

Fuel Security and the Diesel Fuel Tax Rebate: Assessing Reform Options

September 2026

Executive Summary

Context and purpose

- **The diesel fuel tax credit is under pressure for 3 key reasons and the evidence base for reform is not well documented:**
 - The FTC entrenches reliance on imported diesel, at a time of energy insecurity for Australia. If current diesel prices persist (~\$1.90/L, Sep 2026¹), BEV haul trucks will already be net economic over their lifetime.
 - It is the 16th largest budget expense, with ~47% going to the resources industry, and is growing faster than the overall budget.
 - Pulls in the opposite direction to decarbonisation policies like the Safeguard Mechanism by lowering the effective cost of diesel.
- The purpose of this work is to provide a robust evidence base of the consequences of proposed policy options (rebate removal, strengthened Safeguard Mechanism and Transition Tax Incentive (TTI)) and propose new options as needed

Assessment of current reform options

- Our work takes into account four factors: international competitiveness (costs to miners), fuel security (reduced used of diesel), decarbonisation and government budget (ability for Commonwealth to recover funds)
- **Overall we find that none of the existing option delivers on all key considerations although TTI is probably the best:**
 - Rebate removal is the fiscal winner at \$38B, but all-in costs rise 3.5% for iron ore and 5.6% for met coal which may be costly to absorb.
 - A strengthened Safeguard barely touches costs, but 83% of its abatement is bought ACCUs, it displaces only 421ML of diesel, and the budget goes backwards by \$2.9B.
 - The TTI abates the most at 22.4Mt and displaces 3,817ML, but returns only \$5.3B. It is currently the best reform option

The Fuel Security Reinvestment Mechanism

- We have developed a new reform option, the **Fuel Security Reinvestment Mechanism (FSRM)**, to better balance different metrics and plug the gaps in other reform options. **The FSRM balances the four metrics and improves fuel security:**
 - Large miners keep 65% of fuel tax credits above \$50M, contingent on reinvestment in energy security. 10% funds a guaranteed package for juniors and mid-tiers (\$1.9B), 25% goes to the budget (\$10B)² which can support and ag / trucking fuel security measures .
 - It abates 18.6Mt against the TTI's 22.4Mt, and returns roughly twice the budget benefit.
 - A four-year phase-in with rollover of capex obligations, and exclusions for farming, fishing, trucking and mines with under ten years of life.
 - Importantly it would have much greater flexibility for fuel security measures compared against the current options which would provide short term and long-term relief for these sectors



Note: 1. After subtracting GST and FTC; 2. The \$10B return to budget includes both first- and second-order modelled effects. First-order effects are modelled at ~\$4.75B.

Diesel fuel tax rebate is coming under pressure for 3 reasons

1 Energy Security Pressures

- Iran-driven oil price shock has **increased diesel prices 111%**.¹ Australia's >85% diesel import dependence leaves miners uniquely exposed.²
- **Repeated diesel price and supply shocks** (post-COVID, Russia-Ukraine, Iran) have made **diesel dependence** a structural risk – creating major operational challenges and disrupting capital allocation plans.

2 Climate Commitments & Pressure

- IMF, World Bank and IEA classification of DFTR as a fossil fuel subsidy creates **international pressure**,³ amplified locally by LEAN and the Greens.
- There are **public expectations to meet NDC targets** – and diesel equipment is one of the few areas where some feasible substitutes are emerging.

3 Fiscal Pressure

- Rebate growth is **~70% higher** than overall budget growth⁴
- FTCs are the **16th largest budget programme** by expense (\$10B in FY25, 47% mining) – and growing⁴
- Structural deficits over the next decade will drive Treasury to pursue tough cuts

A number of reform scenarios have been proposed



1. ACCC (2025), AIP (2026). 2. IEEFA (2026). 3. The Australia Institute (2024). 4. ABC (2014), ABC (2026), Budget Paper 01 (2025).

This has led to a variety of reform scenarios being proposed

1 Rebate Removal

The rebate is fully removed.¹

The value flows to government as fiscal saving with no requirement to spend on decarbonisation.

Key Assumptions

- **Boosts BEV uptake:** Shifts breakeven point from 2035 to 2026. BEV adoption from 2029.
- **Adoption of Decarb:** Post-breakeven, adoption phased over asset life.

2 Strengthened Safeguard

Miners receive full rebate but Safeguard baselines are tightened to match decarbonisation under rebate removal.

Key Assumptions

- **CO₂** - Baseline decline rate stepped up (add'l 2.73% decline p.a. from 2031-35)² to match abatement from rebate removal.
- **ACCU Price Escalation:** Prices will escalate in line with demand growth.
- **Adoption of Decarb:** Rising ACCU prices bring renewables and BEV breakevens forward to 2033-34.

3 Transition Tax Incentive

Rebate is untouched, contingent on deployment of equivalent CAPEX into decarbonisation (required for claimed amounts above \$50M).

Key Assumptions

- **CAPEX-only application:** TTI funds only defray CAPEX costs for decarb technologies, OPEX borne by company.
- **Adoption of Decarb:** Switching is based on mandatory CAPEX spends, rather than annualised switching rates
- **Renewable adoption makes BEV cheaper:** ~25% of renewable generation capacity created will power BEVs. Breakeven shifted to 2026. BEV adoption from 2029.

Degree to which rebate is kept



Note: 1. We model the impacts of rebate removal for the resources industry ONLY. Our modelling for rebate removal does not include a \$50M cap. However, we expect that the introduction of such a cap would not lead to substantial changes from the results discussed in this report. 2. On the tentative -3.285% decline rate set from 2031-35, the Strengthened Safeguard option would raise this to a -6.01% decline rate.

Project purpose is to look at reform scenarios and consider their impacts

01



Competitiveness

Net change in the ability of Australian mines to compete on costs against global peers and continue to meet revenue expectations. This is done by assessing key cost metrics and total impacts, where relevant.

02



Fuel Security

Net change in diesel usage¹ by Australia's mining industry, given Australia is extremely import-dependent on diesel.

03



Emissions

Net change in greenhouse gas (tCO₂-equivalent) emissions emitted by Australia's mining industry.

