



Australia's Fuel Security Reserve

LBRCA response to consultation

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LBRCA's position

Australia's strategic fuel reserve must improve resilience where fuel is needed. That means additional onshore diesel storage across regional Australia in high-demand areas, a genuine pathway for small and medium businesses to participate, and emergency-release settings that can respond to regional stockouts before they become national crisis

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



Executive summary

LBRCA supports the Australian Fuel Security Reserve (AFSR) in principle but believes the model must do more than merely increase national stockholdings. It must materially improve fuel resilience in regional, rural and remote Australia, where supply chains are more exposed to long distances, single-corridor dependencies and natural disaster disruption.

The central risk is geographic concentration. A procurement model driven predominantly by the lowest cost per litre could favour existing metropolitan terminals, refineries and coastal storage. That may increase aggregate national holdings without materially improving resilience for inland communities, agricultural regions and essential freight corridors.

LBRCA therefore proposes a dedicated regional stream, supported by at least 250 ML of additional verified regional diesel storage. Storage should be located based on operational risk and demand, including agricultural production, freight activity, distance from alternative terminals, vulnerability to natural disasters, and the time required to physically deploy fuel during an emergency.

Key recommendations

- Create a dedicated regional stream within the AFSR and target at least 250 ML of additional regional diesel storage, per the LBRCA's Regional Fuel Storage Scheme (RFSS).
- Prioritise strategic locations near agricultural production regions, freight corridors, regional processing centres and communities vulnerable to isolation.
- Allow regional fuel distributors, shared depots, cooperatives, councils and suitable freight and agricultural businesses (including SMEs) to participate.
- Prefer a private-sector operating model in which participating operators own and rotate diesel in the ordinary course of business while maintaining a contracted minimum reserve volume for government-directed emergency release.
- Keep the core AFSR onshore and treat offshore supply arrangements as supplementary rather than equivalent to physically accessible domestic stocks.
- Enable targeted emergency releases for regional stockouts or imminent isolation without requiring a national fuel shortage first.
- Use direct capital co-investment and long-term storage/management contracts to support strategically valuable regional infrastructure.
- Coordinate the AFSR and Minimum Stockholding Obligation (MSO) uplift so both programs do not compete for scarce storage capacity and unintentionally increase costs.
- Assess refinery support beyond 2030 against transparent national-security, resilience and value-for-money criteria.



Guiding principles

LBRCA's response is guided by two principles:

1. The unique interests of regional, rural and remote Australia must be explicitly considered when determining where strategic diesel is held and released in a crisis.
2. Small and medium enterprises must have a genuine opportunity to participate in the AFSR rather than the program being limited to the largest firms or incumbent fuel-supply-chain operators.

Detailed consultation response

1. AFSR delivery model

LBRCA supports the proposed AFSR model in principle, subject to stronger requirements for regional distribution and storage.

The consultation material leaves important operational questions unresolved, particularly around government ownership of fuel. LBRCA considers there are practical delivery and commercial issues with the Commonwealth owning fuel directly and recommends greater clarity on how ownership, compensation, stock rotation and emergency release would operate in practice.

LBRCA's preferred model is for participating operators to own and rotate diesel in the ordinary course of business, under contract to the Commonwealth through the AFSR Coordinator to maintain an agreed minimum reserve volume that remains continuously available for government directed emergency release.

Private-sector storage, management, procurement, and stock rotation would use existing industry capabilities, including road transport depots, feedlots, intermodal facilities, industrial land, and logistics networks for new storage investment. The model would also allow government to contract with multiple providers across different locations and expand capacity more rapidly.

The principal risk is geographic concentration. If procurement is driven predominantly by lowest cost per litre, incumbent storage providers around major ports, refineries and metropolitan terminals will have a structural advantage. The AFSR could then increase national holdings without materially improving resilience in the places most vulnerable to disruption.

LBRCA recommends a dedicated regional stream. The Regional Fuel Storage Scheme (RFSS) should target at least 250 ML of additional regional diesel storage and prioritise storage near agricultural production regions, freight corridors, regional processing centres and communities vulnerable to isolation.



