



# Renewable Electricity Certification

Australian Hydrogen Council

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Environment and Water

Joe Kremzer

General Manager Policy

Australian Hydrogen Council

m: +61 413 266 081

e: [jkremzer@h2council.com.au](mailto:jkremzer@h2council.com.au)

w: [H2council.com.au](https://www.h2council.com.au)

## 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 has closely followed DCCEEW and CER progress on the development of a Guarantee of Origin for hydrogen and is pleased that focus has been turned to the vital issue of accrediting and accounting for the electricity which will power hydrogen production.

Australia has, in the Renewable Energy Target (RET), a long-standing, trusted mechanism for accounting for emissions from electricity use. In its 2021 discussion paper on the development of a guarantee of origin scheme for hydrogen, the Australian Government identified that although the RET was a fit for purpose means of tracking emissions from hydrogen production, the scheme is legislated to end in 2030 and an alternative would be required beyond that point. We consider that DCCEEW has, in the concept of the Renewable Energy Guarantee of Origin (REGO), proposed a solution which can work in parallel with the RET until its conclusion and from then on, act as the single agreed scheme for enabling mandatory and voluntary purchases of renewable electricity.

The inclusion of REGOs complements the broader GO scheme as it allows for consumer markets to determine the requirements and characteristics of any renewable electricity used in the manufacture of downstream products. This approach will allow the market for low emissions products such as hydrogen, to develop domestically and abroad.

AHC's comments regarding specific policy position proposals are as follows:

**Policy position proposal 1:** The Department proposes to develop and implement an enduring, tradeable renewable electricity certificate mechanism administered by the Clean Energy Regulator.

In keeping with AHC support for the GO scheme to be administered by the Clean Energy Regulator (CER), we support this proposal. The CER has acted as administrator of the RET since its inception and has demonstrated the expertise required to administer the REGO. Having both the RET and the REGO administered by the same party as they run in parallel will also provide the opportunity to minimise any coordination issues, particularly if transitional arrangements are required towards the end of the RET.

**Policy position proposal 2:** The Department proposes to allow renewable electricity generation to create REGOs where that generation has not already created LGCs, STCs (unless the certificate creation period has passed) or other certificates.

AHC is generally supportive of this policy proposal. The scheme will provide flexibility and choice to the renewable electricity generators to determine which certificate type they would seek to create, presumably based on which is likely to provide the highest financial return. This should incentivise investment in renewables.

AHC is concerned however, that this flexibility may reduce the supply of STCs and create difficulties for liable entities in meeting their STC liability if actual STC creation falls materially short of estimates as producers choose to create REGOs.

We also consider that allowing small scales generators to produce REGOs could present technical and regulatory challenges. This issue is explored in greater detail in response to Policy position proposal 7.

**Policy position proposal 3:** The Department proposes to allow eligible renewable energy sources as defined under the *Renewable Energy (Electricity) Act 2000* to create REGOs.

AHC support this policy proposal.

We note comments in the Policy Position Paper regarding the consideration of secondary energy sources. AHC has not yet formed a position on this matter and consider that robust consultation should be undertaken before the issue is progressed.

**Policy position proposal 4:** The Department proposes to allow storage facilities to create REGOs for electricity dispatched if they demonstrate that the stored energy came from eligible renewable electricity generation by first surrendering an appropriate REGO or LGC.

AHC supports this policy proposal. If the operator of a storage facility surrenders an LGC or REGO in respect to the initial renewable energy generation, they are in effect simply acting as an intermediary and the REGO generated from dispatch from the storage facility could for all intents and purposes be considered a continuation of the initial certificate. The requirement for a separate surrender increases traceability and ensures the integrity of the scheme.

**Policy position proposal 5:** The Department proposes that electricity generated by offshore renewable energy power stations and storage facilities located within coastal waters of states and territories, the territorial sea of Australia, and Australia's Exclusive Economic Zone, and electricity that is exported internationally, be eligible to create REGOs.

AHC does not have a view on this policy proposal.

**Policy position proposal 6:** The Department proposes to allow all renewable electricity generation to create REGOs regardless of power station age.

AHC considers it crucial that the GO scheme preserves the integrity of claims around the use of renewable energy and drives investment in additional renewable energy. By allowing 'below baseline' generation to create REGOs there is the potential for the term 'renewable generation' to be devalued to a degree. With this concern in mind, we do support the policy position proposal to allow all renewable electricity generation to create REGOs regardless of power station age.

We suggest that DCCEEW engage with the ACCC to make them aware of the proposed changes to how renewable electricity will be accounted for.

