



Australian Government

Australian Government response to the
Joint Standing Committee on Foreign Affairs,
Defence and Trade:

Inquiry into the Department of Defence Annual
Report 2019-20

On 29 November 2021, the Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) released its report inquiring into the Department of Defence Annual Report 2019-20.

The Committee made six recommendations. The Australian Government's response is outlined below. This response was not able to be tabled sooner due to the Government entering a Caretaker Period ahead of the 21 May 2022 election.

Recommendation One

The Committee recommends that the Government reviews the size of the ADF in order to ensure a more sustainable and credible conventional force is available for future military operations, particularly sustained operations.

Response to recommendation:

The Australian Government **notes** recommendation One of the Joint Standing Committee's report.

On 24 April 2023, the Government released the public version of the Defence Strategic Review (the Review), the Government's response to the Review, and the National Defence Statement 2023. The Government's response to the Review sets out a blueprint for Australia's strategic policy, defence planning and resourcing over the coming decades. The Government has agreed, or agreed in-principle with further work required, to the public Review recommendations, and has identified several priority areas for immediate action, including initiatives to improve the growth and retention of a highly skilled Defence workforce.

A *Defence Strategic Workforce Plan* has been developed to provide the overarching mechanism to achieve workforce growth. This workforce growth is critical to deliver and operate the capabilities Defence needs to secure Australia's strategic environment, protect Australia's interests, and build a credible military force.

Recommendation Two

The Committee recommends that the Government makes a shift in strategic thinking, within both Government and the ADF, towards resourcing and shaping the ADF not only as a highly capable conventional force, but also as a disproportionately potent force in grey-zone and asymmetric capabilities.

Response to recommendation:

The Australian Government **notes** recommendation Two of the Joint Standing Committee's report.

The Defence Strategic Review examined Australia's defence force posture, force structure and capabilities to help prepare Australia to effectively respond to the changing regional and global strategic environment. The Review concluded that there is a need for more effective support for innovation, faster acquisition and better links between Defence and industry to deliver the capabilities the Australian Defence Force needs. In its response to the Review, the Government has identified several priority areas for immediate action, including;

- acquisition of nuclear-powered submarines through AUKUS to improve our deterrence capabilities;
- developing the ability of the ADF to precisely strike targets at longer-range and manufacture munitions in Australia; and
- lifting our capacity to rapidly translate disruptive new technologies into ADF capability, in close partnership with Australian industry.

The Advanced Strategic Capabilities Accelerator will be a key element of the Defence innovation, science and technology program. Priorities for the program are hypersonics, directed energy, trusted autonomy, quantum technology, information warfare and long-range fires. It will focus on defined missions, solving the most relevant technical issues, and taking a more flexible and agile approach to procurement. This will ensure game-changing ideas are developed into capabilities that give the ADF an asymmetric advantage.

Recommendation Three

The Committee recommends that the Australian Government increase investment into an Australian sustainable aviation fuel industry through funding mechanisms such as ARENA.

Response to recommendation:

The Australian Government **supports** recommendation Three of the Joint Standing Committee's report.

The Australian Government recognises the importance of exploring alternate fuel sources, including those for the aviation industry. Between 2012 and 2021, the previous Australian Government awarded over \$469 million through the Australian Renewable Energy Agency (ARENA) and the Clean Energy Finance Corporation (CEFC) towards development of alternative fuels. ARENA provides grants for projects that are aligned to its strategic priority of supporting a global transition to net zero emissions by accelerating pre-commercial innovation. The CEFC increases the flows of finance into the clean energy

sector by providing investment opportunities for the private sector and the share market; by leveraging its investment commitments in clean energy technology, projects and businesses.

At the request of the previous Australian Government, ARENA developed the Bioenergy Roadmap to identify the barriers and key opportunities to build Australia's bioenergy sector. The Roadmap, released in November 2021, identifies collaborative opportunities for all levels of government, research institutions and industry to grow Australia's bioenergy sector.

To coincide with the release of the roadmap, the previous Government committed an additional \$33.5 million, between 2021-22 and 2024-25, to ARENA to encourage private sector co-investment on additional research, development and deployment of advanced sustainable aviation and marine biofuels. This program will be finalised after stakeholder consultation and, subject to approvals, is expected to be open for applications in 2023.

The Government's *Powering Australia* plan builds on this funding. Under the plan, the Driving the Nation Fund will encourage cheaper, cleaner transport through the construction of a National Electric Vehicle Charging Network and investing in Hydrogen Highways for heavy transport. It will support the greater uptake of electric vehicles and the development of new clean energy industries, such as green hydrogen and bioenergy, which may include biofuels.

The Minister for Infrastructure, Transport, Regional Development and Local Government will deliver an Aviation White Paper with a priority focus on options to maximise the aviation sector's contribution to achieving net zero carbon emissions, including through sustainable aviation fuel and emerging technologies.

The Minister for Infrastructure, Transport, Regional Development and Local Government has also announced the Government will establish a Jet Zero-style council to inform the development of policy settings to encourage emissions reduction in the aviation industry.

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts has also established a unit to work across Government and with industry partners to identify reductions and offsets in carbon emissions across the transport sector, including aviation.

