarbonisation, resilience, infrastructure, and workforce. In doing so, it builds on ALC's earlier submissions to the Low Carbon Liquid Fuels Consultation Paper¹ (July 2024), the Net Zero Transport Roadmap Consultation Paper² (July 2024), the NSW Renewable Fuels Discussion Paper³ (August 2024), and the NSW Net Zero Commission⁴ Consultation Paper (April 2025). Together, these contributions emphasise that freight decarbonisation policies must balance ambition with operational reality, safeguard competitive neutrality between modes, and provide the infrastructure and incentives required for long-term investment certainty.

1. Reducing the cost of meeting emissions targets

1.1 Draft Recommendation 1.1 – Reducing emissions in the electricity sector after 2030.

The recommendation for broad-based, enduring market settings to promote low-cost clean energy and reliability post-2030 is fundamental to freight decarbonisation. Rail electrification, depot charging for electric heavy vehicles, and intermodal hubs are energy-intensive assets that require stable, predictable electricity supply. Freight hubs, depots, and intermodal terminals have distinct operating profiles, often running 24/7 with peak loads occurring at times when broader demand is low. Without recognition of these patterns, operators may face elevated costs or reliability risks that could undermine investment in zero-emission technologies.

While broad-based market settings should form the foundation of energy policy, the proposed phase-out of technology- and jurisdiction-specific incentives risks removing targeted support that is critical for freight. For heavy transport, such incentives are not optional—they are necessary to enable adoption of electrification and depot upgrades. ALC recommends retaining scope for targeted incentives alongside broad-based settings, with policies that explicitly account for freight's unique demand profiles and long-term infrastructure needs. This approach will provide operators with the investment certainty required to support fleet electrification, rail upgrades, and the broader deployment of zero-emission logistics technologies.

¹ <https://austlogistics.com.au/media-centre/submission-unlocking-australias-low-carbon-liquid-fuel-opportunity-fed/>

² <https://austlogistics.com.au/media-centre/submission-transport-and-infrastructure-net-zero-consultation-roadmap-consultation-paper/>

³ <https://austlogistics.com.au/media-centre/nsw-renewable-fuel-scheme-discussion-paper/>

⁴ <https://austlogistics.com.au/media-centre/submission-net-zero-commission-2025/>

1.2 Draft Recommendation 1.2 – Expansion of the Safeguard Mechanism and carbon leakage provisions.

Lowering the Safeguard Mechanism threshold from 100,000 to 25,000 tonnes of carbon dioxide equivalent is likely to expand coverage to large industrial facilities, including some rail operators and major logistics customers, while excluding most road freight operators. This differential exposure has the potential to create competitive distortions, as compliance costs for rail operators could increase relative to road, undermining mode-shift objectives essential for national decarbonisation. Moreover, the recommendation does not explicitly consider the downstream impacts on supply chains, such as how cost increases might be passed on to freight customers or how operational decisions could shift between modes. ALC therefore recommends that any threshold reduction include a comprehensive assessment of competitive neutrality across freight modes. Modelling should evaluate potential impacts on freight customers and suppliers, including the risk of distorted operational incentives. Transitional support should be provided to rail operators where compliance costs could create market distortions, ensuring that decarbonisation objectives are achieved without undermining competitiveness or efficiency.

1.3 Draft Recommendation 1.3 – Heavy vehicle emissions-reduction incentives and phasing out light vehicle policy overlaps.

Introducing a technology-neutral incentive framework for heavy vehicles is a pragmatic and necessary step, allowing operators to adopt hydrogen, electric, or low-carbon liquid fuel solutions based on freight task and geography. However, the effectiveness of such incentives depends on timely investment in enabling infrastructure. Charging and refuelling hubs remain sparse, fuel distribution networks are incomplete, and maintenance skills are still developing. Without corridor readiness, technology neutrality risks becoming a blunt instrument—diluting incentives rather than driving uptake.