Ultimately, the market for goods produced using renewable electricity will determine what types of REGOs can be used. Similarly, any government policy requiring the surrender of REGOs is likely to establish criteria for the REGOs which drive additionality of renewable energy rather than reliance on existing or below baseline generation.

As the emissions intensity of the Australian grid decreases over time, the need to differentiate between existing and additional generation lessens. It is currently however, an important issue which must be addressed by ensuring that all parties have access to appropriate information.

**Policy position proposal 7:** The Department proposes to allow all renewable electricity generation to create REGOs regardless of power station or storage facility capacity.

Whilst AHC is generally supportive of all renewable electricity generation being treated equally and able to create REGOs, we are concerned that further examination this issue may be required. STCs are created based on deeming factors rather than actual output of the small scale renewable generator and their true output is generally under counted due to net metering arrangements in place to allow customers to claim solar feed-in tariffs.

AHC consider that additional consultation is necessary on the extent to which these technical factors may result in unforeseen consequences and how small scale renewable electricity generators can transition from the creation of STCs to REGOs.

**Policy position proposal 8:** The Department proposes to require REGOs include all the information currently displayed on LGCs, and that this information be publicly visible.

AHC considers that visibility of information is crucial for a functioning market for REGOs and will be necessary to differentiate between REGOs to enable to their use for various purposes.

**Policy position proposal 9:** The Department proposes to allow RET participants to choose to include on LGCs some or all of the additional information required on REGOs.

AHC supports this policy proposal as it will allow certificate creators to streamline processes where both REGOs and LGCs are being created by the same facility or as creators of LGCs transition towards the end of the RET.

**Policy position proposal 10:** The Department proposes to require REGOs include the commissioning date of the power station or storage facility creating the certificates.

In order to play a genuine role in decarbonising society, green hydrogen must not lead to an overall increase in grid emissions. Generally speaking, this means that the renewable energy used for electrolysis must be new or additional. The inclusion of information relating to the commissioning date of the power station or storage facility creating the certificates should be included in the REGO.

**Policy position proposal 11:** The Department proposes to require REGOs to include the grid location of the power station or storage facility creating the certificates.

**Policy position proposal 12:** The Department proposes that REGOs created by power stations and storage facilities over 1 MW in capacity be required to include a timestamp reflecting the hour in which the electricity was dispatched by the power station or storage facility.

**Policy position proposal 13:** The Department proposes to require REGOs to include information indicating whether the certificate was created for generation exported overseas, or for electricity dispatched from a storage facility.

AHC is broadly supportive of a scheme which allows for full transparency in order to satisfy the potential requirements of markets which have not yet developed. We acknowledge that a number of prospective markets for low carbon hydrogen have indicated that they may require specific temporal or geographic correlation between electricity generation and hydrogen production. Inclusion of this information on REGOs will allow hydrogen producers to satisfy any requirements of this nature.

We consider however, that mandating some information requirements creates an obligation which will be unnecessary in many markets and introduce a cost and compliance burden for no real benefit.

**Policy position proposal 14:** The Department proposes that anyone may surrender a REGO at any time, including for the purpose of creating a product Guarantee of Origin certificate.

AHC supports this policy proposal as it is consistent with the proposed operation of the GO Scheme requirements for creating Product GOs.

**Policy position proposal 15:** The Department proposes that the Clean Energy Regulator develop systems and processes to facilitate the voluntary matching of certificates based on time or other energy attributes.

Prospective markets for low emissions hydrogen have indicated that they are in fact interested in ensuring that certificates used in the creation of hydrogen are matched to the actual electricity consumption of the production. Systems and processes to facilitate voluntary matching are critical to enabling this.

**Policy position proposal 16:** The Department proposes to require REGOs to include the name of the person or organisation on whose behalf the REGO is being surrendered, where applicable and if the surrender is being made on behalf of many organisations.

AHC does not have a view on this matter.

**Policy position proposal 17:** The Department proposes that additional information capturing the purpose of the REGO surrender be required to be provided when a person or organisation surrenders a REGO, and be publicly visible.

AHC supports measures to increase market transparency but it is unclear to how a requirement to record the purpose of surrender assists in this regard. Requirements for additional information

increases compliance costs and should not be made mandatory if no commensurate benefit can be demonstrated.

## Conclusion

AHC supports the development of a certification mechanism for renewable electricity to underpin the GO Scheme. The proposed approach can operate in concert with the RET until its expiry in 2030 and from then on act as the sole means by which renewable electricity is verified in Australia.

We consider that further consultation is required on some issues and suggest that a staged implementation could be considered while the RET is in operation.

We look forward to continuing to engage on this matter.

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](mailto:jkremzer@h2council.com.au).