04



Budgetary impacts

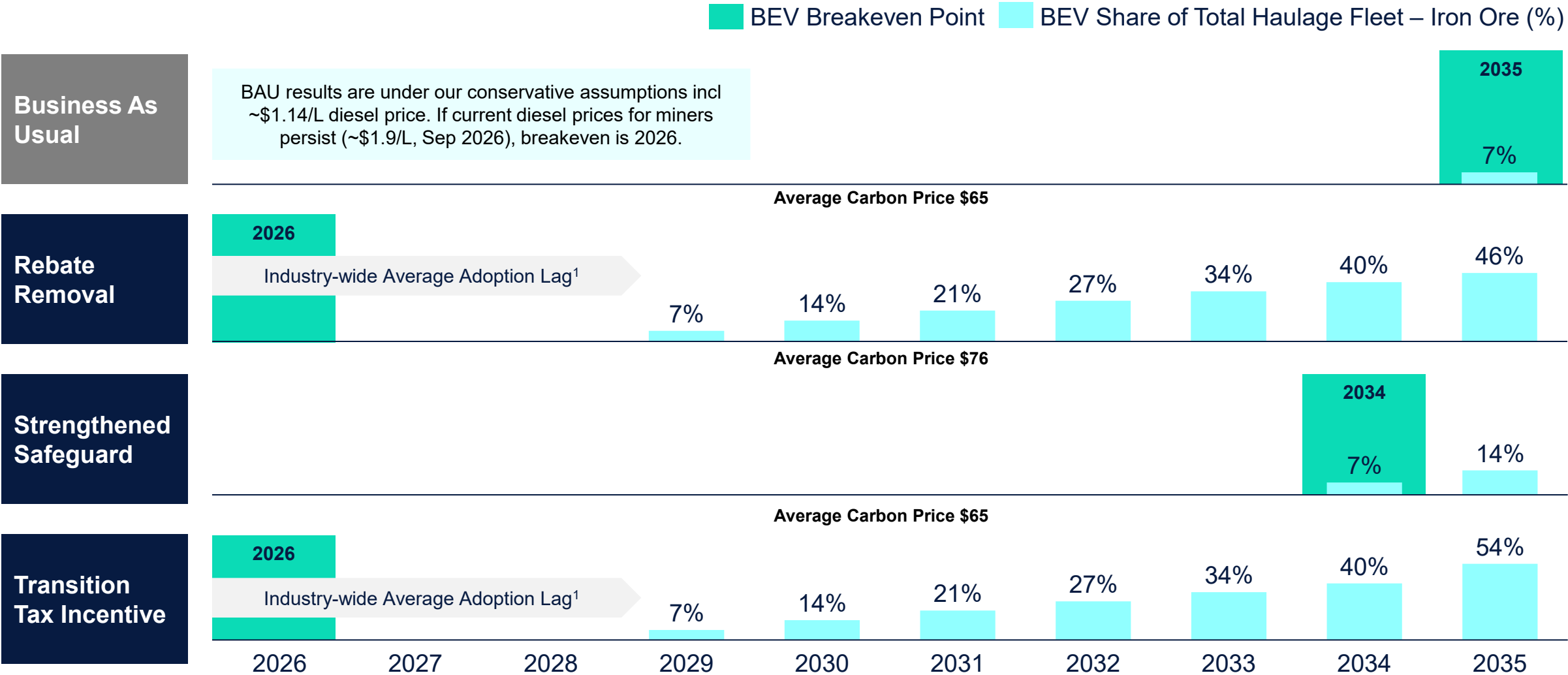
Net changes to Australia's Federal budget, considering both outflows from government payments such as rebates and inflows from government revenue such as tax.

Reform scenarios that balance between the 4 key metrics are more favourable



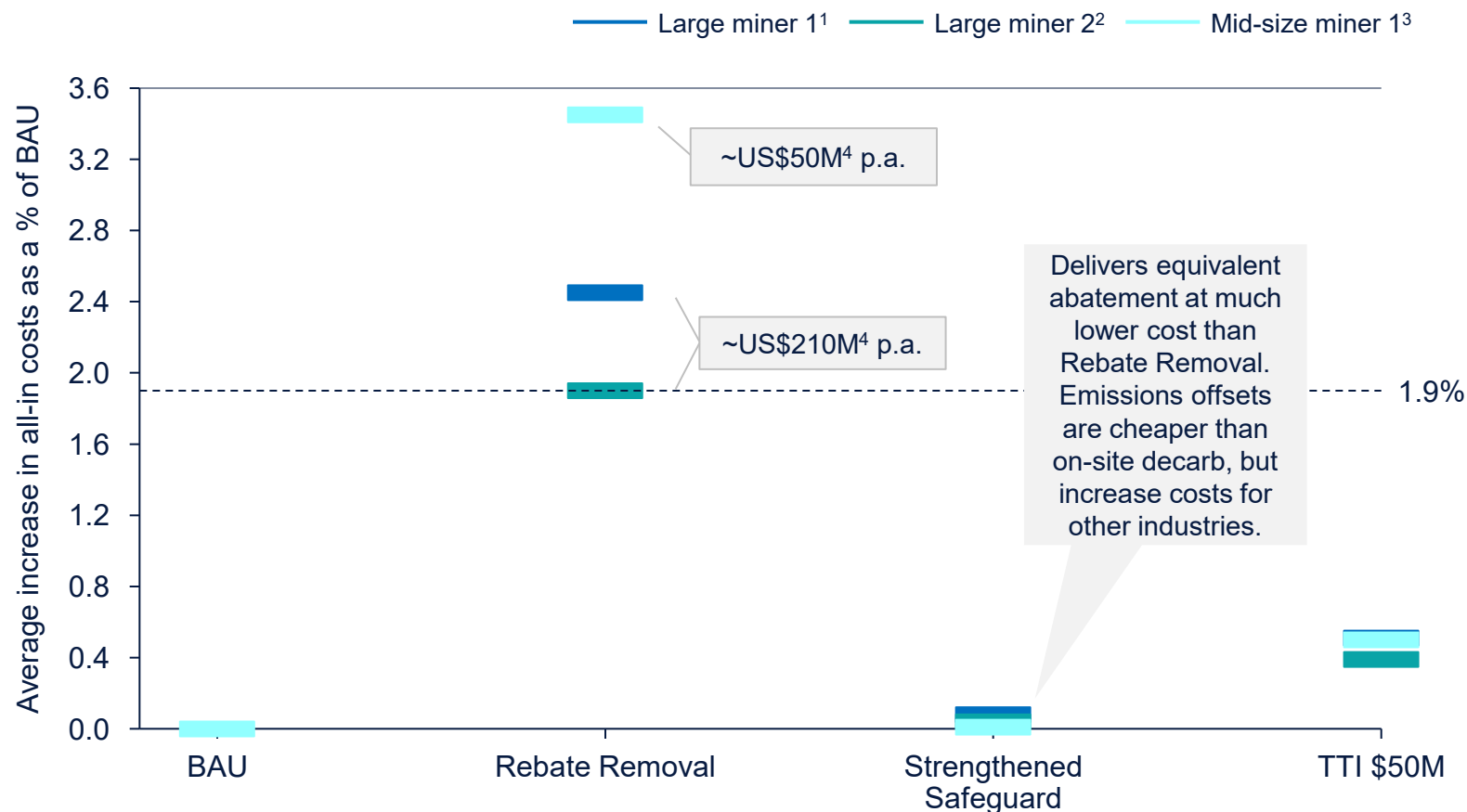
Note: 1. Changes in gas usage are not considered due to Australia's significant domestic gas industry, and further considering the impact of the forthcoming gas reservation policy.

Scenario outcomes are influenced by their different BEV breakeven points



For iron ore, rebate removal leads to ~2%+ cost increases, while other scenarios have less than half that impact

Average increase in All-in costs to 2035 as a percentage of BAU costs (%)



