

Liquid Fuel Supply (Ethanol and Other Biofuels Mandate) Amendment Bill 2026

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Submission on the Liquid Fuel Supply (Ethanol and Other Biofuels Mandate) Amendment Bill 2026

Executive summary

Australian Sugar Manufacturers (ASM) supports the Bill as a step towards strengthening Queensland's ethanol mandate. The Bill focuses primarily on compliance and enforcement reforms, which will improve the operation of current retail obligations. Broader structural reform is required to achieve a framework that will meet the original policy objectives of the mandate.

The existing mandate has not delivered its nominal demand target because the definition of non-liaible parties is too broad, exemptions have weakened demand signals, and compliance has been too easy to avoid. ASM supports the principle of stronger compliance, higher penalties, and enforcement of mandated ethanol volumes.

While we support the Bill's strengthening of Queensland's existing biofuels framework, this will not create sufficient demand to match the current installed supply capacity or create the demand certainty required to invest in new capacity. Broader structural reform is required.

What does structural reform look like?

Broader structural reform is required to achieve the original policy objectives of the mandate. This would include a wholesale volumetric mandate applied to all fuels, including premium fuels. ASM recommends that the mandate should commence at approximately 2% of total petrol sales and increase to 5% within two years. The initial 2% mandate would generate ethanol demand slightly above current demand, while the subsequent increase to 5% would align ethanol demand with existing Australian production capacity. Thereafter, the mandated percentage should be reviewed annually to ensure ethanol demand remains broadly aligned with Australian production capacity and changing fuel market conditions. This would:

- After an initial short transition period, match ethanol demand to production capacity.
- Sustain the existing Australian ethanol production capacity and capability, particularly as demand for unleaded petrol (ULP) reduces over time due to switch to premium unleaded petrol (PULP) and the electrification of land transport.
- Encourage expansion of domestic capacity as the mandate increases over time.
- Provide the investment certainty to increase ethanol capacity.
- Allow the supply chain to determine the best way to incorporate ethanol blends across all fuel grades.
- A wholesaler liability would allow wholesalers to optimise blending and products across the supply chain whilst simplifying compliance.
- Reduce our reliance on imported fuel.
- Underpin Australia's ambitious agenda for renewable diesel and sustainable aviation fuel.

ASM recommends the introduction of an independent ethanol pricing safeguard similar to the New South Wales framework. Under this approach, an independent body would periodically

determine an import parity benchmark price for ethanol. Obligated parties would not be required to purchase domestic ethanol above that benchmark price. This would provide confidence that the mandate can be strengthened without exposing motorists to unreasonable fuel costs.

ASM's position on the current Bill

In the absence of a wholesale volumetric mandate, the ASM recommends the Bill's proposals to tighten compliance proceed. ASM also supports the objective of ensuring that fuel marketed as E10 genuinely contains approximately 10% ethanol by volume. The proposed 9% minimum ethanol content requirement for E10 is a reasonable measure to support product integrity and consumer confidence.

The 9% minimum ethanol in E10 should not be regarded as a significant reform to increase ethanol demand, it is a product integrity measure. The more important policy challenge is the design of the mandate itself as highlighted in our recommendations on structural reform.

The ASM further recommends that the Bill include annual reporting on the mandate's performance against its stated target, providing a rigorous process to ensure the ongoing efficacy of the mandate going forward.

Most importantly, the Queensland Government needs to be the champion for a wholesale volumetric ethanol mandate at a national level, noting the various national and cross-jurisdictional processes establishing policy processes for low carbon liquid fuels.

About Australian Sugar Manufacturers

ASM is the peak industry body representing Australia's sugar manufacturing sector, a major contributor to regional economies and the sugar value chain across growing, harvesting, transport, milling, refining, exporting and manufacturing.

The sector is one of Australia's most important regionally located sovereign manufacturing capabilities. It processes approximately 30 million tonnes of sugarcane in a typical season and produces raw sugar, molasses, bagasse and other feedstocks that can support food production, renewable energy, bio-based manufacturing and low-carbon liquid fuels.

The industry is well placed to contribute to regional economic, already supporting over 20,000 jobs across the value chain. Sugarcane-derived feedstocks can support ethanol production and future fuel pathways including sustainable aviation fuel and renewable diesel, where policy provides sufficient demand certainty.

A volumetric wholesale ethanol mandate: the enduring solution to unlock Queensland's ethanol future

The long-term and enduring solution to capturing the full fuel security and economic benefits ethanol provides, is a wholesale volumetric mandate for ethanol, applied to all fuels, including premium fuels, where the overall percentage of ethanol sales in total fuel sales (the mandate percentage) escalates over time.

ASM's preferred mechanism is to transfer liability from fuel retailers to fuel wholesalers and distributors. Wholesalers determine fuel specifications, blending arrangements and fuel distribution and are therefore better placed to meet volumetric obligations. Concentrating compliance obligations on a small number of wholesalers would simplify compliance monitoring and enforcement while providing flexibility to optimise ethanol blending across the fuel supply chain.

