



SUBMISSION

2026-27 Safeguard Mechanism Review

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

Australian Logistics Council

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No.	ALC recommendation
1	Adopt a national facility definition for land freight. First assess transport impacts and road and freight rail competition. Do not automatically apply the model to aviation or shipping.
2	Improve road coverage through national reporting and aggregation. If a material gap remains, give road-exposed non-bulk freight rail temporary relief. Relief could adjust production variables, decline rates or equivalent settings.
3	Set post-2030 decline rates in line with Australia's targets. Allow temporary flexibility where technology, fuels or infrastructure limit practical abatement.
4	Create an investment-based Safeguard compliance pathway for approved freight projects. Keep ACCUs and SMCs for emissions operators cannot yet abate.
5	Continue banking and limited borrowing after 2030. Keep multi-year monitoring for credible projects with longer delivery periods.
6	Do not lower the general threshold simply to widen land-transport coverage. Any expansion must deliver clear emissions benefits and proportionate costs.
7	Assess emissions across the whole freight task. Recognise freight rail as an immediate lower-emission option where it suits the task.
8	Include land freight in Australia's low-carbon liquid fuels market. Use temporary price support while supply grows and costs fall.
9	Use Commonwealth funding to support practical road and freight rail abatement. Priorities include trucks, charging, locomotive upgrades and enabling infrastructure.
10	Use existing NGER and climate disclosure data where possible. Avoid duplicate reporting. Give the supply chain logistics and freight transport industry enough lead time.

1. About the Australian Logistics Council

The Australian Logistics Council (ALC) represents Australia's supply chain logistics and freight transport industry.

Our members work across the end-to-end supply chain. They include road transport and freight rail operators, ports, airports and stevedores. They also include terminals, warehouses, property, retailers, manufacturers, energy and technology businesses.

ALC works with governments, policymakers and regulators on supply chain logistics and freight transport policy. We seek safer, more productive, resilient and sustainable supply chains.

2. Executive summary

ALC welcomes DCCEEW's 2026-27 review of the Safeguard Mechanism. We support Australia's emissions targets and a stable scheme beyond 2030. The supply chain logistics and freight transport industry needs clear settings for long-term investment.

The key test is whether the Safeguard Mechanism lowers emissions across the national freight task. Freight rail already faces Safeguard obligations and must keep reducing emissions. Freight rail can also reduce emissions when suitable freight shifts from road. A carbon cost should cut emissions, not simply shift freight between modes. Current settings can distort this outcome. Freight rail emissions sit within fewer covered facilities than road freight emissions.

The Department recognises this problem. Current settings cover 84 per cent of reported freight rail emissions. They cover only 10 per cent of reported road freight emissions. National transport reporting would lift freight rail coverage to 92 per cent. It would lift road coverage to 51 per cent. This would narrow, but not remove, the gap. Applying the same model to aviation and shipping may create new problems.

ALC supports a targeted reform for land freight. Government should first assess impacts on road and freight rail. It should then consult on facility boundaries, production variables, costs and transition. The reform should address comparable freight activity. It should not redesign NGER reporting across every transport mode.

Supply chain logistics and freight transport also lack enough practical abatement options. Operators already invest in electric trucks, efficient locomotives and renewable electricity. They also invest in charging, alternative fuels and intermodal transport. Progress still depends on available vehicles, grid connections, range and payload. Fuel supply and customer costs also matter. These limits do not justify weaker emissions goals.

Australia should keep its national emissions task intact. The review should focus on real emissions cuts. It should keep flexibility where practical alternatives do not exist. It should support direct investment in lower-emission transport. It should also prevent policy from shifting freight to higher-emission modes. Government should align Safeguard settings with fuels, electricity networks and transport policy. Existing Commonwealth funding should support practical transport decarbonisation.

ALC position

The Safeguard Mechanism should cut emissions across the whole freight task. It should not reward lower emissions at one reporting boundary alone. A facility cut is not a climate gain if freight shifts elsewhere. This matters most when freight shifts to a higher-emissions mode.

3. Principles for supply chain logistics and freight transport under the Safeguard Mechanism

System outcomes and mode choice

Freight rarely uses a single facility or transport mode. A shipment can use roads, terminals, freight rail, ports and another road leg. Emissions depend on technology, fuel, distance, load, utilisation and network performance.

