

Can cutting the diesel rebate actually pay?

Rebate seen as a drag on investment in battery-electric technologies

Noel Dyson | 03 November 2025



Credits: Shutterstock

While the diesel rebate has been held up as a major disincentive to investing in battery-electric haulage, getting rid of it may be a step too far. But what if there was a way to do it and not cost the most miners anything?

Clean Energy Finance director Tim Buckley may have a solution.

He suggests a Transition Tax Incentive.

It does not eliminate the diesel tax rebate entirely. Rather, Buckley's version caps the diesel fuel tax rebate at \$50 million per annum, which he believes will affect only 15 mining companies and not long-haul truck drivers or farmers.

"Then we will give you an investment tax credit where you can reclaim all the tax you pay beyond the \$50 million if you invest in decarbonisation," he said.

"The Australian Tax Office would have to say they can get the rebate they would pay against their profit and loss. The only prerequisite would be that they would have to predominantly solve the problem by decarbonising."

Buckley said miners often used the argument that the technology did not exist but things were changing.

"The energy density of batteries has doubled every two years," he said.

Yes, the traditional original equipment manufacturers are struggling to field replacements for diesel haulage.

However, there are alternatives emerging such as XCMG and Eacon, that could cut Caterpillar's and Komatsu's battery-electric haulage truck lunch.

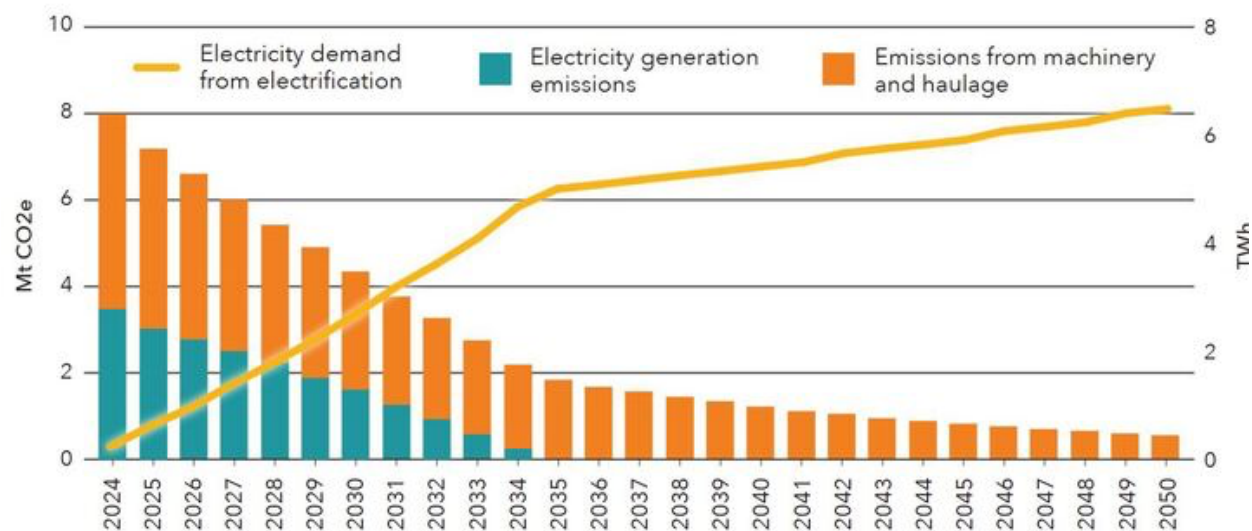
Fortescue has been a frontrunner in the electric haulage space. It set out to do it all itself. However, as the technology evolved it trimmed its sails to adapt to what is becoming available. Gone is its plan to replace all of its diesel trucks with Liebherr trucks using Fortescue-made batteries. Now it is getting half its battery-electric trucks and virtually all of its batteries from XCMG.

Power shift

According to *Power Shift: WA's Electrified Future*, a report by Greenpeace Australia and Springmount Advisory, Western Australia's mining sector will require just north of 6 terawatt hours of electricity by 2050 if it electrifies its machinery and haulage.