Recommendation Four

The Committee recommends that the Australian Government use mechanisms such as AUKUS, to collaborate with the US and UK militaries in the development of drop-in biofuels for military use to ensure that standards and certifications for Defence use are jointly developed should a contingency require the use of alternative aviation fuels.

Response to recommendation:

The Australian Government **partially supports** recommendation Four of the Joint Standing Committee's report as follows:

- **Supports** collaboration with the US and UK militaries on military standards for drop-in biofuels.
- **Supports** collaboration with the US and UK militaries in the development of sustainable aviation fuels in partnership with industry.
- **Does not agree** utilising AUKUS as the mechanism for this collaboration.

The Australian Government **supports** any recommendation for close collaboration with Australia's strategic military partners to ensure alignment and interoperability with respect to fuel standards, including for the adoption of new and emerging sustainable aviation fuels technologies. Defence regularly collaborates with US and UK militaries across multiple forums to achieve this. This includes the certification of sustainable aviation fuels for military use. This is also conducted in partnership with industry, to ensure that commercially viable solutions are developed.

The Australian Government wishes to highlight that the AUKUS trilateral security pact is not currently used as the mechanism to achieve fuel collaboration outcomes. Existing fuel forums are highly technical in nature and are better suited to specialist sections within the Government. These technical discussions ensure that the functionality of Defence warfighting capability is not impacted by the adoption of new energy technologies.

Defence does not support the use of AUKUS as the mechanism for fuel collaboration, as existing technical collaboration forums can be adjusted to meet the requirement to jointly develop new fuel technologies.

Recommendation Five

The Committee recommends, as a matter of urgency, that the Government appoint a task force, including Defence, industry and independent experts, to critically assess Australia's current fuel security in light of the Strategic Update 2020 and over the longer term given changing geo-strategic circumstances.

Response to recommendation:

The Australian Government **notes** recommendation Five of the Joint Standing Committee's report.

The Australian Government is committed to ensuring Australia has access to the fuel we need to keep the country moving while managing the transition to net zero emissions.

As part of the Defence Strategic Review (DSR), the Government said that it remained committed to safeguarding Australia's national fuel supply, distribution and storage. Defence is now contributing to the establishment of a whole-of-government Fuel Council.

In the DSR, The Government also recognised that Australia's economy has become more interconnected with the Indo-Pacific, and in-turn that Australia has a fundamental interest in protecting its connection to the world. The Government directed the ADF protect Australia's economic connection to Australia's region and the world.

Australia relies on liquid fuels for more than half of our final energy demand. While the use of alternative fuels and new vehicle technology is increasing, traditional liquid fuels are still expected to play an important role in Australia's energy mix over the coming years.

In this context, the Government is already delivering a range of measures to support our fuel security, improve fuel quality and protect consumers and our economy from supply disruptions. These reforms are underpinned by the *Fuel Security Act 2021*.

Fuel security measures currently in place include:

- A domestic fuel reserve through a legislated Minimum Stockholding Obligation (MSO). From 1 July 2023, the MSO will require Australia's 2 refineries, and our major importers of refined fuels, to hold baseline stocks of jet fuel, petrol and

diesel. These stocks can be released into the market in the event of a supply disruption.

- Support for our domestic refineries through the Fuel Security Services Payment to ensure continued operation of Australian refineries until at least 2027 – with the option to extend to 2030.
- Up to \$302 million to support infrastructure upgrades at Australian refineries to bring forward the introduction of better fuels from 2027 to 2024.
- The Building Australia's Diesel Storage Program, which supports implementation of the MSO through funding to increase Australia's diesel storage capacity.
- Improvements in the Government's data collection, management, analysis and reporting capabilities through the Petroleum Reporting Modernisation Project 2021-2023. This measure will improve the timeliness, security and accessibility of data under the *Petroleum and Other Fuels Reporting Act 2017* and the *Fuel Security Act 2021*.

These measures ensure that Australia moves towards increasing our fuel stockholdings to help return to full compliance with the International Energy Agency's oil stockholding obligation by 2026. They will improve our ability to monitor the fuel market and respond to supply disruptions.

Furthermore, the Government is taking further steps to modernise our liquid fuel emergency legislation. These reforms will support a more effective government response in the event of market disruptions.

The Australian Government continues to consider and assess Australia's liquid fuel security through new and existing mechanisms. This includes for shifts in energy and liquid fuel markets, emerging technologies and geostrategic issues.

Recommendation Six

The Committee once again urges the Government, as a matter of priority, to adopt Recommendation 2 of the Committee's report *Contestability and Consensus: A bipartisan approach to more effective parliamentary engagement with Defence*, and establish a new parliamentary committee, or by enhancing the role of the Defence Sub-Committee of the JSCFADT, with an exclusive focus on Defence and with effective powers of oversight along the lines of the Parliamentary Joint Committee on Intelligence and Security (PJCIS).

Response to recommendation:

The Australian Government **notes** recommendation Six of the Joint Standing Committee's report.

The Australian Government is open to working with the JSCFADT about the most appropriate ways to structure the committees of the Parliament in order to carry out the functions currently undertaken by the JSCFADT.