Government should test Safeguard settings against the whole freight task. Facility compliance alone does not show the national emissions outcome. This matters where road and freight rail compete for containerised freight. Freight rail emissions can fall while total transport emissions rise. That happens when freight shifts from freight rail to road.

Freight rail can cut emissions before zero-emissions long-haul technologies become widely available. The Association estimates a one-point shift to freight rail could cut 330,150 tonnes annually.

ALC does not support government prescribing transport modes. Road freight remains essential. Many freight tasks have no practical freight rail option. Policy should remove distortions and let customers choose the best option. Freight rail and intermodal transport should compete where they suit the task.

Support practical emissions cuts without weakening ambition

Heavy road freight and long-haul freight rail remain difficult to decarbonise quickly. Battery-electric trucks suit some metropolitan and return-to-base work, while wider use depends on vehicles, range, payload, charging and grid capacity. Freight rail uses long-lived assets and has fewer mature propulsion alternatives.

Government should not weaken the emissions goal. It should distinguish between unwillingness and genuine lack of practical options. ALC supports temporary flexibility where technology, fuel or infrastructure remain unavailable. Government should review and tighten that flexibility as practical alternatives emerge.¹

Fuel resilience and lower emissions work together

The 2026 fuel disruption exposed Australia's reliance on imported diesel and supply routes. The Safeguard Review links lower fossil-fuel use with stronger fuel resilience. It also links lower fuel use with reduced exposure to price shocks.²

This aligns with ALC's existing position. Electrification should move faster where the freight task allows it. Australia also needs a viable low-carbon liquid fuels market. Renewable diesel can support long-haul, regional and freight rail operations. These fuels can cut emissions while zero-emissions options mature.

¹ ALC, 2026 Annual Progress Advice - Submission to the Climate Change Authority, August 2026, pp. 9-10. ALC supported time-limited differentiation when evidence shows material differences in technology readiness, abatement costs, infrastructure constraints, or competitive impacts.

² DCCEEW, Safeguard Mechanism Review Consultation Paper, August 2026, pp. 1-3. The paper links reduced fossil-fuel dependence with operating-cost, competitiveness and fuel-resilience benefits, including reduced vulnerability to external price shocks.

4. Road and freight rail coverage and fair competition

Current Safeguard coverage and national reporting

ALC agrees that land transport creates a genuine facility-definition problem. Transport activity moves across jurisdictions, unlike stationary industrial plants. Businesses can report on state, territory or national transport facilities. Once they choose national reporting, they cannot return to state or territory reporting.³

That choice can determine whether emissions cross the 100,000-tonne Safeguard threshold. Similar freight businesses can therefore face different obligations. Their corporate structure can affect coverage more than their freight task.

Safeguard setting	Freight rail emissions (Mt CO ₂ -e)	Freight rail share of NGER emissions	Road emissions (Mt CO ₂ -e)	Road share of NGER emissions
Current Safeguard coverage	2.9	84%	0.4	10%
Mandatory national facility definition	3.1	92%	1.7	51%

Source: DCCEEW, *Safeguard Mechanism Review Consultation Paper*, August 2026, Table 3.2. DCCEEW based these figures on 2024-25 reported NGER data.

Current Safeguard coverage is much higher for freight rail than road freight. National reporting would narrow, but not remove, this gap. Government should first improve road coverage through national reporting and aggregation. If a material gap remains, government should protect road-exposed non-bulk freight rail. Government should make relief temporary and tie it to measurable competitive impacts. A lower decline rate could apply while practical alternatives remain unavailable.

ALC supports a national facility definition for land freight, subject to four safeguards:

- limit the reform to road and freight rail at first;
- assess regulatory costs and competition before finalising the rules;
- consult on facility boundaries, production variables, subcontracting and corporate structures;
- give newly covered operators enough time to prepare for compliance.

The land-freight definition should avoid unnecessary changes to other NGER reporting. Reporting rules should serve the policy, not drive it.

Contestable freight and mode shifting

Competition is strongest for non-bulk and containerised freight on interstate corridors. Customers can switch modes based on price, reliability and transit time. Terminal performance and service frequency also shape that choice. Government should test eastern seaboard corridors first. Melbourne, Sydney and Brisbane offer clear road and freight rail comparisons.

