



Renewable Fuel Scheme – Discussion paper on rule development

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 engagement by the New South Wales government on the operation on the Renewable Fuel Scheme. We view the scheme, along with the other elements of the NSW Hydrogen Strategy as crucial in bringing down the cost of hydrogen production.

The development of a commercially sustainable, clean hydrogen industry in Australia will be aided by a nationally consistent approach to regulation. As such we support the proposal to align with the definition of renewable energy contained in the *Renewable Energy (Electricity) Act 2000*. Similarly, we support NSW's commitment to aligning with the national GO Scheme. We note however, recent milestones in the development of the scheme which provide opportunities for alignment beyond those outlined in the Discussion paper.

In December 2022, the Department of Climate Change, Energy, the Environment and Water (DCCEEW) released two policy position papers on the design of the GO Scheme. The first of these papers relates to the creation and use of Product GO certificates, used to track the emissions intensity of a commodity, in this instance hydrogen. The paper proposes a provenance model whereby a GO certificate cannot be traded independently of the hydrogen to which it relates. This attribute will allow hydrogen to be tracked from its production through to its final use and may provide a simple means for IPART to verify local use of green hydrogen. We suggest engagement with DCCEEW as the policy maker and the Clean Energy Regulator as the scheme administrator to determine the extent to which the GO Scheme can be used to verify the local use of hydrogen.

The second of the papers outlines the development of a new mechanism to certify renewable energy. An instrument, known as a Renewable Energy Guarantee of Origin certificate (REGO), will be created to allow certification of a broader range of renewable generation (primarily below the Renewable Energy Target (RET) baseline). The REGO also anticipates the need for renewable energy certification once the RET scheme ceases in 2030. AHC recommends that eligible REGOs should also be an acceptable instrument to demonstrate purchases of renewable energy in addition to the purchase and surrender of LCGs or Greenpower.

We believe that the GO Scheme developments will simplify scheme administration and compliance without altering the policy intent or outcomes.

AHC notes that 2.4 of the Discussion paper describes the RFS as a scheme to incentivise green hydrogen production. While measures to reduce the cost of hydrogen production will be vital to the development of a green hydrogen industry, it should be noted that for most end uses, hydrogen is not a drop-in replacement for the incumbent technology. This means that demand for green hydrogen will not materialise without policy support. Notwithstanding the relatively gradual ramp-up of targets in the *Electricity Supply (General Regulation) 2014* and the fact that the NSW Hydrogen Strategy also includes demand side activities, we believe that it will be necessary to ensure that there is sufficient demand for the green hydrogen produced under the scheme.

We recommend that demand for green hydrogen should be monitored to ensure that investment driven by the scheme is sustainable in the long term. If necessary, intervention to stimulate demand would be preferable to any downward adjustment of targets, as this is likely to provide greater certainty to industry. We welcome further discussions with government on policies to drive hydrogen demand if the scheme output exceeds what is needed in the short term.

Conclusion

AHC supports the introduction of the RFS as part of a suite of policy mechanisms aimed at improving the commerciality of hydrogen production. We acknowledge the NSW government's efforts to align with national policy but suggest that continued engagement with DCCEEW and the Clean Energy Regulator may be necessary to leverage mechanisms which are currently under development to ensure that the RFS is user friendly and minimises compliance costs on participants.

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.