Australia's Guarantee of Origin

Australian Hydrogen Council
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Introduction

The Australian Hydrogen Council (AHC) is the peak body for the hydrogen industry, with over 100 members from across the hydrogen value chain. Our members are at the forefront of Australia's hydrogen industry, developing the technology, skills and partnerships necessary to ensure that hydrogen plays a meaningful role in decarbonising Australian industry.

AHC welcomes the release of the Policy Position Paper on Australia's Guarantee of Origin scheme.

A widely agreed and accepted means of recognising the emissions associated with production, transport and storage is a key precondition for the development of domestic and international trade and usage of hydrogen. AHC has engaged closely with the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the Clean Energy Regulator (CER) and support their development of a robust and versatile scheme which will meet the needs of a broad range of stakeholders.

The concept of a certification scheme hydrogen has evolved considerably since the release of the initial discussion paper on the development of a Hydrogen Guarantee of Origin in mid 2021. The mechanism now being referred to as the GO scheme provides an architecture for tracking emissions well beyond the 'rubber stamping' concept envisaged by some when the need for a certification scheme was initially raised. By remaining agnostic to production pathway and emissions intensity DCCEEW is establishing a scheme which can adapt to the needs of industry and consumers beyond merely the production and use of hydrogen.

We are aware of Australian government efforts, both bilaterally with trading partners and through the International Partnership on Hydrogen and Fuel Cells in the Economy (IPHE) to push for a globally recognised methodology for accounting for emissions and we consider that the Product GO approach detailed in the paper can serve to underpin efforts to ensure that global reporting of emissions related to traded commodities is robust.

We note that the scheme as proposed seeks to allow for hydrogen markets to evolve and looks to accommodate the as yet unarticulated, future requirements of consumers. This is evident in the comprehensive information provision proposals as well as the wheel-to-user boundary condition. We believe that the costs of this approach could be minimised by allowing producers to respond as markets demand certain information or features rather than setting requirements in anticipation of what the market is seeking. Comments with regard to additional flexibility which could be provided for hydrogen producers is outlined in our responses to the policy proposals outlined in the paper.

Policy position proposal 1: The scheme will be covered under new legislation administered by the CER.

This position is in line with AHC's previously expressed calls for a hydrogen certification scheme to be administered by the CER.

Policy position proposal 2: The Product GOs will cover the well-to-user system boundary.

AHC has previously supported a well-to-gate system boundary on the basis that a narrowly defined scheme could be implemented more quickly. We believe that the proposed well-to-user system

boundary could provide even greater utility in the tracking of emissions from products covered by the scheme. We note however that the well to user boundary presents a number of challenges, particularly for exported products.

We acknowledge the Australian government's leadership in developing a certification scheme prior to the emergence of markets for hydrogen. Ideally the Go Scheme will be adopted as a model by other markets however this is not guaranteed, and we are concerned that that the well-to-user boundary may not integrate with other certification schemes which develop.

Further, AHC members have noted that challenges may arise with regard to compelling overseas based transport providers and on-sellers to comply with additional requirements under existing contracts. We support the development of full life-cycle emissions tracking however we consider that expansion beyond the initial well to gate boundary condition can occur as a second phase following the successful launch of the GO Scheme.

Policy position proposal 3: There will be no minimum emissions intensity requirements for Product GOs and participation will be voluntary for both Product GOs and REGOs.

The role of the GO scheme should be to provide a transparent means for calculating and certifying the emissions intensity of covered products. The lack of minimum emissions intensity requirements provides a degree of objectivity and allows end users of covered products to determine what level of emissions is acceptable. The proposed approach also allows the Product GO to act as the basis for third-party schemes to accredit and brand hydrogen to respond to the needs of particular consumers.

AHC considers that the ability to verify emissions intensity via the GO Scheme provides a strong incentive for producers to participate but sees no reason why it should be mandatory. Allowing scheme participation to be voluntary will reduce costs for hydrogen producers who have found offtake which is agnostic of emissions intensity or has verified producer claims regarding emissions intensity via other means.

AHC supports this approach.

Policy position proposal 4: The GO scheme will be cost recovered in line with Australian Government policy.