Key Takeaways

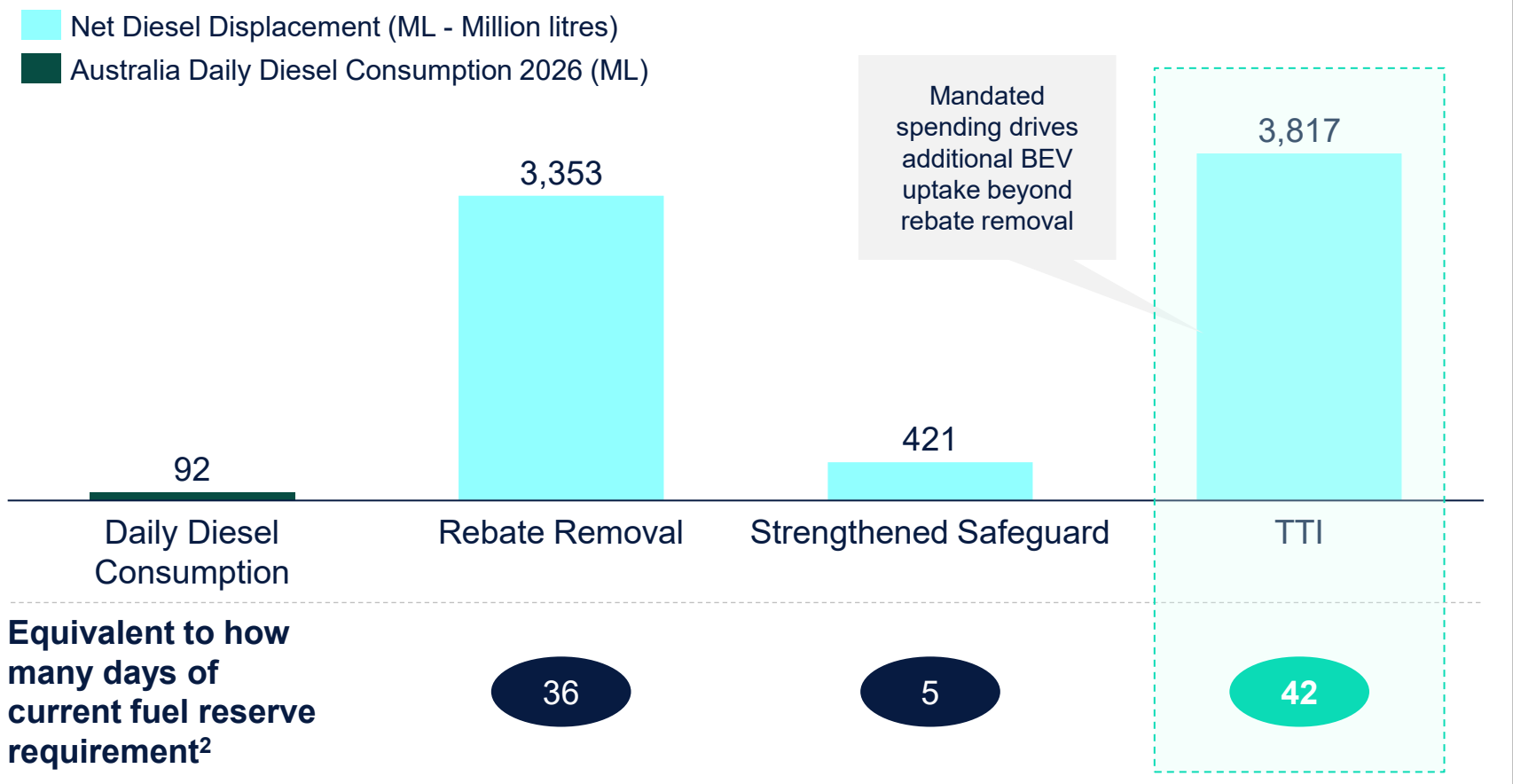
- **Rebate Removal materially impacts costs:** Full rebate removal increases costs by 1.9-3.5%, with early decarbonisers like Large Miner 2 gaining competitive advantages.
- **TTI and Strengthened Safeguard offer similar outcomes:** Competitiveness impacts are marginal with both scenarios, approximately 10x smaller than full rebate removal.
- **TTI could offer benefits for highly diesel dependent producers:** If high-cost producers, such as Mid-size Iron Ore Miners, are able to fully reinvest TTI funds, they can potentially improve competitiveness through material reductions in structurally high diesel OPEX costs. However, if firms cannot fully deploy capital, as implied through stakeholder consultation, cost increases up to 0.5% are seen across archetypes.



1. Archetypal large iron ore miner with conservative transition strategy and access to integrated rail and economies of scale. 2. Archetypal large iron ore miner with aggressive transition strategy and access to integrated rail and economies of scale. 3. Archetypal mid-size iron ore miner with conservative transition strategy (constrained by technology access, capital demands of transition, financing access and high-cost business structure), no access to integrated rail and limited/smaller economies of scale. 4. Indicative revenue impact estimates based on delivered unit margin impacts, on 2025 production levels and cost structures. 5. Diesel OPEX costs are high for mid-size producers due to absence of integrated rail, increased transport distances, and other factors.

Diesel savings vary, with strongest reforms delivering up to 42 days of national consumption by 2035

 Policy reform could displace diesel equivalent to 5 to 42 days (cumulative) of the fuel reserve requirement by 2035