A carbon cost on one mode can change customer choices. The result can shift activity outside the more regulated mode. That shifts emissions rather than cutting them.

ALC recommends a temporary safeguard for road-exposed freight rail. Operators should prove the freight is genuinely contestable. They should also show that compliance costs affect mode choice. They must show a shift to road would increase freight emissions. Relief could adjust the production variable or decline rate. Government should review the relief regularly. It should reduce relief as coverage and technology improve.

ALC does not seek a blanket freight rail exemption. Bulk freight without a practical road substitute should follow normal rules. The goal is fair competition and lower national emissions.

³ DCCEEW, *Safeguard Mechanism Review Consultation Paper*, August 2026, pp. 33-36. Under NGER arrangements, transport businesses may define facilities at state/territory or national level; once national reporting is elected, the facility cannot return to state/territory reporting.

5. Post-2030 decline rates and the 2035 target

ALC supports Australia's 2035 emissions target. The Safeguard Mechanism should contribute a fair share. Government should also provide predictable five-year settings. Freight businesses need stable settings for long-lived assets and infrastructure.⁴

A proportional approach is transparent, but sectors face different practical options. ALC supports one national target with limited, evidence-based flexibility. Flexibility should prevent higher emissions or stranded assets. It should apply only where practical alternatives do not exist.

When setting the 2030-31 to 2034-35 decline rate, the Department should consider:

- available and affordable zero- and low-emission trucks and locomotives;
- low-carbon fuel supply, sustainability and price;
- grid capacity, connection times and charging infrastructure;
- truck and locomotive replacement cycles;
- emissions intensity, lower-emission alternatives and mode-shift risks between road and freight rail;
- combined Safeguard, cleaner-fuels and transport decarbonisation costs.

Any different treatment should be transparent, temporary and reviewable. It should still reward emissions cuts. Government should tighten flexibility when practical technology, fuel or infrastructure becomes available. This approach matches ALC's 2026 Annual Progress Advice.⁵

⁴ DCCEEW, Safeguard Mechanism Review Consultation Paper, August 2026, pp. 40-43. The review considers the Safeguard Mechanism's proportional contribution to Australia's 2035 target and the post-2030 baseline decline rate.

⁵ ALC, 2026 Annual Progress Advice - Submission to the Climate Change Authority, August 2026, pp. 9-10; ARTC, ARTC Position on the Climate Change Authority Consultation Paper, July 2026, provided to ALC.

6. Direct emissions cuts and flexible compliance

ACCUs and SMCs

ALC supports stronger incentives for direct emissions cuts. Operators should benefit when investments reduce fuel use and emissions. Examples include cleaner vehicles, locomotives, renewable diesel, renewable electricity and charging.

ALC also supports an investment-based Safeguard compliance pathway. Regulators could approve eligible freight decarbonisation projects before investment; eligible projects could include locomotive upgrades, hybrid systems, and zero-emission trucks. They could also include low-carbon fuels, charging infrastructure and credible trials. The pathway should direct compliance spending toward real emissions cuts.

ALC does not support blanket limits on ACCU use for hard-to-abate freight. Caps can raise costs without creating more on-site reductions. This happens when operators cannot access suitable vehicles, electricity or low-carbon fuels.

Member evidence supports this concern. Linfox identifies limited truck options, grid constraints and low-carbon fuel shortages. It also identifies difficulty recovering transition costs. Linfox supports ACCU flexibility alongside stronger incentives for direct abatement. Long-haul freight rail faces similar technology and infrastructure limits.⁶

Government should test any new ACCU restriction against three questions:

1. Would the change cut more emissions at the affected facility?
2. Can the operator access a practical, affordable option during the compliance period?
3. Could the change raise freight costs or shift freight to higher-emission modes?

If not, government should first address the barrier. Transitional compliance flexibility should remain available.

The pathway should exclude normal business spending. Regulators should approve projects against a multi-year plan. Plans should cover costs, emissions cuts, milestones, verification and under-delivery. They should also prevent double counting. ACCUs and SMCs should cover remaining emissions where practical abatement is unavailable.

Banking, borrowing and multi-year monitoring

ALC supports banking after 2030. Banking rewards early action and can reduce price swings. It also helps businesses manage uneven project delivery across years.