The model should also:

- allow regional fuel distributors, shared depots, cooperatives, councils and suitable freight or agricultural businesses to participate, regardless of operational size
- support genuine additional capacity rather than subsidising existing commercial storage, including refurbishment, brownfield expansion and greenfield development
- require auditable inventory record-keeping and reporting
- provide clear rules separating AFSR stock from ordinary commercial stock and clearly define ownership
- prevent double funding of capacity already supported through another government-funded program
- use competitive capital grants where additional regional capacity would be beneficial, including where investment may otherwise not be commercially viable
- pay storage providers an appropriately benchmarked AFSR management fee for custody, operation, maintenance, reporting, rotation and emergency availability where government-owned stocks are used.

LBRCA does not recommend prescribing a single national management-fee rate. Costs will differ materially between sites. Fees should therefore be competitively determined or negotiated against transparent benchmarks and commercial contract terms.

2. Diesel and jet fuel stockholding

LBRCA supports 10 days of diesel consumption cover.

Diesel consumption is substantially greater than jet fuel consumption and should therefore be accounted for in the corresponding physical AFSR stocks and investment.

Diesel underpins the movement of essential commodities into and out of regional Australia, including livestock, grain, food, fertiliser, feed, water, fuel and agricultural inputs. It also underpins first- and last-mile deliveries of groceries, medicines, household goods and medical supplies, and is critical to emergency services, agricultural machinery, construction, mining and backup electricity generation.

Jet fuel remains strategically important for interstate and regional connectivity, air freight, Defence and remote communities. The key qualification is location: 10 days of diesel nationally does not necessarily provide 10 days of resilience to a regional economy.

LBRCA therefore proposes 250 ML of additional diesel storage distributed across regional Australia, with participating sites working towards a benchmark of approximately 10 days of their normal operational demand. On the figures used in the RFSS submission, 250 ML of regional stock is equivalent to approximately three days of full national diesel consumption.

3. Other fuels and fuel mix

LBRCA's immediate priority is additional diesel supply because diesel is essential to freight, agriculture, critical services and national supply chains. The AFSR should nevertheless be technology-neutral within the relevant fuel category. Renewable diesel or other genuine drop-in diesel substitutes should be eligible where they:



- comply with Australian fuel-quality requirements
- are interchangeable with conventional diesel without vehicle modification
- can be stored and rotated safely
- are commercially deployable at scale
- provide equivalent emergency utility.

This is preferable to imposing a predetermined renewable-fuel quota within the AFSR. Strategic stockholding and the development objectives of the low-carbon liquid fuel industry should remain complementary.

4. Crude oil within strategic stocks

LBRCA considers crude oil to have significantly lower emergency utility than refined diesel or jet fuel and supports only limited inclusion. Any crude reserves should be stored strategically near refining points and terminals rather than in regional areas.

Crude oil may be cheaper to acquire or store in some circumstances, but it cannot immediately fuel a truck, agricultural machine, aircraft or emergency generator. Regional AFSR requirements should therefore be met primarily through consumer-ready diesel.

5. Zone boundaries and minimum stocks

LBRCA supports the principle that strategic holdings should not become concentrated in one or two locations but is concerned that the proposed broad zones do not adequately address regional distribution.

A more effective approach would assess strategic locations using rural and remoteness considerations, industrial centres, road and rail freight networks, critical infrastructure, agricultural and food-production activity, transport depots and locations that provide alternative access where normal transport networks could fail.

The current zone approach can include both major metropolitan ports and terminals and inland communities hundreds or thousands of kilometres away. A substantial coastal stockholding may satisfy a zonal requirement while providing limited resilience when an inland road, bridge, terminal or distribution route is disrupted.

LBRCA recommends either a more network-based approach or retention of the broad national zones for administrative purposes with an additional regional-resilience overlay. CSIRO's TRANSIT tool could assist with network-based analysis of key products and freight movements.

