

Can Australia decarbonise air travel? It's a \$36b question

Ryan Cropp *Energy and climate reporter*

Jul 6, 2025 – 10.30pm

The government's \$32 billion green bank says Labor's net zero targets will be put out of reach in sectors such as aviation and long-haul trucking unless the government turbocharges investment in locally made low-carbon fuels.

The Clean Energy Finance Corporation, a multibillion-dollar government-backed green investment bank, says the creation of a domestic low-carbon fuel industry would provide a ready-made emissions reduction solution for hard-to-decarbonise sectors with no clear path to electrification.

Low-carbon fuels are derived from renewable or sustainable sources such as feedstocks and waste products, and can be "dropped in" as a direct replacement for fossil alternatives without major capital outlays or equipment upgrades.

However, despite exporting a huge proportion of the products required to make clean fuels – including sugarcane, canola and tallow – Australia is a global laggard in their development and has no existing operational projects.

According to new analysis by the CEFC and Deloitte, government support for nascent low-carbon fuel projects – such as revenue certainty mechanisms, demand underwriting and usage mandates – would improve Australia's fuel security, reduce emissions and unlock a \$36 billion export industry by 2050.

CEFC executive director Rupert Maloney said that while the bank stood ready to finance the development of the industry, inadequate policy settings were putting barriers on its growth.

"Time is of the essence," Maloney said. "There's a really good opportunity here for Australia to value-add and process these feedstocks in-country and then have the benefits from using those low-carbon liquid fuels here."

“We’re positioning to support projects as they get to that final investment decision stage, and they’re looking for financing for those projects. We’ll support those projects when that happens.”

The federal government is required to declare a 2035 emissions reduction target before the next UN climate summit in November. The Climate Change Authority, which is advising on the target, has sought feedback on an emissions reduction goal in the range of 65 to 75 per cent.

A target in such a range would require a significant uplift from the existing 2030 target of a 43 per cent reduction on 2005 levels – including from sectors such as aviation, transport, mining and heavy industry.

But while passenger vehicles have a clear pathway to electrification, carbon abatement in the mining and aviation sectors will prove more difficult.

“A significant share of Australia’s liquid fuel demand is hard to electrify, meaning net zero targets could be at risk without other decarbonisation options,” the Deloitte report says.

Tim Buckley, director of think tank Climate Energy Finance, said alternative fuels were critical to meeting net zero targets in aviation, but would not develop without the government mandating their use.

“The mandates are what drive it,” Buckley said. “Alternative fuels are still two to five times more expensive as fossil fuels in aviation and shipping. We’re nowhere near cost parity.

“But to meet net zero in the hard-to-abate industries, e-fuels are going to be absolutely key. It’s critical that Australia gets in the race.”

Countries including Japan, South Korea, Brazil and the United Kingdom have all set mandates for the use of clean fuels in aviation. The European Union will require 70 per cent of planes to use the alternative fuel by 2050.

In March, the climate-conscious billionaire founder of Atlassian, Mike Cannon-Brookes, said he would use sustainable aviation fuels to [power his new private jet](#) – despite the product not being readily available in Australia.

Australian has 16 projects in the development stage, backed by companies including BP and Viva Energy, but none are yet operational.

The federal government has dedicated \$250 million in support for new e-fuel supply chains under its Future Made in Australia agenda, but has not yet mandated their use in key industries.

In June 2024, Airbus Australia's chief representative, Stephen Forshaw, said domestic clean fuel [supply would become scarce](#) if fast-moving foreign nations were able to swoop in and take Australian biomass before a local industry was established to process locally made fuels.

"If we don't get the policy settings right in the next 12 to 18 months, we won't be talking about a future made in Australia, we'll be talking about a future made in Singapore," he told the Australian Financial Review ESG Summit.

The CEFC report says the creation of a domestic low-carbon liquid fuel industry could also insulate Australia from major fuel supply shocks such as that caused by recent conflicts in the Middle East and Ukraine.

"We've got a lot of competitive advantages in Australia. So we've got the land, the feed stock, the renewable energy resources, the capability," Maloney said.

<https://www.afr.com/policy/energy-and-climate/can-australia-decarbonise-air-travel-it-s-a-36b-question-20250706-p5mcsr>