ASM notes that the proposed 9% minimum ethanol content requirement only applies to fuel marketed as E10 and does not prevent ethanol being incorporated into other fuel grades that are permitted under relevant fuel quality standards. This flexibility will become increasingly important if Queensland adopts a stronger ethanol mandate that applies across all petrol sales and escalates over time to align ethanol demand with Australian production capacity.

ASM's proposed solution would:

- After an initial short transition period, match ethanol demand to Australian production capacity
- Encourage expansion of domestic capacity as the mandate increases over time
- Sustain the existing Australian ethanol production capacity and capability, particularly as demand for ULP reduces over time due to switch to PULP and the electrification of land transport
- Provide the investment certainty to increase ethanol capacity
- A wholesaler liability would allow wholesalers to optimise blending and products across the supply chain whilst simplifying compliance
- Reduce our reliance on imported fuel.
- Underpin Australia's ambitious agenda for renewable diesel and sustainable aviation fuel.

Following the transition to a 5% mandate on total petrol sales, the mandated percentage should be reviewed annually. Reviews should consider Australian ethanol production capacity, utilisation rates, domestic ethanol demand, fuel market developments and vehicle electrification trends. The objective should be to maintain ethanol demand broadly aligned with available Australian production capacity.

Nearly sixty countries around the world have some form of an ethanol mandate, and the most common method is a mandate imposed at a wholesale level across all fuel types, because:

- It is the most efficient mechanism to implement and enforce.

- A volumetric mandate across all fuel types provides consumers with increased choice, with the potential to provide a variety of petrol blends to meet volumetric requirements, not just E10 as the only blend.
- Wholesalers are best equipped to meet mandate targets.

ASM's position on the Bill

In the absence of a government commitment to a more ambitious structural reform to the mandate, which is required to meet the original policy objectives of the mandate, the ASM supports the Bill's proposed changes to strengthen the mandate. This would make Queensland's ethanol and biofuels retail obligations on ethanol clearer, credible and enforceable.

ASM notes that the 9% minimum requirement in E10 promotes product integrity and transparency for consumers and is supporting the reform on this basis. It is unlikely to materially increase ethanol demand and does not address the principal structural weaknesses of the existing mandate, namely:

- the exclusion of premium fuel grades from the mandate calculation; and
- the continuing decline in petrol demand resulting from electrification.

If Government elects to retain the retailer-based framework, ASM suggests the following amendments:

- a narrower definition of non-labile parties, including aggregation of fuel sales across all sites operated to determine whether the entity is liable;
- limiting exemptions to genuinely small-scale operators;
- ensuring exemptions are granted only in exceptional and clearly defined circumstances; increasing the mandated percentage to account for valid exempt volume;
- requiring annual public reporting of exempt volumes, non-labile volumes and actual compliance outcomes.
- where the mandate has fallen short, outlining measures by the Government to meet its own goals, including further strengthening of the mandate or compliance and enforcement action.

In addition to the recommendations above, ASM requests that the Queensland Government should be an advocate on the national stage for the introduction of a national wholesale volumetric mandate through:

- The National Fuel Standards Consultative Committee.
- The National Fuel Supply Taskforce, via the Permanent Cross-Border Commissioner.
- An ethanol and biofuels industry expansion plan led by the Special Commissioner for Regional and Rural Queensland.
- The National Cabinet and The Energy and Climate Change Ministerial Council.
- Active involvement in national consultations on low carbon liquid fuels policies.

While reform of Queensland's mandate should remain the immediate priority, Queensland should also advocate for national reforms that support ethanol utilisation and future low-carbon liquid fuel industries. It would develop Queensland's sovereign capability in liquid fuel, secure the long-term viability of the sugar industry through diversification, and create new economic opportunities for regional and rural Queensland communities.

Why the strengthening of the mandate is needed

1. The current mandate has not delivered sufficient certainty

Queensland's ethanol mandate was intended to create a stable demand signal for biofuels, support regional industry and increase the use of lower-carbon liquid fuels. In practice, the framework has been weakened by growth in non-labile parties, exemptions, and limited enforcement. This has prevented investment in new production capacity and resulted in underutilisation of existing ethanol capacity.

This is not only evidenced by the underachievement of the ethanol volumetric target, but the fact that existing capacity, in the form of the 80 million litre Dalby ethanol plant, has been mothballed due to the lack of demand.

The failure to achieve the original policy objectives will worsen over time as premium fuels, which are not covered by the current mandate calculation, continue to increase market share and as the vehicle fleet progressively electrifies. Without structural reform, Queensland ethanol demand will continue to decline and existing production capacity will remain vulnerable to closure.

2. Structural demand decline for regular petrol covered by the existing mandate

We will continue to see a decline in ethanol demand in Queensland unless action is taken to strengthen the mandate because of:

- increasing market share of premium fuels not covered by the mandate; and
- declining petrol consumption resulting from electrification.