Location assessment should consider:

- fuel consumption
- agricultural and freight activity
- distance and travel time from alternative terminals
- dependency on single supply corridors
- vulnerability to flood, cyclone, bushfire and infrastructure disruption
- availability of alternative supply routes
- economic demand and material output in critical sectors such as food production



- ability to supply multiple essential users
- time required to physically deploy fuel during an emergency.

The RFSS should deliver this regional component through at least 250 ML of additional verified regional diesel capacity. Storage should follow risk and operational demand, not population alone.

6. Offshore strategic stocks

The core AFSR should be held onshore in Australia.

Offshore storage does not address the fundamental resilience challenge facing regional, rural and remote Australia.

Counting substantial offshore stocks towards Australia's strategic reserve would retain exposure to the same risks the AFSR is intended to mitigate, including shipping disruption, geopolitical restrictions, port closures, export controls, competition from other countries and vessel availability.

Fuel aboard vessels in Australian waters may have some operational value, but it should not substitute for onshore strategic stocks or count towards minimum regional holdings. Offshore procurement contracts, options and supply arrangements may form part of the broader fuel-security strategy, but should be treated as supplementary.

7. Emergency release and registered off-takers

LBRCA supports both general and targeted release mechanisms. The targeted mechanism is particularly important because a serious regional shortage can occur even when national stock levels remain relatively healthy.

Flooding demonstrates the problem: a region can lose its normal distribution route while sufficient fuel remains available elsewhere. In those circumstances, a national market intervention may be unnecessary, while a targeted release could prevent disruption to food production, livestock transport, freight and essential services.

LBRCA recommends that a targeted release may be triggered where:

- a regional stockout has occurred or is reasonably imminent
- normal commercial supply cannot restore stocks sufficiently quickly
- road, rail, port, terminal, pipeline, electricity or distribution infrastructure has been disrupted
- continued shortage would materially affect food, freight, agriculture, emergency services, energy supply or another essential function
- alternative supply arrangements are inadequate
- preventative deployment is necessary before an expected flood, cyclone, bushfire or other event isolates a region.

A targeted release should not require Australia to experience a national fuel shortage first.

Registered off-takers

Registration should be open to appropriately capable regional distributors and logistics providers, rather than only the largest national fuel companies. Off-takers should demonstrate:



- ability to receive and transport the relevant product
- access to suitable road-tanker capacity
- an emergency logistics plan
- arrangements to service identified priority users
- fuel-quality and chain-of-custody controls
- transparent reporting of volumes
- compliance with government allocation directions
- appropriate pricing safeguards during an emergency
- financial viability.

The framework should permit consortium arrangements where a smaller regional distributor does not independently control every part of the logistics chain. Commercial terms, insurance, access rights and transport arrangements should be established before an emergency occurs.

8. Relationship between MSO and AFSR releases

LBRCA supports a qualified presumption that the Government may reduce or suspend the Minimum Stockholding Obligation (MSO) before a general AFSR release but does not support an inflexible legislative hierarchy.

The two mechanisms perform different functions. Where Australia faces a broad national or international supply disruption and domestic distribution remains operational, an MSO adjustment may efficiently release commercial stock. That logic does not apply to a geographically isolated shortage.

Circumstance	Preferred response
Broad national supply shortage/distribution functioning	Consider MSO reduction first
Regional stockout caused by disrupted transport or distribution	Targeted AFSR release
An imminent natural disaster is likely to isolate a region	Pre-position or targeted AFSR deployment
Severe or prolonged national crisis	MSO and AFSR may be used concurrently, with consideration given to preserving large-scale AFSR stocks for longer

Government should consider the nature, geography, duration and severity of the disruption and the time required for each intervention to physically deliver fuel to affected users. A presumption in favour of MSO release should never delay a targeted AFSR response to a regional emergency.

9. Phasing of the additional 10-day MSO uplift

LBRCA supports reaching the additional 10-day requirement by 2030, while recognising that the fastest theoretical regulatory uplift is not necessarily the lowest-risk pathway. Australia should also continue working towards the IEA 90-day minimum stockholding requirement.