Phasing out existing incentives for light vehicles, such as FBT concessions and stamp duty rebates, could slow adoption in urban logistics fleets. These light commercial vehicles play a critical transitional role toward heavy-vehicle decarbonisation, and incentives should remain in place until supporting infrastructure and supply chains are sufficiently mature.

Smaller operators, who constitute most of the sector, face additional barriers. Incentives alone are insufficient if they cannot access concessional finance, co-investment, or other transitional support. Without such measures, the transition risks creating a two-tier system where only large operators can adopt low-emissions fleets.

ALC recommends that:

- Technology-neutral incentives for heavy vehicles be complemented with early, targeted investment in charging and refuelling infrastructure along priority freight corridors.
- Transitional incentives for light commercial fleets be retained temporarily to maintain adoption momentum in urban freight.
- Incentives be supplemented with concessional loans, SME transition funds, and other policies that ensure equitable access and supply chain readiness, particularly for low-carbon liquid fuels supporting long-haul freight.

Without these complementary measures, technology-neutral incentives are unlikely to achieve the pace and scale of decarbonisation required across the sector.

1.4 Draft Recommendation 1.4 – Cost-effectiveness and transparency frameworks.

Applying a single national carbon value provides an important benchmark for long-term investment in freight infrastructure and fleet decarbonisation, supporting consistency across states and transport modes. However, a uniform approach risks overlooking the operational complexity and cost pressures unique to the freight sector. Refrigerated transport, high-throughput depots, and intermodal hubs face energy-intensive and time-sensitive demands that may not be adequately valued under a standard framework.

Resilience and productivity considerations are not explicitly integrated into the assessment methodology, potentially undervaluing measures that enhance both emissions reduction and supply chain continuity. ALC recommends that national carbon values be applied with sectoral adjustments reflecting freight's operational realities. Cost-effectiveness assessments should explicitly embed resilience and productivity as criteria, ensuring that decarbonisation policies capture the full economic and operational value of investments in the sector.

2. Speed up approvals for new energy infrastructure

2.1 Draft recommendation 2.1-Reform national environment laws.

Reforming environmental laws to expedite approvals for clean energy projects is essential for freight decarbonisation. Faster approvals for renewable energy and transmission infrastructure directly support rail electrification, depot charging, and other high-energy freight operations. However, the current recommendation does not explicitly recognise freight as a critical energy user and enabler of broader clean energy deployment. Freight hubs and intermodal terminals may compete for land and approvals alongside energy projects, risking delays. ALC recommends that freight infrastructure be explicitly prioritised within environmental law reforms and that planning for depots, ports, and intermodal electrification be integrated into transmission corridor approvals, ensuring alignment between energy infrastructure delivery and operational freight requirements.

2.2 Draft recommendation 2.2- Set up a specialist ‘strike team’ for priority projects.

A dedicated strike team could accelerate the delivery of renewable energy projects. Without explicit inclusion of freight, critical projects—such as hydrogen refuelling hubs, depot charging networks, and rail electrification—may be deprioritised. ALC recommends that the strike team’s mandate explicitly cover freight decarbonisation infrastructure. Coordination with state and territory agencies should ensure approvals are synchronised with fleet and terminal upgrades, aligning infrastructure delivery with operational readiness.

2.3 Draft Recommendation 2.3 – Coordinator-General for priority projects.

A Coordinator-General could reduce duplication and improve transparency in approvals. Freight infrastructure is currently absent from the proposed priority list, creating uncertainty over whether these projects would benefit from central oversight. ALC recommends that rail electrification, depot charging, and hydrogen hubs be explicitly included under the Coordinator-General’s remit. Monitoring, reporting, and escalation processes should track freight projects, providing investment certainty and supporting timely delivery.

2.4 Draft Recommendation 2.4 – Consider the energy transition in approval decisions.

Amending the EPBC Act to require ministers to consider the energy transition in project approvals is a positive step. For freight operators, access to new energy infrastructure is critical to maintain productivity and enable fleet and facility electrification. Without clear criteria, linking approvals to energy transition objectives could inadvertently delay projects. ALC recommends developing practical, freight-specific criteria to demonstrate alignment with energy transition goals, ensuring approvals are streamlined while maintaining environmental standards.