ALC also supports limited borrowing between years. Freight emissions can change with volumes, weather, outages and diversions. The current cap and interest settings can manage short-term variation.

Government should retain multi-year monitoring after 2030 for credible long-term projects. Examples include locomotive replacement, grid connections, depot charging and staged fuel transitions. Multi-year monitoring should not replace routine annual compliance.⁷

Cost controls and international units

Government should keep cost containment as a backstop for extreme costs. Freight costs flow through food, retail, construction and manufacturing. They also affect regional supply. The measure should limit extreme volatility, not become routine.

ALC does not seek immediate access to international units. Domestic abatement and integrity should come first. Any future units should meet Paris Agreement accounting rules. They should also match domestic integrity standards.

⁶ Linfox - GreenFox, 2026 Annual Progress Advice Consultation Response and Safeguard Mechanism Input, 26 July 2026, pp. 5-7, provided to ALC. Linfox supports ACCU flexibility where practical abatement is not commercially available, alongside stronger incentives for verified onsite abatement.

⁷ DCCEE, Safeguard Mechanism Review Consultation Paper, August 2026, pp. 17-21 (banking, borrowing, multi-year monitoring and cost containment).

7. Coverage threshold and compliance costs

ALC does not support lowering the general 100,000-tonne threshold first. Reporting rules that currently define and group transport facilities are inconsistent - a lower threshold could capture unrelated sectors without fixing that problem. It could also impose large new compliance costs.⁸

The Department should first define the land-transport facility. It should then measure the remaining coverage gap. Any later threshold change needs a sector-specific cost-benefit assessment. That assessment should show clear emissions benefits and manageable competitive effects.

Government should also consider medium and regional operators as compliance costs can consume a larger share of their margins. These costs include assurance, legal advice, data systems and carbon purchasing. Any lower threshold needs long lead times and simple guidance. Assurance requirements should remain proportionate.

⁸DCCEE, Safeguard Mechanism Review Consultation Paper, August 2026, pp. 35-39. The current Safeguard coverage threshold is 100,000 tonnes CO₂-e per facility per year; the review is considering whether the threshold should be lowered.

8. Low-carbon fuels and enabling infrastructure

Low-carbon liquid fuels

Heavy transport will need more than one decarbonisation pathway. Electrification already suits some road freight tasks. Renewable diesel and other low-carbon fuels remain important for longer routes. They also matter for regional, remote and freight rail operations. Zero-emission technologies are not yet ready for every freight task.

Government is also developing a market for Australian low-carbon liquid fuels. The Safeguard Review recognises the overlap. Government should design both policies together.⁹

Land freight should enter cleaner-fuel supply-and-demand measures from the start. Government should support domestic production, storage and distribution. It should set credible sustainability and lifecycle emissions standards. Early support should also reduce the cleaner-fuel price gap. Support should fall as supply grows and prices improve. Scarce early supply should not go only to aviation.

ALC does not support a freight fuel mandate before enough supply exists. A mandate could add costs without giving operators a practical alternative. Safeguard baselines could compound those costs.

Heavy road freight electrification

Heavy-vehicle electrification requires more than suitable trucks. Depot charging can create large, concentrated electricity demand. Operators face long grid connection times and network upgrade costs. Property, lease and freight schedules can also limit charging options.¹⁰

Government should prioritise:

- faster, clearer grid connections for freight sites;
- planned network capacity for major logistics precincts and freight corridors;
- depot, shared-hub and corridor charging;
- capital support, concessional finance or accelerated depreciation for early deployment;
- consistent technical, access and charging standards across Australia.

Freight rail and intermodal transport

Freight rail already produces lower emissions on many long-distance tasks - carbon intensity alone does not drive customer decisions. Reliability, paths, terminals, access, transit time and confidence also matter. These factors determine whether freight rail is practical.

Climate policy should recognise the value of existing lower-emission transport capacity. A carbon price alone will not shift suitable freight onto freight rail. Transport policy must also fix reliability and access barriers. Customers will use freight rail when the service suits their task.