AHC supports the policy position for GO scheme costs to be recovered in line with Australian Government policy. The design of the scheme as outlined in the Policy Position Paper generally attempts to balance participant costs with overall scheme rigour. The provision for cost recovery to be linked to industry maturity demonstrates a pragmatism and desire for the scheme to facilitate the growth of the industry rather than constrain it through regulation and compliance costs.

Policy position proposal 5: The scheme will be reviewed in 2025 and every five years thereafter to ensure it is fit for purpose and able to support the industry.

AHC supports this proposal.

Policy position proposal 6: Product GOs and REGOs will be housed on a publicly visible register with general information and the ability to share specific information with other scheme participants. Feedback is sought on the information that should be publicly visible on REGOs (e.g. time of generation, grid location, commissioning date, end user, etc) and the information that should be publicly visible on Product GOs? (emissions intensity, volume, relevant inputs, etc).

As the GO Scheme is designed to facilitate trade of low emissions commodities such as hydrogen, AHC considers that making information publicly available will increase market liquidity. This should be balanced with a regard for the commercial sensitivity of some data and the potential for undue compliance burden.

Product GOs and REGOs will be used to satisfy a number of different use cases, with a range of information requirements. We do not consider that information relating the end user of the Product Go is particularly meaningful and it may be sufficient for producers to provide batch data rather than full granular information to reduce the compliance burden and acknowledge the potentially commercial nature of some transactions.

Policy position proposal 7: Product GOs will use a provenance approach, while REGOs are able to be traded independently of the electricity they were created alongside.

AHC understands that the issue of tradability versus a provenance approach for Product GOs has been contentious. Further work on the design and use of REGOs has provided certainty regarding the treatment of grid connected hydrogen production which had been an issue for some proponents. The broader rationale for preferring the provenance model or tradeable certificates is however not clear.

Given that the GO Scheme appears to have been designed with flexibility in mind, we consider that further consideration be given to this matter. While some customers may have a preference for the certificate to be 'stapled' to the commodity, this may not always be the case and a tradeable certificate would not preclude a producer from meeting the preference for the commodity and certificate to be traded together.

Policy position proposal 8: An upfront data reporting model will be implemented to provide a practical reporting process.

AHC supports this proposal.

Policy position proposal 9: There will be four scheme participant roles with differing responsibilities and permissions.

The four participant roles appear to adequately reflect how emissions will be captured along the supply chain under the proposed well-to-user boundary condition. The different scheme participant roles will however, prove a challenge to manage with regard to export products where some participants are likely to be located offshore. These challenges will be felt by both the contracting parties and the Clean Energy Regulator as it seeks to undertake compliance monitoring and assurance.

AHC once again suggests consideration of an initial well-to-gate rollout with a view to expanding the boundary condition after the scheme is established and operating.

Policy position proposal 10: The creation process will be implemented which combines batch data with the upfront profiles to create certificates. The creation period for GOs can range from a single hour to a year.

AHC supports this proposal however we suggest that clear guidance for timing of the Annual Reconciliation Check relative to the creation period is developed. AHC suggests aligning with NGERs timings (ie financial year basis).

Policy position proposal 11: Product GOs are proposed to require creation and transport and storage information to be complete. Product GOs can then be surrendered and report consumption information.

This policy proposal appears to be the most practical way to track the lifecycle emissions of a product covered under the GO scheme. As previously outlined however, transport and storage data may be difficult to obtain and verify where operations occur offshore. If the well-to-user boundary condition is maintained, AHC suggests that default emission factors could potentially be used.

Policy position proposal 12: REGOs are proposed to be available to be traded or surrendered after being validly created.

AHC support this proposal as it broadly aligns with the treatment of largescale generation certificates created under the Renewable Energy Target (RET). The two schemes can effectively co-exist until the closure of the RET in 2030.

Policy position proposal 13: The CER will undertake compliance monitoring and will have regulatory powers to address non-compliance.

AHC supports this position. The CER is a trusted Government agency and robust compliance monitoring and enforcement powers will guarantee the integrity of the scheme.

Policy position proposal 14: Limited Scope Technical Reviews (LSTRs) will provide third-party assurance of the information reported under the GO scheme. The need for LSTRs will be front-loaded requiring less as time goes on and participants demonstrate compliance with the requirements of the scheme.

The requirement for LSTRs demonstrates a desire to balance scheme integrity with compliance costs. AHC supports this position.