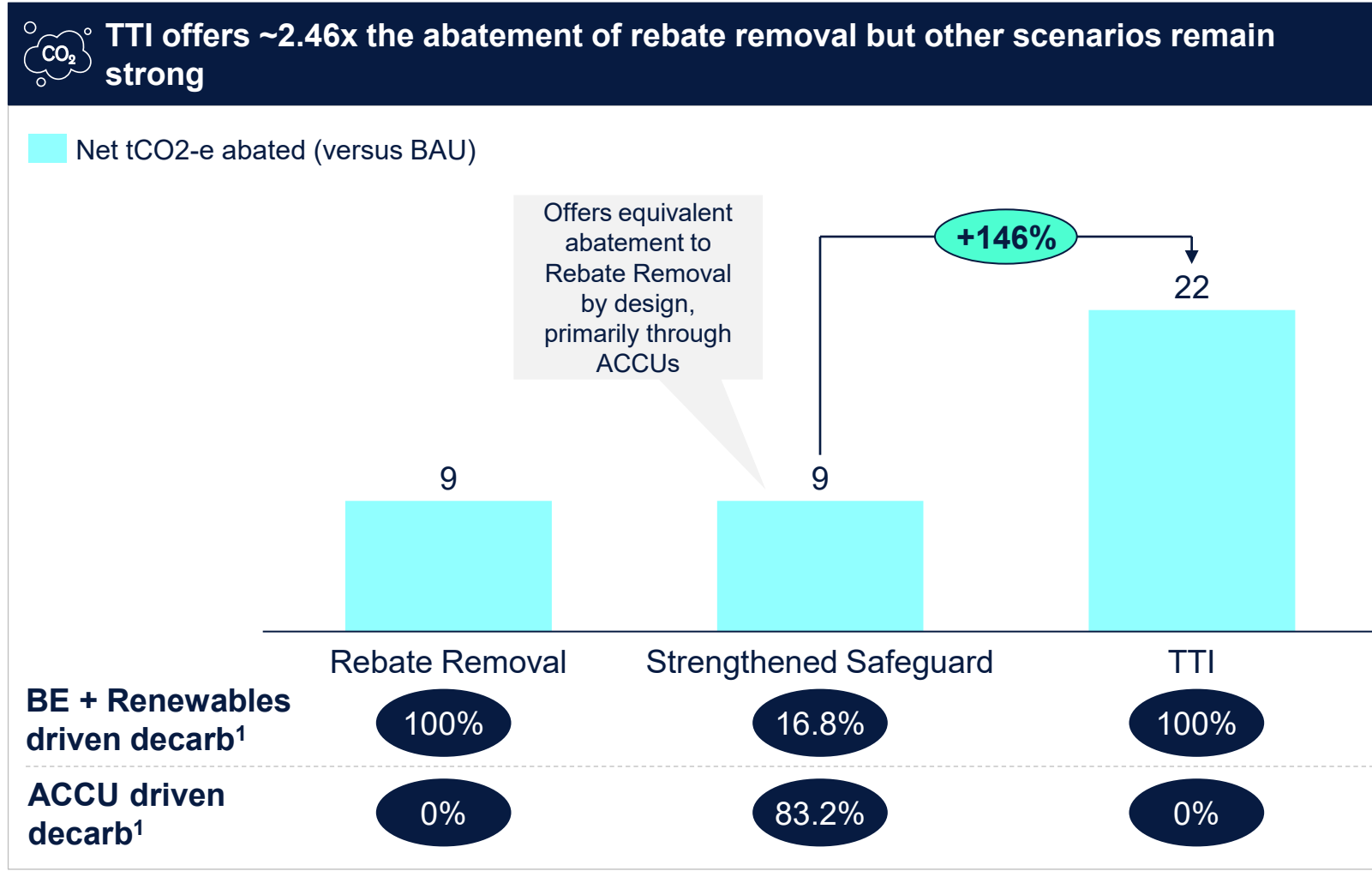
 Key Takeaways

- **Diesel displacement is driven by Battery Electric tech uptake:** Rebate removal and TTI push forward BEV adoption by 6 years driving significant diesel displacement. Strengthened Safeguard only pushes BEV adoption forward by 1 year, leading to limited impacts.
- **Policy reform can significantly improve Australia’s fuel security:** Barring the Strengthened Safeguard scenario, diesel displacement is equivalent to 36-42 days of the fuel reserve requirement. This is similar to – or larger than – the existing stockholding of 32 days.¹



Note: 1. SBS (2026). 2. Estimates are based on 2026 diesel fuel requirements, assuming all else remains equal and mining diesel demand declines, the overall impact will be larger.

All scenarios offer significant decarbonisation, but the TTI offers 146% more abatement



Key Takeaways

- **Renewables uptake is scenario-dependent:** Safeguard and TTI accelerate adoption via carbon costs and mandated spending, respectively. Diesel rebate changes have no bearing on gas vs renewables economics.
- **Battery electric tech is the key lever activated:** BE drives a large proportion of net decarb in all scenarios, as renewables uptake has a lower MACC and proceeds substantially under BAU.
- **TTI outperforms rebate removal on BE uptake:** Mandatory spending channels capital into BEV adoption faster, delivering additional decarb.
- **Safeguard decarbonisation driven by ACCUs:** ACCUs allocate decarb costs to the lowest cost instruments in the economy. However, Safeguard remains a blunt instrument, raising costs for all industries, including those with fewer pathways to decarbonise.

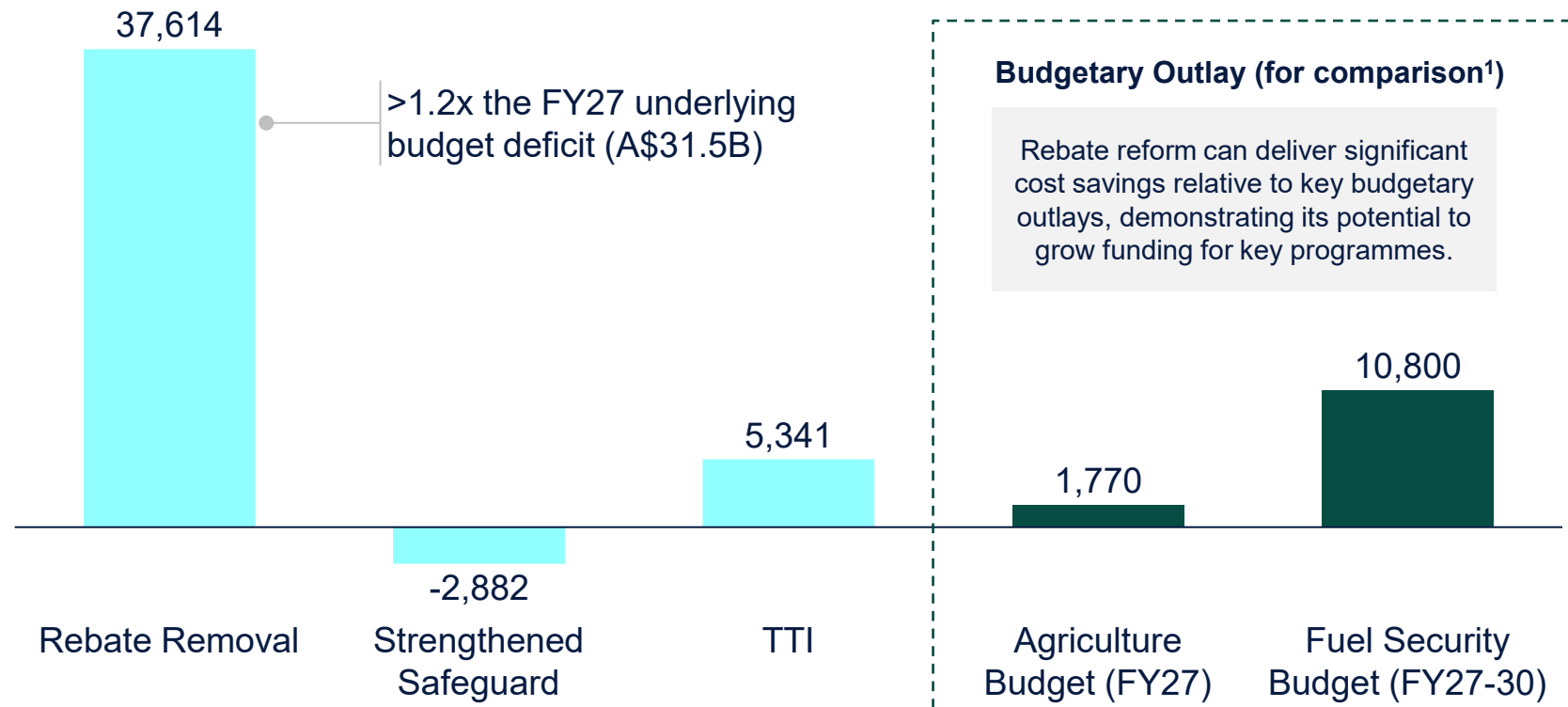


Note: 1. We show NET impacts i.e. decarbonisation that is additional to BAU, not the GROSS impact. Therefore, decarbonisation that would likely proceed under BAU (e.g., technologies that become cost-effective before 2035 and are adopted by industry) are not allocated to reform outcomes to avoid double counting. Consequently, under rebate removal and TTI, results should not be read as companies ceasing purchases of ACCUs altogether – instead, it reflects that none of the additional decarbonisation induced through rebate removal or the TTI policy would arise from ACCU purchases (due to the nature of the reform policies).

The rebate lever meaningfully contributes to budget repair (+A\$38B)

 Budget impacts are +A\$38B for complete rebate removal, while Strengthened Safeguard loses ~A\$3B

 Net Budget Impact to 2035 (versus BAU)  Australian budget spend



Key Takeaways

- **Rebate removal levers deliver material fiscal impact:** Even a 35% removal can cover the full programme costs of the Fuel Security package running from FY27-30.¹
- **TTI fiscal upside is structurally capped:** Coverage limited to 18 firms, rebates returned rather than retained, capital flows first to renewables (lower MACC, prerequisite for BEV deployment), delaying diesel demand reduction and FTC savings.
- **Safeguard delivers losses for Treasury:** No direct revenue to Commonwealth (revenue-neutral scheme); competitiveness impacts erode broader tax take through 2nd-order effects.

We propose a Fuel Security Reinvestment Mechanism as an option which better balances the needs of all stakeholders and improves fuel security



WHAT THE FUEL SECURITY REINVESTMENT MECHANISM IS

Rather than removing the diesel rebate, the FSRM reallocates FTCs above \$50M. **65% of these FTCs for large miners are converted into an energy-security investment stream.**

The remainder goes to **junior & mid-tier miner support (10%)** and **budgetary needs (25%)**.