The MSO increase will occur while the Government is seeking to establish a large AFSR. Both measures will create demand for tanks, terminal capacity, construction resources and fuel inventories. Poor sequencing could increase storage costs and ultimately flow through to fuel users.

Diesel — Option 2

Provides the best balance between early resilience and realistic infrastructure delivery. Accelerating the obligation beyond the rate at which new storage can be constructed risks increasing storage rents, concentrating stocks in existing major terminals, and increasing compliance costs. LBRCA's RFSS proposal is based on delivering 250 ML over five years in high-demand and strategically important locations.

Petrol — Option 3

A faster uplift is reasonable where sufficient infrastructure already exists, and the market can comply without creating material new storage constraints.

Jet fuel — Option 1 initially

Jet-fuel storage is more specialised and geographically concentrated. The uplift should therefore be aligned with verified delivery of additional dedicated capacity, with scope to accelerate if infrastructure becomes available sooner.

The objective should be the fastest feasible physical uplift, not simply the fastest regulatory uplift on paper.

10. Costs and implementation considerations

The costs of MSO uplift are not limited to storage construction. Additional costs include:

- fuel inventory and working-capital costs
- storage leases
- tank construction and refurbishment
- financing expenses
- insurance
- inventory management and quality control
- metering and reporting
- environmental and dangerous-goods compliance
- transport where suitable storage is remote from import terminals or refineries.

The interaction between the MSO and AFSR must be actively managed. If Commonwealth procurement and industry compliance requirements compete simultaneously for scarce storage capacity, the two policies could unintentionally inflate the cost of both programs. LBRCA is particularly concerned about those costs flowing through to rural carriers, freight operators, primary producers and regional consumers.

11. Transitional arrangements

LBRCA supports transitional arrangements that facilitate new capacity rather than permanently weakening the 10-day requirement. The RFSS safeguards provide a useful template: funded capacity should be additional, commercially sensitive data should be protected, seasonal demand should be



recognised, and environmental, fire, dangerous-goods and workplace-safety requirements should continue to apply.

They should include:

- clear MSO trajectories announced sufficiently early to support investment decisions
- coordination between AFSR procurement and MSO implementation
- recognition of binding long-term third-party storage arrangements
- temporary compliance flexibility where an approved new storage project is delayed by planning, construction or regulatory processes outside the operator's control
- appropriate treatment of force majeure and genuine supply interruption
- streamlined Commonwealth, state and local approval processes for strategic storage
- common data and reporting standards across the AFSR and MSO
- clear rules preventing the same litre from being simultaneously counted as AFSR and MSO stock
- early confirmation of Commonwealth co-investment so proponents can reach financial close.

12. Government-backed support mechanisms

LBRCA's preference is for direct capital co-investment, supported by longer-term contractual revenue where a facility provides an AFSR service.

A capital grant is preferable to a tax offset for many regional projects because it reduces the amount of capital that must be financed before a facility begins operating. This is particularly important for SMEs.

LBRCA recommends a two-part financing toolkit:

Direct capital grants

Use competitive, merit-based grants as the primary mechanism where storage has a demonstrated strategic benefit but insufficient standalone commercial return or financing capacity.

Long-term AFSR storage and management contracts

Where Commonwealth-owned fuel is held at a facility, the operator should receive a management payment covering contracted storage capacity, operations, maintenance, fuel-quality management, reporting, stock rotation and emergency availability.

A grant-plus-management-contract model addresses two separate market failures: the cost of constructing additional strategic capacity and the cost of keeping that capacity available for national-resilience purposes. Program design should provide equitable access across business types and sectors and should not exclude SMEs.

13. Supported activities, storage types and location

Eligibility should cover the infrastructure needed to create a safe, operational and deployable storage facility, rather than funding the tank alone.



Eligible expenditure should include tanks, bunding, foundations, pumps, pipework, filtration, dispensing equipment, metering, telemetry, leak detection, inventory controls, backup power, fire protection, civil works, tanker access, engineering, design, certification and dangerous-goods approvals.