Policy position proposal 15: Where Product GOs have incorrect information, they will be updated to reflect the most up to date information. After an Annual Reconciliation Check process, Product GOs will be finalised and not subject to further amendments.

AHC supports this position.

Policy position proposal 16: Where REGOs have incorrect information, they will not be updated and instead will follow an 'unders' and 'overs' reconciliation process to minimise impacts on the renewable electricity certificate market.

As REGOs are not linked to a physical commodity, an 'unders' and 'overs' reconciliation process is a pragmatic approach to ensuring the overall integrity of certificate supply.

Policy position proposal 17: The Department proposes the GO scheme methodologies will align where possible with the NGER and the Safeguard mechanism.

AHC supports the alignment of the GO scheme with existing regulatory mechanisms.

Policy position proposal 18: The CER will be able to establish formal data sharing arrangements with the administrators of the various state based schemes (eg, NSW RFS and WA Green Hydrogen Target) to streamline the creation process.

AHC supports this proposal. In its discussions with state based policy makers, AHC has noted that individual jurisdictions are keen to leverage the GO scheme to underpin their specific policy mechanisms.

Policy position proposal 19: Material emissions sources that must be measured for each product and production pathway will be specified in the methodologies. The sources will be selected based on materiality threshold of 2.5% of total emissions per source.

AHC supports this proposal.

Policy position proposal 20: ACCUs issued from within the system boundary will need to be surrendered for the emissions reductions to be recognised under the GO scheme. ACCUs or other carbon offsets cannot be used to reduce the emissions intensity of products listed on GO certificates.

AHC supports this proposal. Allowing the use of ACCUs from within the scheme boundary demonstrates the Department's consideration of the feedback provided in response to the 2021 Discussion Paper.

It is important however, that the Product Go aligns with the Safeguard Mechanism as one Australia's key emissions policies. An example of where this may not be the case is with regard to the production of blue hydrogen. A blue hydrogen production facility would likely exceed the safeguard mechanism threshold whereas the CCS facility, which would generate ACCUs. would not. The CCS method allows the ACCUs created to be allocated to the safeguard facility and we consider that for the sake of consistency with the Safeguard mechanism, ACCUs surrendered for this purpose should be recognised by the Product Go.

Policy position proposal 21: LGCs and REGOs will be used to demonstrate renewable electricity use. Behind the meter or directly supplied renewable electricity will not require certificate surrender if none were created.

AHC supports this proposal.

Policy position proposal 22: A new RMF will be calculated for use within the GO scheme that is updated frequently and can be accessed by other market-based frameworks.

AHC supports the calculation of a new RMF to account for emissions for imported electricity use not claimed by a recognised renewable electricity certificate (LGC or REGO). Ensuring that the RMF is updated frequently and can be accessed by other market-based frameworks will allow individual businesses to accurately account for their scope 2 emissions.

Policy position proposal 23: RECs used to demonstrate renewable electricity usage in production of a GO product must have been issued within the previous 12 months. Additional information will be captured on REGOs to allow for voluntary time matching at a more granular level.

AHC considers that a 12-month timeframe for the matching of RECs/REGOs with hydrogen production presents a reasonable outer bound. We anticipate that markets could potentially impose more stringent temporal matching requirements and consider that these producers seeking to satisfy these conditions will be able to satisfy them through the inclusion of information on REGOs.

Policy position proposal 24: The GO scheme will expand over time by incorporating new product-specific methodologies. A prioritisation, development and review process with industry input and international engagement will be established to ensure domestic applicability, international alignment, and continued suitability of legislation.

AHC supports this position and look forward to continuing to engage with DCCEEW to broaden the scheme beyond hydrogen.

Conclusion

AHC supports the Australian Government's approach to the development of Product GOs to provide a framework whereby producers and consumers of hydrogen can verify the environmental bona fides of their product.

The scheme, as proposed, will allow for the development of third party accreditation schemes which will enable consumers to quickly and easily identify whether a unit of hydrogen satisfies their requirements. Such accreditation cannot develop until markets have clearly defined those requirements and in the absence of such clarity we consider that the flexible nature of the Product GO scheme will allow it to develop as the hydrogen industry establishes itself.

If you wish to discuss any element of this submission in further detail, please contact Joe Kremzer, General Manager, Policy on 0413 266 081 or email jkremzer@h2council.com.au.