- Large miners **retain 65% of fuel tax credits >\$50M** only if reinvested in **technology-agnostic** energy-security spend.
- Junior & mid-tier miners receive a **guaranteed Special Assistance Package** (~\$1.9B) to become energy secure, as they face greater hurdles.
- **Budget savings** can fund the Fuel Security Package and **support for trucking and farming**, or budget repair.
- A deliberately **slow, 4-year phase-in** gives miners time to scope projects and reach FID. Funds can be deployed across a wide range of energy security technology – more flexible than other options.
- **Exclusions:** Farming, fishing and trucking industries. Mines with <10 years of asset life remaining, with no further extensions or expansions claimed.



HOW IT COMPARES ON THE 4 CRITERIA

Reform Options	Competitiveness ≤ 1.5% impact to 2035	Fuel Security ≥ 300ML diesel displaced to 2035	Decarbonisation ≥ 15Mt CO2e abated to 2035	Budget ≥ \$10B saved to 2035
1 Rebate removal	✗	✓	✗	✓
2 Strengthened Safeguard	✓	✗	✗	✗
3 TTI	✓	✓	✓	✗
4 Fuel Security Reinvestment Mechanism	✓	✓	✓	✓



Each key segment gains a unique benefit under the FSRM

Large miners

Greater technology flexibility and transition time

- Approved technologies under the FSRM are wider than what has been publicly proposed for other scenarios, giving businesses the flexibility to account for a range of mine types and sites.
- 4 year phase in to allow for more projects to reach FID and deliver on-site abatement, with shorter phase-in periods proving challenging for industry.

Juniors & mid-tier miners

Dedicated support

- The FSRM is the only reform option that provides dedicated and guaranteed support to smaller players to help them adopt the technologies needed for energy security.
- This segment faces unique challenges in adopting such technology (financing, technology adoption, investment readiness). Without dedicated support, the competitive landscape may deteriorate.

Whole-of-economy

Budget return which can be directed to targeted, meaningful support for industries

- Offers a substantial budget return (~\$10B) that can be directed to special support for the trucking and farming industries, to assist with the switch to fuel secure technology.
- Funds can also support the announced Fuel Security Package, or budget repair, for the entire economy.



The FSRM delivers a better balance across all metrics, particularly fuel security

Range of competitiveness impacts for different archetypal producers Indicative Low Medium High Key issues with archetypal reform options Challenge

Reform Option ¹	Competitiveness Average percentage increase in all-in costs to 2035	Fuel Security Contribution Cumulative ML of diesel displaced to 2035	Decarbonisation Cumulative tCO2e abated to 2035	Cumulative Budgetary impact to 2035 Est. Contribution to government fiscal position in A\$B	Commentary
	Iron Ore	Metallurgical coal			
Rebate removal ²	 3.45% 5.61%	 3,353ML	 9.09Mt	 +\$38B	- Delivers best outcomes for budget, with strong fuel security and decarbonisation outcomes. - However, large negative competitiveness impacts are seen.
Strengthened Safeguard	 0.08% 0.49%	 421	 9.09	 -3	Competitiveness impacts are small, with good decarb driven by ACCU purchases. However, there is a negative budget impact, economy-wide costs, & fuel security impacts are low.
TTI ³	 0.51% 0.67%	 3,817	 22.38	 5	- TTI sees declining all-in costs over the horizon. - Delivers highest decarbonisation and fuel security contribution with small competitiveness impacts. Budget upside limited.
Fuel Security Reinvestment Mechanism	 1.23% 1.57%	 3,492 ⁴ 4,665	 18.60	 10	- Balance between different initiatives - Relatively small cost impact - Large fuel security benefits and decarb - Budget uplift is significant



Note: 1. All impacts (competitiveness, fuel security, decarbonisation, budget) are additional to what would occur under business-as-usual (e.g., cost-effective technology uptake) to avoid double-counting. 2. We model the impacts of rebate removal for the resources industry ONLY. Our modelling for rebate removal does not include a \$50M cap. However, we expect that the introduction of such a cap would not lead to substantial changes from the results discussed in this report. 3. The modelled TTI scenario includes a \$50M cap. FTC claims above the \$50M cap are subject to the TTI, below-cap amounts are untouched. 4. The FSRM can deliver at least 3,492ML of diesel displacement to 2035, on conservative assumptions, including fund utilisation rates matched to the TTI (see Appendix for further details on assumptions). However, the FSRM offers extra flexibility in fund utilisation (longer phase-in, wider technology list) and also, redirects support to smaller players and government. Thus, accounting for the extra flexibility, and the funding FSRM can deliver to the Fuel Security package to 2030 and equivalent whole-of-economy Fuel Security support post-2030, we estimate savings of 1,173ML of diesel can be realised growing from ~36ML in 2029 to ~282ML by 2035.

The proposed reform option would deal with 5 issues received in feedback

Categories	How Fuel Security Reinvestment Mechanism deals with the issues
Need to act now	Policy certainty: Government signals reform will be implemented from 2027 or is inevitable, with a 4 year phase-in period where CAPEX investment requirements can be rolled over to allow companies to scope projects, get board approvals and reach FID. Reform will influence this fleet replacement cycle.
Fiscal balance	Rebate for larger miners contingent on investments in energy security: Applies only to those with FTC claims >\$50M. Large miners will receive 65% of FTCs above \$50M. - Remainder will fund Special Assistance Package for junior miners (10%, \$1.9B) & budget repair (25%, \$4.75B), along with any unspent funds by large miners. Direct linking of reform to societal benefits will ease public communication.
Focus on large companies	Junior miners will be excluded by the \$50M cap, guaranteeing no cost impact. Special Assistance Package will be guaranteed: 10% of large miner FTCs (~\$1.9B) will be guaranteed towards helping juniors adopt energy security technologies, and protect competitive landscape.
Tech agnostic	Accelerated depreciation (CAPEX write offs): To more fairly tax companies, an accelerated depreciation regime will avoid penalising adoption for emerging energy secure technologies. Temporary Full Expensing style write-offs can be considered for newly-commercial technologies. Technology-agnostic: Investments do not have to be solely directed into renewables or BEV Haulage. Investments in catenary rail, trolley-assist & non-fleet alternatives (e.g. conveyor technology), retrofits to trolley-assist/BEV, electric excavators and dozers, electric dewatering pumps will all be eligible.
Exclusions	Farming, fishing, trucking industry, and mines with <10 years left, are excluded.



Note: See Appendix for more detail on key issues received in feedback through Cyan Ventures' consultation process.

There are a variety of other actions the government can take to assist industry

Further Steps	Description & Benefits
Encourage a Coordinated Government-Industry Approach	• Whole-of-Government cooperation to lead engagement with key trading partners and OEMs, particularly in China, to deliver preferential pricing and financing terms for Australian miners. This can include lower-cost financing in RMB. • Building a stronger relationship with key trading partners will insulate against competitive pressures. • Support demand pooling: Encourage cooperative procurement where junior & mid-tier miners can add-on a limited order for energy security tech at the standard terms agreed by a major. The additional costs will be borne by them but will bring some economies of scale cost reductions. Alternatively, support a formal demand pooling mechanism for smaller firms to aggregate and standardise fleets, which may bring operational savings. • Encourage retrofits through local suppliers for junior miners, who often purchase 2nd hand equipment. • Encourage OEM maintenance, warranty and retrofit support for 2nd-hand equipment.
Strengthened Disclosures	• Require disclosures to Federal and State governments on domestic diesel use by all miners with operations in Australia. Consider requiring public disclosures on domestic diesel use, particularly for East Coast states and territories. • This will improve transparency, and spur shareholder interest in optimising diesel use at miners that are less efficient.



