

22<sup>nd</sup> January 2024

Safeguard Mechanism Operational Policy Team  
Department of Climate Change, Energy, the Environment and Water  
Australian Government  
GPO Box 3090, Canberra ACT 2601, Australia

To the Safeguard Mechanism Operational Policy Team,

**Re: Safeguard Mechanism implementation: production variable updates and international best practice benchmarks**

The Australian Hydrogen Council (AHC) welcomes the opportunity to respond to this consultation which proposes production variables and international best practice benchmarks, including for hydrogen, under the Safeguard Mechanism.

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.

This submission comments on two aspects of the consultation: the proposed intensity target and the interaction with other schemes.

**The proposed hydrogen production variable**

Regarding the current consultation package, the emissions intensity target has been proposed at 7.13 t CO<sub>2</sub>-e/t of gaseous or liquefied hydrogen. This target will help inform a facility's baseline under the Safeguard Mechanism. This is a particularly complex figure to set as hydrogen can be produced in multiple ways which have diverse emissions intensities. The consultation papers noted that a supplementary approach was utilised to engineer a value for hydrogen based on unabated steam methane reforming (SMR) technology, as this was assessed as the lowest emissions-intensity commercial production pathway currently available. However, provided the complexities and that the transition technologies are evolving at scale, it would have been beneficial for the consultation documents to outline the methodology and sources that resulted in this value.

Additionally, there was a lack of clarity as to why the liquid and gaseous emissions intensity targets were both set at the same figure. Considering the larger policy, this is due to how the Safeguard Mechanism calculates each element of a facility's emissions. That is to say that electricity use is covered separately, either as ineligible scope 2 emissions (ie electricity from the grid) or under a different production variable (ie electricity generated at the facility), therefore any electricity used in the intensive liquefaction process is not calculated within the liquefied hydrogen production variable. However, considering the intricacies of the Safeguard Mechanism legislation, it would be beneficial if this rationale could be clearly articulated within later documents to ensure comprehension.

**The wider policy infrastructure**

The Safeguard Mechanism is one targeted segment within Australia's larger policy infrastructure. When looking at the Safeguard Mechanism in isolation, some perverse outcomes are possible. This concern

could be partially attributed to a lack of clarity on how all available policies interact and potentially stack. To address this, DCCEEW should develop a transparent communication strategy of the policy environment relevant to each industry. AHC has attempted this for hydrogen with the information available (See *Attachment A*), however, DCCEEW could produce a more holistic version articulating the levers, incentives and requirements.

As this policy proceeds, it would also be beneficial for the modelling to be published, both for the emissions intensity target and the techno-economics of how the hydrogen production variable will interact with other related policies, such as the GO Scheme.

Furthermore, under the proposed production variable, hydrogen is considered trade exposed. This refers to the risk of incurring a green premium and how this domestic decarbonisation can be potentially undercut and undermined by imported, emissions-intensive alternatives. Under the Safeguard Mechanism, this vulnerability is recognised and combatted with access to additional support and a potentially lower annual reduction in baseline for trade-exposed industries rather than the standard 4.9%. Provided that Australia is trying to establish hydrogen and its derivatives at scale to address our hard to abate sectors and support our green advanced manufacturing ambitions, we need to protect our domestic production. AHC is supportive of this acknowledgement. However, this misaligns with the current Carbon Leakage Review being undertaken by Professor Frank Jotzo for DCCEEW.<sup>1</sup> In our submission to that consultation, AHC requested that hydrogen, ammonia and urea be included on the carbon leakage list.<sup>2</sup> DCCEEW should align these two milestone policies, ensuring that hydrogen and its derivatives are considered and protected as trade exposed products.

## Conclusion

AHC welcomes this consultation and the inclusion of hydrogen as a production variable under the Safeguard Mechanism. While concerns have been raised, these can be addressed primarily through clarification from the government.

If you wish to discuss any element of this in further detail, please contact me at [ncerexhe@h2council.com.au](mailto:ncerexhe@h2council.com.au).

Yours sincerely,

**Natasha Cerexhe**  
Policy Officer  
**Australian Hydrogen Council**

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<sup>1</sup> DCCEEW (2023) *Public consultation on the proposed approach to assess and address carbon leakage risk, as part of the Carbon Leakage Review*, <https://consult.dcceew.gov.au/consultation-proposed-approach-carbon-leakage-risk-as-part-of-the-carbon-leakage-review>.

<sup>2</sup> AHC (2023) *Re: Public consultation on the proposed approach to assess and address carbon leakage risk, as part of the Carbon Leakage Review*, 15 December, [https://h2council.com.au/wp-content/uploads/2023/12/231215-Carbon-Leakage-Review-AHC-SUB\\_for-submission.pdf](https://h2council.com.au/wp-content/uploads/2023/12/231215-Carbon-Leakage-Review-AHC-SUB_for-submission.pdf).

**ATTACHMENT A: Australia's hydrogen policy infrastructure**

## Key elements of the policy environment

Revitalised industry policy, 43% emissions reduction target by 2030, net zero by 2050