The study found mining contributed one quarter of the state's industrial emissions, some 8.2 million tonnes of CO₂-equivalent. Its modelling shows mining operations can reduce emissions to 580,000t of CO₂-e by 2050 by shifting to on-site and/or grid-based renewable electricity and electrifying their machinery and haulage.

It did not factor in the electrification of the trains used in the iron ore sector, noting delays faced in getting the technology.



Mining emissions can be cut through electrification | Credits: Power Shift Study

The study also supports Buckley's investment tax credit idea.

Springmount Advisory managing director Tom Quinn told *Australia's Mining Monthly* that getting rid of the diesel rebate would remove a disincentive for miners to pursue zero emissions technologies.

"The reason we have the diesel fuel tax rebate is to encourage mining and large-scale agriculture," Quinn said.

"It's been successful at that.

"But we want to create an increasingly low-emissions mining sector. How do we tweak our settings?"

Quinn is a fan of Buckley's Transition Tax Incentive and believes that if the policy settings are right, the mining sector will respond.

"The thing I take a lot of heart from is that WA is good at progressing industry at scale, at speed when the policy settings are in place," he said.

"China is good at developing its technology at speed. We've seen it with solar and with battery technology.

"I think we're going to see rapid change.

"The energy density we're seeing in battery technology is accelerating at such a rate that someone is going to crack the nut. Plus, we're also seeing significant money spent on the sector."

Green iron

Building a WA green iron industry is another way forward.

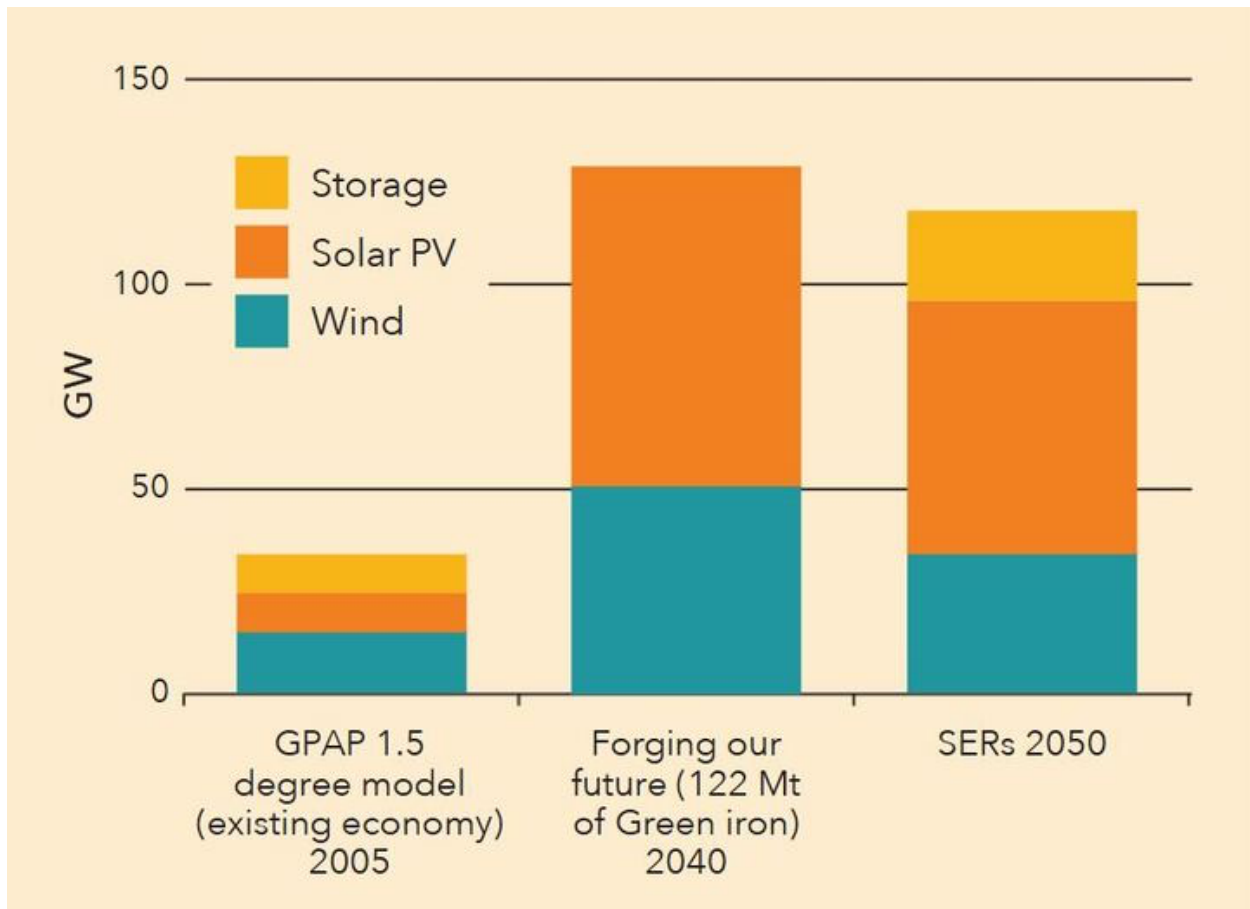
"With support, WA could produce 122 million tonnes of green iron per year by 2040 to deliver \$380 million in gross domestic product, \$350 billion in real income and \$167 billion in Commonwealth and state taxation," the Power Shift study says.