Appendix

September 2026

Fuel Tax Credit Claims Assessment – Resources Industry only

Fuel Tax Credits claimed by company¹ (\$M, FY25²)

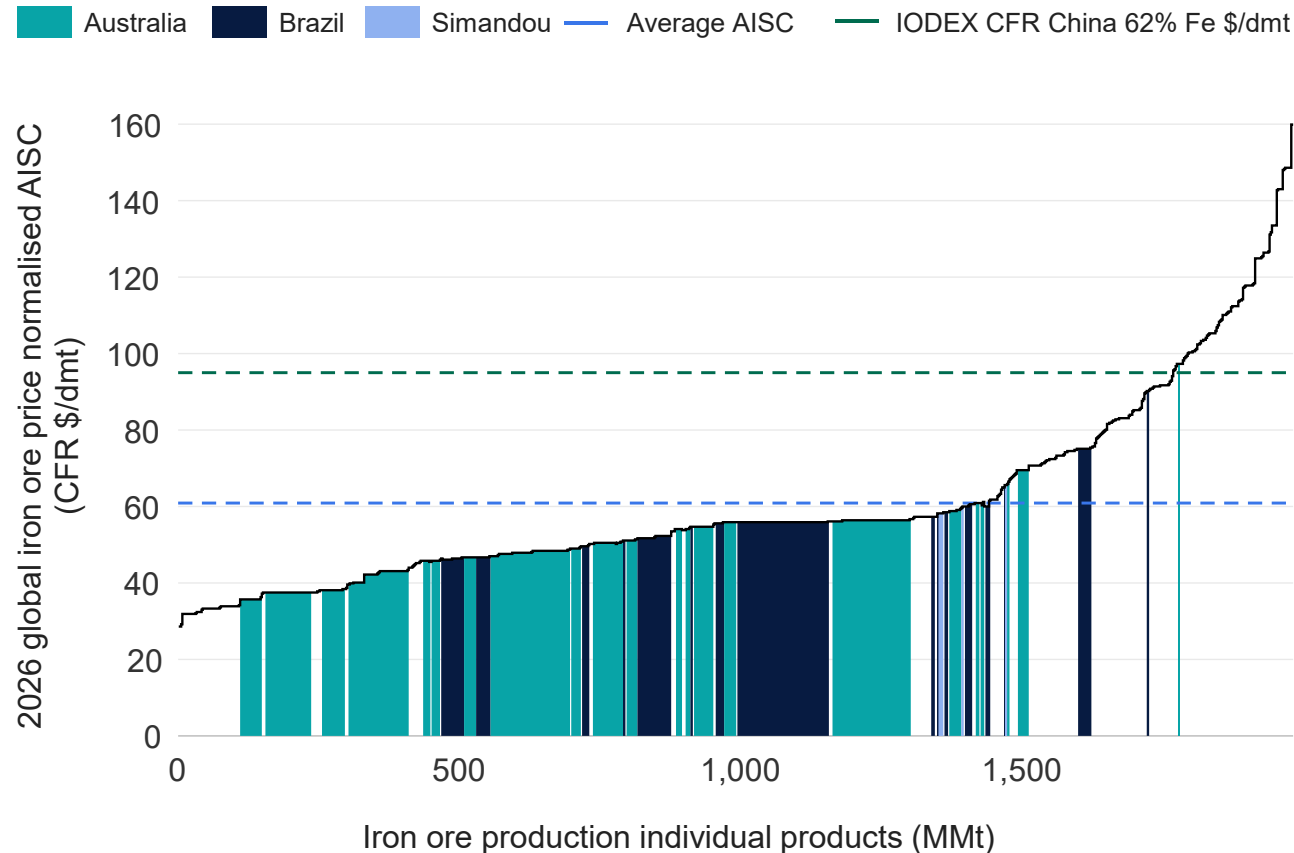


1. Based on Cyan internal assessment, using company ASX disclosures, company sustainability and annual reports, NGER emissions factors, AES disclosures and OCE commodity production volumes. 2. With the exception of Rio Tinto which reports on a Calendar Year basis. 3. Data based on CY25 disclosures

On iron ore, Australia starts from a position of relative strength, with ~75% of production in the global Q2

~75% of Australian production is in the global Q2¹

Normalised All-in Sustaining Cost (AISC) Curve (CFR \$/dmt), 2026



Key Takeaways

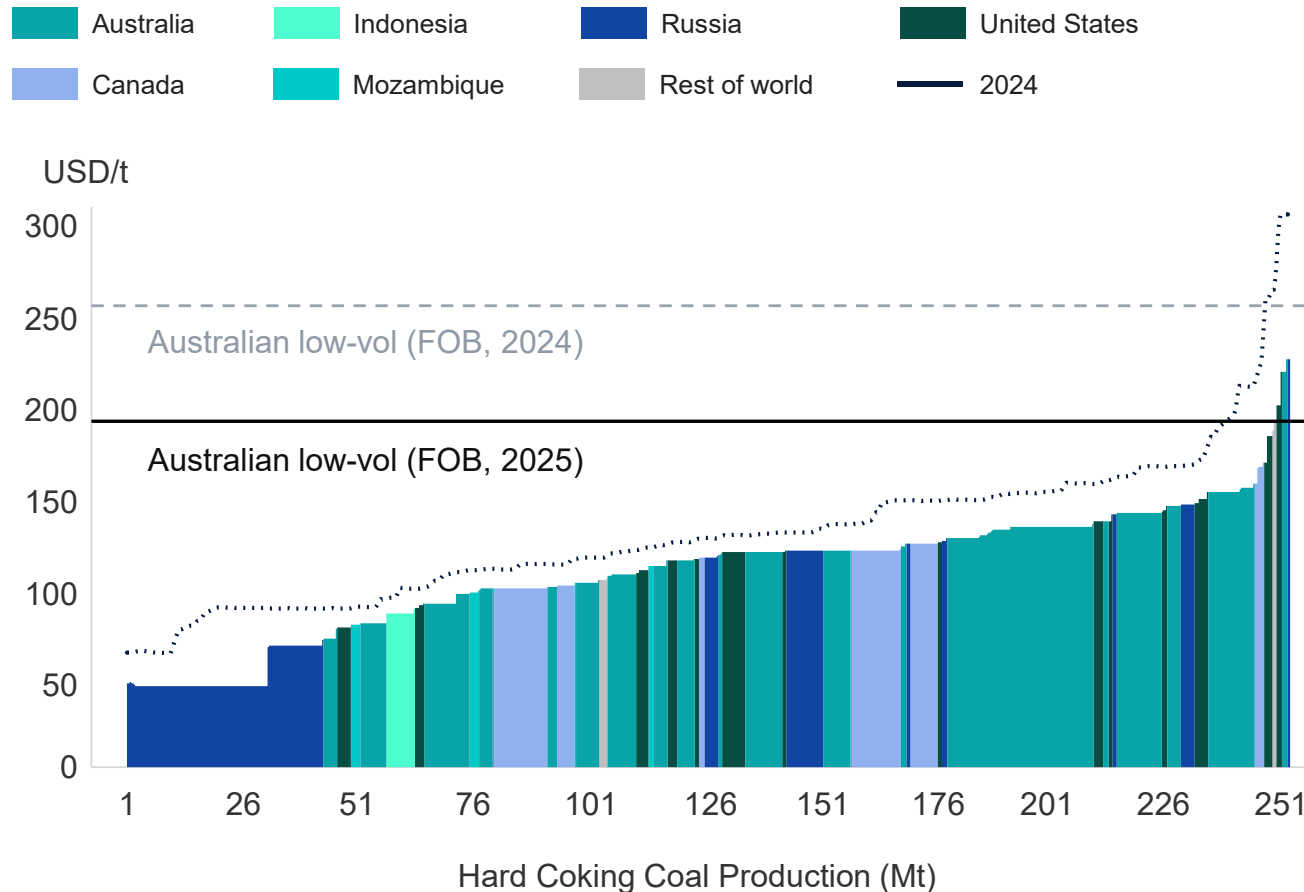
- **Context & Demand:** Iron ore demand forecast +15% to 1095 Mt by 2035.² Supply to match demand growth; emergence of high-grade iron ore from Guinea (Simandou) is a landmark development.¹
- Australian miners aim to defend cashflows from existing Pilbara assets to fund domestic/overseas expansions as ore grades decline.
- **Australia's current positioning:** WA ranks top-tier on Mineral Potential – this factor comprises ~60% of investment decisions, policy accounts for the rest. WA ranks 6th (Investment Attractiveness) and 13th (Policy Perception) versus Brazil at 19th and 29th.³
- Australian majors are among China's lowest-cost suppliers (C1, CFR).
- Mid/high-cost producers (e.g. Mineral Resources) are structurally disadvantaged to Brazilian competition, despite DFTR, but retain advantages over competitors from China, India, Canada, South Africa.¹
- **Future Australia positioning:** China's procurement consolidation (CMRG) may compress margins via stronger buyer leverage.⁴
- Planning/permitting timelines in WA are lengthening and exceeding government guidelines – eroding the investment climate.³