3. Addressing barriers to private investment in adaptation

3.1 Draft Recommendation 3.1 – Supporting resilient housing and climate adaptation.

A central climate-risk information database covering all hazards would guide adaptation planning across sectors. Freight infrastructure—including ports, rail lines, roads, and depots—is highly exposed to climate events, yet the current proposal does not explicitly include these assets. ALC recommends expanding the database to cover freight networks. Operators cannot plan or invest in resilience if they lack access to hazard mapping and climate impact information.

3.2 Draft Recommendation 3.2 – Nationally consistent climate resilience rating system for housing.

While housing is highlighted, freight networks also need resilience benchmarks to guide investment. Disruptions to ports, rail, and road networks can have immediate, far-reaching supply chain impacts. ALC recommends establishing a freight resilience rating system alongside housing. This would give operators and investors a standardised tool to assess risk exposure and plan upgrades. The focus here should be consistent benchmarks, not just localised risk assessments.

3.3 Draft Recommendation 3.3 – Series of actions to improve housing resilience over time.

Freight assets—particularly older depots, bridges, and terminals—will need staged resilience upgrades to remain operational under worsening climate impacts. The report does not currently propose such a framework. ALC

recommends a staged, outcome-based resilience program for freight infrastructure, modelled on the housing approach but tailored to transport networks. Upgrades need to be prioritised where disruption risks are highest.

3.4 Draft Recommendation 3.4 – Climate Change Authority responsibility for monitoring and evaluation.

Assigning monitoring to the Climate Change Authority is positive, but freight infrastructure is again absent. Without inclusion, progress on resilience for ports, intermodal hubs, and freight corridors will not be tracked. ALC recommends expanding the CCA's remit to explicitly monitor freight infrastructure resilience, with reporting that provides actionable insights for operators and policymakers. We recommend ongoing evaluation, ensuring resilience actions remain effective over time.

Additional Considerations

- **Workforce transition:** Decarbonisation policies should integrate workforce training and skills programs to support emerging technologies such as hydrogen, electrification, and climate adaptation planning.
- **Financing mechanisms:** Incentives alone may be insufficient for SMEs; concessional loans, co-investment, and transition funds will help smaller operators adopt zero-emission technologies.
- **Freight as an enabler:** Freight is not only transitioning itself but is essential for delivering renewable energy infrastructure nationwide: moving wind turbines, solar panels, hydrogen tanks. This role must be recognised in policy and approvals frameworks.
- **Data and reporting:** Support for standardised, accessible emissions reporting tools will enable operators of all sizes to measure and manage emissions.
- **National consistency:** Regulatory and infrastructure planning must be harmonised across states and territories to support seamless corridor-based investment.

Conclusion

The Productivity Commission's draft recommendations provide a valuable framework for accelerating Australia's net zero transition. However, without explicitly incorporating freight and logistics considerations, there is a risk that policies may create unintended competitive distortions, slow the uptake of zero-emission technologies, or overlook the resilience needs of critical supply chain infrastructure.

ALC recommends strengthening the draft recommendations by:

- Embedding freight infrastructure as a priority in energy approvals, resilience frameworks, and Coordinator-General oversight.
- Ensuring competitive neutrality across modes when expanding the Safeguard Mechanism or applying national carbon values.
- Supporting technology-neutral incentives for heavy vehicles alongside early investment in charging and refuelling corridors.
- Integrating freight-specific resilience measures into climate adaptation policies and data systems.

By taking these steps, Australia can achieve its net zero ambitions while ensuring that freight productivity, supply chain resilience, and national competitiveness are preserved. ALC stands ready to work with the Productivity Commission and governments at all levels to co-design practical, cost-effective solutions that enable the freight sector to be both a driver and beneficiary of the transition.