Storage types

- greenfield fixed storage
- expansion of existing depots
- refurbishment or recommissioning of suitable capacity
- shared regional facilities
- fuel-distributor depots
- strategically located freight and agricultural facilities
- supporting infrastructure necessary for rapid tanker loading and unloading.

Mobile storage should generally not be treated as equivalent to permanent strategic capacity, although mobile assets may have a role in emergency deployment.

Location

Priority should be given to projects that:

- service high diesel-use regions
- support major livestock, bulk and agricultural freight corridors
- serve primary-production and food-processing regions
- are distant from alternative terminals
- have experienced repeated supply disruption
- are vulnerable to flood, bushfire, cyclone or road isolation
- can supply several essential users
- materially reduce the time required to move emergency fuel into an affected region.

The RFSS eligibility model encompasses road freight carriers, primary producers, agricultural contractors, processors, saleyards, abattoirs, grain sites, regional fuel distributors, local government, essential infrastructure providers and shared regional hubs.

14. Refinery retention beyond 2030

LBRCA supports maintaining strategically valuable Australian refining capability, but future public support should be based on a transparent assessment of national security and economic benefit.

The consultation notes that Australia's two remaining refineries produced approximately 12 billion litres of petrol, diesel and jet fuel in 2025, equivalent to around 20 per cent of annual Australian requirements. That is a significant sovereign capability, but refinery retention should not be assessed simply because existing facilities are already in place.

The government should assess evidence across six areas:

1. Strategic production capability



The quantities of diesel, petrol and jet fuel a refinery can produce, the ability to vary the product mix and the extent to which the facility can respond to interruptions in refined-product imports.

2. Feedstock resilience

Crude compatibility, diversity of supply, port dependence, capacity to use domestic feedstocks where available and exposure to the same international chokepoints affecting refined-fuel imports.

3. Operational resilience

Reliability, maintenance requirements, workforce capability, electricity and gas dependencies, critical spare parts and vulnerability to infrastructure or natural-disaster disruption.

4. Economic counterfactual

The cost of refinery support, compared with closure, includes additional imports and storage, reduced supply diversity, lost emergency production capacity, and wider economic impacts.

5. Distribution value

Connections to terminals, pipelines and road distribution networks, and the capacity to support regional markets.

6. Future fuel capability

The capacity to transition towards renewable diesel, sustainable aviation fuel or other lower carbon products without compromising near-term fuel security requirements.

Future eligibility should be based on strategic capability and output rather than requiring every supported facility to fit a narrow historical refinery model.

15. Framework for efficient investment and public-interest protection

Beyond 2030, LBRCA awaits the findings of feasibility studies into expanding Australia's domestic refining capacity. Pending those outcomes, LBRCA supports a framework containing:

1. long-term operating commitments from participating facilities
2. a transparent and independently benchmarked margin trigger
3. capped support when market conditions deteriorate
4. indexation where justified by genuine Australian operating costs
5. separately assessed capital support for strategically necessary investment
6. minimum maintenance, reliability and production-capability obligations
7. emergency-supply and government-coordination obligations
8. periodic independent value-for-money reviews
9. repayment, clawback or reduced-support mechanisms where agreed commitments are not met
10. eligibility based on demonstrable strategic fuel-security value rather than corporate structure or historical fuel mix.

Capital investment should be assessed separately from ongoing operating support. The Government should not increase production-payment rates solely to compensate for major capital projects where a transparent co-investment grant or financing arrangement would be more efficient.



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Direct government ownership should remain a last-resort mechanism where a facility is demonstrably essential to national security and no commercially viable risk-sharing model can preserve the required capability.

Conclusion

The AFSR will only strengthen national resilience if strategic fuel can be accessed where and when it is needed. LBRCA's position is that regional distribution, deployability and participation by capable regional businesses must be designed into the scheme from the outset.

A reserve concentrated around existing metropolitan and coastal infrastructure may increase national stockholdings but still leave regional supply chains exposed. A dedicated regional stream, backed by additional verified diesel capacity and clear emergency-release arrangements, would materially improve the resilience of freight, agriculture, food production and essential services.