For metallurgical coal, the competitiveness picture is mixed with only ~35% of production in the bottom half of producers

Australian Hard Coking Coal mines are in the global Q3/Q4¹

Free-on-Board Cost Curve for Hard Coking Coal (\$/t), 2025



Key Takeaways

- **Demand & Context:** IEA forecasts ~5% global met coal demand decline to 2030 – China, EU, Japan contraction outweighs India, Indonesia growth.¹
- India is now Australia's largest met coal buyer.²
- **Australia's current positioning:** Production is predominantly hard coking coal (HCC), sitting in Q3/Q4 of cost curve but earning a quality premium (low impurities).¹
- Rising costs means key miners are evaluating financials and exposure e.g. BMA undergoing programme of divestment, care & maintenance, and financial health analysis.³
- QLD (90% of Australian met coal) ranks 13th on Investment attractiveness - ahead of USA, Canada, Mozambique, Indonesia - though progressive royalties remains a concern.⁴
- **Future Australia positioning:** Australian met coal production forecast to rise modestly to 2030, driven by Indian and ASEAN demand.¹
- Longer-term, shifts to Electric Arc Furnaces (EAFs) and Direct Reduction of Iron (DRI), may trim demand to 2035.



Breakeven sensitivity to diesel price and battery learning rate assumptions, by FTC scenario

Rebate retained (current policy)

	Low diesel price (A\$1.14/L)	Medium diesel price (A\$1.43/L)	High diesel price (A\$2.28/L)
2.5% learning rate on batteries	2035	2030	2026
4.1% learning rate on batteries	2032	2029	2026
8.0% learning rate on batteries	2030	2028	2026

Strengthened Safeguard scenario

	Low diesel price (A\$1.14/L)	Medium diesel price (A\$1.43/L)	High diesel price (A\$2.28/L)
2.5% learning rate on batteries	2034	2029	2026
4.1% learning rate on batteries	2032	2028	2026
8.0% learning rate on batteries	2030	2027	2026

\$50m FTC cap scenario

	Low diesel price (A\$1.14/L)	Medium diesel price (A\$1.43/L)	High diesel price (A\$2.28/L)
2.5% learning rate on batteries	2028	2026	2026
4.1% learning rate on batteries	2027	2026	2026
8.0% learning rate on batteries	2027	2026	2026

Full rebate removal / Transition Tax Incentive scenarios

	Low diesel price (A\$1.14/L)	Medium diesel price (A\$1.43/L)	High diesel price (A\$2.28/L)
2.5% learning rate on batteries	2026	2026	2026
4.1% learning rate on batteries	2026	2026	2026
8.0% learning rate on batteries	2026	2026	2026

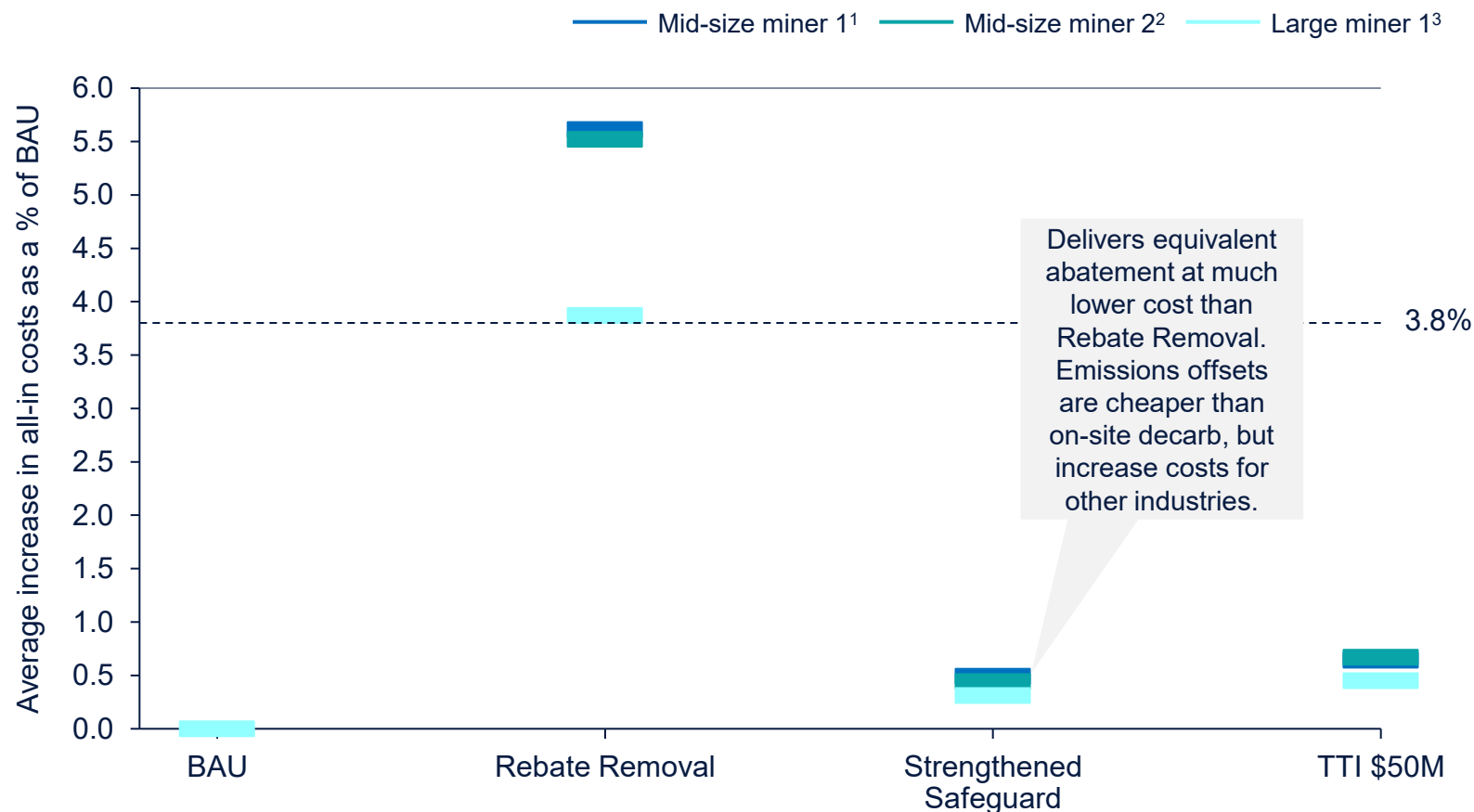
Break-even varies depending on key assumptions. High diesel price driven by geopolitical tensions could bring break-even forward to 2026 under every policy scenario; aggressive reform (e.g., \$50m FTC cap or full removal) does the same across most price and learning rate assumptions. Under current policy settings with slow learning, break-even slips to the mid-2030s.