"In addition, WA could create a new export industry worth \$340.2 billion and 24,000 ongoing jobs in WA.

"Federal Treasury modelling released in 2025 suggested Australia would have a similar volume [120Mt] of green iron export by 2050 with the bulk of that coming from WA."

However, there are serious challenges to overcome before a green steel industry can be built.

Green iron making will require a lot of electricity. The 120Mt green iron opportunity the federal government touts will need 129 gigawatts of utility-scale renewables to be built out by 2040. The WA sectoral emissions reduction strategies estimate a similar level of renewables to support green industries by 2050.



Renewable energy requirements. | Credits: WA SERS

So what is green iron?

Iron ore is essentially rust – iron oxide.

In conventional steelmaking, carbon is the reductant used to strip the oxygen away.

Green iron means using a reductant that is not carbon. A lot of the green iron options consider hydrogen as the reductant.

However, generating that hydrogen in a "green" way is problematic. Storing that hydrogen is even more problematic.

Quinn said there were some interesting, non-hydrogen technologies emerging.

"I'm hoping we'll start to back in some of the electrolysis ones," he said.

There is even an emerging green iron technology that uses sodium as the reductant.

Power play

Then there is the challenge of getting renewable energy into WA's Pilbara region to meet the needs of those iron ore miners and the green iron makers.

Fortescue is looking to generate 2GW of renewable electricity itself. It has already started down that path.

Imagine BHP, Rio Tinto and Roy Hill all doing something similar.

Even that would not approach the amount of renewable electricity needed to develop green iron, however, it might be enough to electrify their respective operations.

It is also an inefficient use of capital.

Quinn said there was a need for a proper electricity grid in the Pilbara for the miners to plug into.

The Pilbara's "grid" the North West Interconnected System is not interconnected and has no system.

Each of the major miners has made their own electricity networks, often crossing over or running next to each others.

"If we're purely economically rational, it makes no sense to have parallel wires," Quinn said.

The WA government's CorridorCo is setting out to help change that.

In very simple terms its role is to help develop infrastructure corridors for transmission lines to run through.

It has been given the powers it needs to help third-party infrastructure providers negotiate the access they need with land owners or Traditional Owners.

A WA Department of Energy and Economic Diversification spokesman said through the Pilbara Energy Transition Plan and the functions of CorridorCo, the WA government had committed to connecting renewable energy to major Pilbara industries by 2030.

"Since awarding priority status in December to APA, AREH and Yindjibarndi Energy Corporation, the WA government has actively been working with these proponents to support critical pathway activities such as line route planning, engagement with directly affected Traditional Owners, land tenure assembly and engagement with the CEFC. All these matters need resolution in order to reach final investment decisions.

"The WA government has also been working with industry across the Pilbara on proposed changes to the Pilbara Network Rules and the Pilbara Network Access Code to ensure

development of common use transmission infrastructure provides a cost-effective, secure and increasingly clean source of energy to support existing industry decarbonise and attract new clean industries."

<https://www.miningmonthly.com/power/news-analysis/4522358/cutting-diesel-rebate-actually-pay>