These market trends were not envisaged when the mandate was devised by the Palaszczuk Government in 2015. A status quo scenario for the ethanol mandate will see ongoing demand destruction for ethanol in Queensland due to these factors. These trends underpin the requirement for the mandate to be measured against all fuels, including premium fuels, and for the mandated percentage to increase over time. Inaction will inevitably result in Queensland's only remaining ethanol producer being shut down with significant impacts upon the regional community.

3. Fuel security requires domestic liquid fuel capability

Australia remains heavily exposed to international liquid fuel supply chains. Ethanol and other biofuels cannot replace all imported liquid fuels, but they can diversify supply, reduce exposure and strengthen domestic production capability.

A stronger Queensland mandate would increase demand for domestically produced biofuels and support investment in sectors that will continue to rely on liquid fuels, including aviation, agriculture, construction, mining, heavy freight and defence.

The sugar industry alone could provide up to 2.2 billion litres of ethanol p.a. while still supplying Australian domestic sugar requirement, equivalent of 14% of Australia's annual petrol needs.

4. Ethanol is a practical pathway to low-carbon liquid fuels

Ethanol is an immediately available option for lowering the carbon intensity of petrol while building capability for future low-carbon fuel production, including sustainable aviation fuel and other advanced biofuels.

A credible mandate creates demand certainty, which enables investment, scale and cost reduction. Without a reliable mandate, the business case for new domestic production capacity is weakened.

This is hugely important for Queensland in securing its fair share of the multi-billion-dollar funds being made available by the Federal Government for low carbon liquid fuels, noting that the sugar industry and ethanol provide the lion's share of LCLF opportunities in Queensland.

5. Regional Queensland stands to benefit

The sugar manufacturing sector is deeply embedded in regional Queensland, supporting skilled jobs, transport networks, engineering services, ports, local suppliers and wider regional economic activity.

Queensland's sugar regions have the feedstocks, industrial assets, workforce and logistics capability needed to support domestic ethanol growth. Strengthening the mandate would help convert those strengths into new fuel, energy and bio-based manufacturing markets.

ASM Recommendations

ASM supports the Bill as a first step to repair the current mandate that has systematically failed to meet its own objectives. Additional structural reforms will be required if the mandate is to generate sufficient demand to utilise Australian ethanol production capacity, let alone spur new investments. The industry requires a wholesale volumetric mandate across all fuels, escalating over time to match demand to capacity, with a strict, enforceable liability resting with wholesalers and with no non-labile parties.

ASM's recommendations are as follows:

1. Introduction of structural reform to the Queensland mandate:

- The introduction of a wholesale volumetric mandate applied across all petrol sales, including premium fuel grades, implemented in accordance with the details provided in this submission.
- Transfer compliance obligations from fuel retailers to fuel wholesalers and distributors and eliminate or minimise non-labile parties.
- Commence with a mandate of approximately 2% of total petrol sales and increase to 5% within two years.
- Introduce annual capacity-based reviews to ensure ethanol demand remains aligned with Australian production capacity.
- Introduce an independent import-parity ethanol pricing safeguard similar to the NSW IPART mechanism.

2. In the absence of structural reform, the ASM provides the following recommendations with respect to the current Bill:

- A narrower definition of non-labile parties, including aggregation of fuel sales across all sites operated to determine whether the entity is liable.
- Limiting exemptions to genuinely small-scale operators.
- Ensuring exemptions are granted only in exceptional and clearly defined circumstances; increasing the mandated percentage to account for valid exempt volume;
- Requiring annual public reporting of exempt volumes, non-labile volumes and actual compliance outcomes.
- Where the mandate has fallen short, outlining measures by the Government to meet its own goals, including further strengthening of the mandate or enforcement action.

3. The Queensland Government should be an advocate on the national stage for the introduction of a national wholesale volumetric mandate through:

- The National Fuel Standards Consultative Committee.
- The National Fuel Supply Taskforce, via the Permanent Cross-Border Commissioner.
- An ethanol and biofuels industry expansion plan led by the Special Commissioner for Regional and Rural Queensland.
- The National Cabinet and The Energy and Climate Change Ministerial Council.
- Active involvement and advocacy in national consultations on low carbon liquid fuels policies.

4. Align the mandate with future sustainable aviation fuel and low-carbon liquid fuel opportunities.

Conclusion

ASM supports the Bill and its measures to improve compliance, enforcement and product integrity. ASM considers that additional structural reforms will be required to achieve the original policy objectives of Queensland's ethanol mandate.

The enduring solution is a wholesale volumetric mandate applied across all petrol sales, administered through fuel wholesalers and distributors, beginning at 2% of total petrol sales and increasing to 5% before transitioning to a capacity-based review framework.

If Government elects to retain the retailer-based framework, the fallback reforms outlined in this submission should be adopted.

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