Notes: Each table holds the FTC scenario fixed; cells show the first year BEV haulage TCO falls below diesel, varying by diesel price (columns) and battery learning rate (rows). Battery learning rates assumed linear. Greener = earlier break-even. Diesel price cases (all net of FTC and GST): low A\$1.14/L (ACCC average retail diesel, Sep Q 2025); medium A\$1.43/L (~25% above low); high A\$2.28/L (recorded 30 Mar 2026). Battery learning rate: ~4.1% p.a. is the implied rate from BNEF (2025 actual US\$99/kWh → forecast US\$65/kWh by 2035, linearly interpolated 2026-2035); 2.5% and 8% p.a. are assumed low/high sensitivities. FTC scenarios: rebate retained = status quo; \$50m cap = FTC capped at A\$50m per consolidated group (sub-cap diesel use remains rebated); full removal = no rebate. Strengthened Safeguard: A\$80/t carbon price by 2035 baseline, with a Cyan Ventures internal elasticity factor applied to demand-driven scenarios. Source: ACCC Australian Petroleum Market Report, September Quarter (2025); AIP terminal gate prices (accessed 30 Mar 2026); BNEF clean-transport battery outlook (2025); David Leitch / ITK Research (2026).



For met coal, rebate removal leads to 3.8%+ cost increases, while other scenarios have less than one-third that impact

Average increase in All-in costs to 2035 as a percentage of BAU costs (%)



Key Takeaways

- **Metallurgical coal mirrors iron ore's scenario ranking, but has greater cost impacts due to higher diesel intensities:** Cost impacts are ~2x of iron ore, because diesel intensities of production are ~3.5x higher.⁴ This is structural – driven by smaller operations, worsening strip ratios, shifts to open-cut mines, and longer distances travelled. This also forces miners to move away from electric draglines towards diesel haulage during excavation.⁵
- **TTI offers a tradeoff between short- and long-term outcomes:** Coal miners face higher costs when decarbonising (vs iron ore) in the short-run but high diesel dependency, and corresponding OPEX savings, means long-run average costs are similar to Safeguard. However, rising costs mean short-run decarb expenditure may be challenging for miners to cover.



1. Archetypal Mid-size miner with met coal operations in Queensland. 2. Archetypal mid-size miner with met coal operations in Queensland. 3. Archetypal large size miner with diversified operations across thermal coal and met coal, with Queensland production primarily focussed on met coal. 4. Cyan Ventures internal assessment based on IEEFA (2026), Australian Energy Statistics (2025), DISR (2025), and ARENA (2017). 5. IEEFA (2026)

There are 5 main points of feedback garnered from our consultations (1/2)

1 The window of opportunity is now

- **The fleet replacement cycle is in a critical phase.** Key replacement decisions will be made in the next 2-4 years. Without reform, Treasury and miners will be **locked-in to diesel for the next 14-17 years (early 2040s)**.
- **Energy security is front-of-mind for mining staff and junior miners** facing diesel cost pressures and care & maintenance risks. BlueCap stood down FIFO; many miners are on 2-in-1 worker rosters, some considering 3-in-1.¹
- Policy certainty is key. The sooner industry has certainty around policy contours, the better their ability to adapt. Locking-in diesel use long-term, and subsequently being forced to reform the rebate, is the **worst-case scenario**.

2 Fair Balance between Treasury & Miners

- **Any reasonable reform must give miners time to adapt** and cushion the impact to their bottom line by ensuring they have access to a fair proportion of DFTR funds.
- Materially improve the budget, for Treasury to direct it towards rising spending demands or budget repair. **Without adequate 'return' for budget, ambitious reform is not worth it.**

3 Political Feasibility

- Reform must explicitly **link between rebate removal and capex subsidies** for adopting energy security technologies. This will facilitate public understanding.
- **Shield junior & mid-tier miners from cost escalation.** They need additional support to become energy secure – given higher diesel dependency,² market pressures, smaller margins – or market power of Tier 1s will be entrenched further.
- **Reform must be focussed on the big players**, as they have the capacity to adapt. It should not cover all resources industry players.



1. ABC (2026). BusinessNews (2026). 2. See Appendix slide 48.

There are 5 main points of feedback garnered from our consultations (2/2)

4 Be technology-agnostic and flexible

- Being prescriptive about capital allocation is impractical, given diversity of mine sites and commodities. Focus on renewables, BEV Haulage is too narrow. **The full range of energy security technologies should be considered.**
- **Reform should not be administratively complex.** As far as possible, it should fold into existing Treasury and government policy mechanisms to avoid raising administrative costs and introducing arbitrage opportunities.
- Rapid technology evolution (and cost reductions) in many energy security technologies shorten the economic life of new investments. **Assistance needed to account for faster asset depreciation.**

5 Have sensible exclusions

- **Must not affect farming, fishing, or the trucking industry.** To help these groups become more energy secure, different policy frameworks and tools are needed.
- **Exclude mines with <10 years of operations remaining.**



How do potential Safeguard reform options intersect with the DFTR?

Increasing Baseline Decline Rates

- Will drive increases in diesel displacement, assuming ACCU prices are allowed to rise
- Effects likely to be marginal under current CCM cap, based on current modelling

Lowering Facility Threshold

- Will drive increases in diesel displacement, assuming ACCU prices are allowed to rise
- Effects likely to be marginal under current CCM cap, based on current modelling

Border Adjustment Mechanism

- Will not intersect with the DFTR options considered here.
- CBAM is an imports-targeted measure, while the resources industry exports Australian commodities

Phase out TEBA

- Variable effect, likely marginal
- As of 2025, no iron ore or coal mine sites (largest diesel users) have TEBA exemptions
- Many mining facilities covered by TEBA e.g. alumina are not diesel-intensive

Excess ACCU Use Justifications

- Variable effect based on disclosure design
- If non-public: dependent on political will, prevalence of threshold breaches
- If public: likely drive diesel displacement, magnitude of effects is highly path-dependent

Standalone Safeguard reform is inferior to DFTR reform for investors with mandates for stable long-term returns:

- Reforming the Safeguard creates costs for the entire economy, including smaller miners and industries with fewer options to decarbonise
- Significant proportion of funds are diverted to ACCUs which increase costs for businesses without driving adoption of future-proof technology
- No boost to government budgets that can help cover for coordination/market failures (e.g. CUTI) or crowd-in investment.

