ALC AUSTRALIAN LOGISTICS COUNCIL

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Position Paper | Diesel Fuel Prioritisation | April 2026

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Purpose

This paper outlines the Australian Logistics Council's (ALC) position on diesel fuel prioritisation in Australia. It builds on the existing framework under the *Liquid Fuel Emergency Act 1984 (The Act)* and the National Fuel Security Plan and identifies targeted reforms to ensure those settings can be executed under operational conditions.

ALC Position

Australia's fuel prioritisation framework is built around identifying essential users. That remains necessary. It is not sufficient.

Diesel fuel (diesel) is not used at the terminal. It must be moved through a freight system that is diesel-dependent, tightly run and operating with limited spare capacity. When that system tightens, prioritisation decisions do not translate into delivery.

Diesel fuel runs most of Australia's supply chains and underpins day-to-day economic activity. It powers freight and delivery trucks, trains, buses, vessels, and the vehicles used across agriculture, construction and Defence, as well as a large share of light vehicles. It is also relied on for electricity continuity, with diesel generators providing backup power for industrial sites, major buildings, institutions, hospitals and utilities. This level of reliance means diesel is a critical point of exposure if supply or distribution is disrupted.

Current Framework

The Commonwealth fuel prioritisation framework provides the legal authority to act in a fuel emergency. It allows the Australian Government to direct supply, control distribution, and prioritise access to defined users. The National Fuel Security Plan adds an escalation model and recognises the need to maintain supply to priority sectors and limit economic disruption.

These settings are sound. The issue is how they operate under pressure.

The framework is still largely user-based. It focuses on who needs fuel, not how fuel gets there. It does not consistently separate end users from the systems that deliver fuel to them.

Under normal conditions, that distinction holds. Under disruption, it does not.

If distribution capability is constrained, prioritisation decisions cannot be delivered. The framework assumes the system will hold. Experience shows it does not always do so

The System Constraint

Australia's diesel supply chain is long, dispersed and tightly run.

- Around 80% of refined fuel is imported

- Domestic refining capacity is limited
- Storage buffers are improving but remain constrained
- Distribution spans long international and domestic supply chains

Diesel moves through a fixed sequence: import terminal, bulk transfer, inland storage, final delivery. Each stage depends on the other.

The system is also diesel-dependent. Diesel moves diesel.

When disruption occurs, the system does not fail evenly:

- Delivery cycles extend
- Supply becomes uneven
- Regional areas are impacted first
- Demand signals distort

The constraint is not supply. It is the distribution capacity - policy settings need to reflect that.

This has been observed domestically during flood events and internationally during the UK fuel crisis, where fuel remained in the system but could not be distributed at the required rate. The policy implication is direct. Stockholding and allocation decisions must be matched by distribution capability.

Case Studies

Fuel Distribution

Fuel distribution is the base layer of any prioritisation framework. Road tankers, rail freight transport and terminal operations deliver fuel to every user, including those designated as priority.

These systems do not carry excess capacity:

- Tanker fleets depend on driver availability, access windows and safe site conditions
- Freight rail depends on pathing, crew and terminal throughput
- Terminals operate continuous loading cycles with limited ability to scale

When one part slows, the whole system slows.

Regional and remote areas feel this first. Distances are longer, options are limited and storage buffers are smaller. Disruption moves quickly from delay to shortage.

Freight rail adds scale over distance but does not remove the constraint. It is diesel-reliant and dependent on network access.

The final step is road transport. If tanker fleets cannot operate, fuel does not reach service stations, airports, hospitals or emergency services.

Port and Marine Towage and Maritime Access

Australia’s fuel supply is import-dependent, making port access non-negotiable. Towage is a critical enabler of that access. Tug operators, working in coordination with the Australian Maritime Safety Authority (AMSA), are integral to the national maritime response. Without towage, vessels do not berth or depart.

This directly constrains port throughput, including the movement of fuel tankers.

Operations are tightly sequenced:

- Vessel movements are scheduled
- Berths and channels are capacity-constrained
- Delays cascade quickly

If towage is constrained:

- Vessel movements slow or stop
- Fuel imports are delayed
- Congestion builds
- Throughput drops

The Suez Canal blockage showed how quickly disruption to maritime movement affects supply chains. The same applies here.

Freight Corridor Incident Response

Freight transport movement depends on corridor reliability. Urban networks linking ports, airports and distribution centres operate at or near capacity.

Incident response is what keeps them moving.

Operators deploy dedicated response fleets to clear incidents and restore flow. When that response slows:

- Lane closures extend
- Congestion builds quickly
- Secondary incidents increase
- Network performance drops

For freight transport, that means missed delivery windows, reduced reliability and higher costs. It also increases fuel consumption through stop-start conditions.

These functions are not typically classified as essential users, but they determine whether the system moves.

Defence Movement and Logistics

Defence is appropriately prioritised within fuel allocation frameworks. However, Defence capability is dependent on freight transport and logistics.

The movement of personnel, equipment and supplies across Australia is largely undertaken by road freight. This includes heavy vehicles moving equipment, vehicles and support systems across long distances.

This creates a practical constraint - Defence movement depends on the same freight network as the civilian economy. If that network is constrained:

- Convoy movement is delayed
- Deployment timelines are affected
- Operational flexibility is reduced

A Defence convoy cannot move through a blocked corridor. If an incident restricts access and response capability is unavailable, movement stops regardless of priority status. Similarly, if fuel distribution is constrained, Defence resupply is affected.

Policy Implications

The framework assumes that once priority users are identified, fuel can be delivered to them. That only holds if distribution systems are operating, ports remain open and corridors remain accessible.

Recent Australian experience shows the gap. During the 2022 eastern Australia floods, fuel supply remained available at a national level. Import terminals and storage continued operating. There was no formal allocation trigger.

Despite this, availability became uneven.

The constraint was access. Flooded corridors cut off tanker deliveries. Communities were isolated. Service stations ran dry. Deliveries were delayed. Operators relied on existing reserves.

The response focused on restoring movement, not increasing supply. Corridors were reopened, tanker access was prioritised, and logistics were coordinated through emergency management.

This is how disruption plays out in practice. Supply can exist in the system and still not reach the point of use.

Prioritisation is ultimately determined by what can be delivered

This example reflects how disruption plays out in a geographically dispersed, road-dependent distribution system. Identifying priority users does not ensure supply if fuel cannot be moved. In those conditions, prioritisation is driven by what can be delivered, not what has been determined.

ALC Recommendation

Diesel fuel prioritisation should be structured around system function.

Tier 1- System Continuity

- Emergency services and Defence
- Fuel distribution (road, rail, terminals)

Tier 2 - Network Functionality

- Harbour towage and maritime response
- Freight corridor incident response
- Access to ports, airports and intermodal facilities

Tier 3 - Economic Continuity

- Food, fuel and medical supply chains
- Essential componentry (equipment and spare parts)
- Regional and remote distribution

Implementation Considerations

To operationalise this approach, ALC recommends:

- Define critical freight transport functions in advance within allocation frameworks
- Apply settings consistently across jurisdictions
- Use real-time industry data on fleet availability and network performance
- Plan against different disruption levels (10%, 30%, 50%)
- Maintain direct communication between the government and industry during escalation.

These measures build on existing policy settings and improve their effectiveness under real-world conditions.

Australian Logistics Council

ALC is the independent, trusted voice of the modern supply chain for Australia. Through industry consultation and strong government relationships, the ALC is providing leadership and driving improvement across the workforce, infrastructure, national policy, decarbonisation, safety and end-to-end supply chain coordination.