Freight rail decarbonisation should support efficiency, cleaner locomotives, hybrid systems and low-carbon fuels. Battery-electric, electric and hydrogen options will take longer to mature. Infrastructure managers and operators need aligned investment. Network productivity and energy infrastructure affect emissions outcomes. Existing Commonwealth programs should explicitly support freight and freight rail. Support should include locomotive upgrades, enabling infrastructure and zero-emission freight rail readiness.

⁹ DCCEEW, Safeguard Mechanism Review Consultation Paper, August 2026, p. 36; DCCEEW, Securing Australia's Cleaner Fuels Industry Consultation Paper, 2026, pp. 72-73. Both processes recognise interaction between low-carbon liquid fuel policy and Safeguard obligations.

¹⁰ Linfox - GreenFox, 2026 Annual Progress Advice Consultation Response and Safeguard Mechanism Input, 26 July 2026, pp. 2-4 and 6-7, provided to ALC. Identified barriers include vehicle cost and availability, payload/range limits, depot charging, grid connection timing and network capacity.

9. Reporting and implementation

ALC supports a fair and workable scheme. Government should avoid unnecessary complexity. It should not request data already reported through NGER. It should also use existing climate disclosures where suitable.

ALC recommends that the Department:

- use existing NGER data before seeking new freight data;
- align new abatement information with existing transition plans and climate disclosures;
- consult before changing transport production variables;
- publish worked examples for national transport facilities and subcontracting;
- give businesses enough time to adjust contracts, systems and investment plans;
- publish clear guidance before new obligations start.

The Department should also coordinate with infrastructure agencies. It should involve the supply chain logistics and freight transport industry. Safeguard, cleaner fuels and transport policies should work together. For land freight, government should use four practical levers. Support lower-emission modes where they suit the task. Fix road and freight rail coverage distortions. Support low-carbon liquid fuels. Use existing funding to accelerate zero-emission freight technology.

10. Direct responses to key consultation questions

ALC focuses on questions that directly affect supply chain logistics and freight transport. The table below summarises our position.

Consultation issue	ALC response
Restrictions on ACCU use	Keep ACCU and SMC flexibility where practical abatement is unavailable. Create an investment pathway for approved freight projects.
International units	Do not prioritise international units now. Any future units must meet Paris accounting and integrity rules.
Banking	Continue banking after 2030. It rewards early action and helps manage price swings.
Borrowing	Continue limited borrowing at an appropriate interest rate. Use it for genuine year-to-year variation.
Multi-year monitoring	Allow targeted access after 2030 for credible capital projects. Require clear milestones and end dates.
Road and freight rail facility definition	Progress a national facility definition for land freight after a transport impact assessment. Aggregate material road activity effectively. Do not automatically apply the rule to aviation or shipping.
Contestable freight and mode shifting	Improve road coverage first. If a material gap remains, give road-exposed non-bulk freight rail temporary relief. Relief could adjust production variables, decline rates or equivalent settings.
Coverage threshold	Do not lower the threshold to fix transport definitions. Any later change must deliver clear benefits at proportionate cost.
2035 target and decline rate	Keep the national target intact. Allow reviewable flexibility where practical abatement is unavailable. Also protect against shifts to higher-emission modes.
Reporting and implementation	Use existing data and disclosures. Consult before changing production variables. Give the supply chain logistics and freight transport industry clear guidance and enough lead time.

11. Conclusion

The Safeguard Mechanism is now part of Australia's climate policy. Its settings should reduce emissions across the whole freight task.

This review can fix a structural problem in land transport. Current facility rules cover road and freight rail very differently. National aggregation would improve neutrality. It must still protect against freight shifting to higher-emission modes.

Compliance settings must reflect practical abatement options. Operators should still face a clear emissions signal. Policy should direct investment toward vehicles, fuels, electricity and infrastructure. An approved investment pathway could fund verified emissions cuts. ACCUs and SMCs should cover emissions that operators cannot yet abate.

ALC supports an ambitious, stable Safeguard Mechanism that works in practice. It should cut freight emissions and strengthen fuel resilience. It should also protect fair competition and support investment. Settings should keep lower-emission transport options competitive. They should cut total emissions, not shift activity outside covered facilities.

ALC can work with DCCEE and regulators on detailed implementation. We can also work with the supply chain logistics and freight transport industry. This includes facility definitions, decline rates, cleaner fuels and transition arrangements.