



25 January 2023

Submission: NSW Renewable Fuels Scheme

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure, connecting natural and renewable gas production to demand centres in cities and other locations across Australia. Offering a wide range of services to gas users, retailers and producers, APGA members ensure the safe and reliable delivery of 28 per cent of the end-use energy consumed in Australia and are at the forefront of Australia's renewable gas industry, helping achieve net-zero as quickly and affordably as possible.

APGA welcomes the opportunity to contribute to consultation on the NSW Renewable Fuels Scheme (RFS). This scheme is one of several set to support and define the progression of the renewable (green) hydrogen industry in Australia, and we commend the NSW Government for this important step forward.

APGA supports a net zero emission future for Australia by 2050¹. Renewable gases represent a real, technically viable approach to lowest-cost energy decarbonisation in Australia. As set out in Gas Vision 2050², APGA sees renewable gases such as hydrogen and biomethane playing a critical role in decarbonising gas use for both wholesale and retail customers. APGA is the largest industry contributor to the Future Fuels CRC³, which has over 80 research projects dedicated to leveraging the value of Australia's gas infrastructure to deliver decarbonised energy to homes, businesses, and industry in NSW and across the nation.

Gas customers subsidising economy-wide decarbonisation: who pays?

The liable entities under the RFS are *natural gas retailers and end users that are not retail customers*; that is, current wholesale customers of natural gas. However, all renewable hydrogen production is eligible to generate certificates regardless of its ultimate use.

The most economically-viable business cases for green hydrogen in the immediate term will be for use in transport and heavy industry. As such, the current design of the RFS will mean that natural gas customers, including retail and small business customers, will subsidise decarbonisation of transport and heavy industry.

¹ APGA Climate Statement

<https://www.apga.org.au/apga-climate-statement>

² Gas Vision 2050, APGA

https://www.apga.org.au/sites/default/files/uploaded-content/website-content/gasinnovation_04.pdf

³ Future Fuels CRC Website

<https://www.futurefuelscrc.com/>

This consequence of the current design could be avoided through one simple design change – conferral of zero-emissions energy use to liable entities via RFS certificates.

APGA understands that the RFS aims to support green hydrogen production. However, the value of green hydrogen use over natural gas use is the zero-emissions energy use outcome. If the gas customers who are liable to surrender RFS certificates are unable to benefit from the zero-emissions nature of green hydrogen, then the RFS only serves only as a levy for the decarbonisation benefit of others.

This does not have to be the case, however. If the certificates conferred zero-emissions for the volume of gas which they represent, then a liable entity could gain decarbonisation value from its liability.

An example of how this has been achieved in the past is demonstrated in the Small-scale Technology Certificate scheme. In this scheme, rooftop solar installation generated certificates which could be used by others as indication of zero emissions electricity use, while households gained the value of these certificates but lost the ability to claim zero emissions energy use in the process.

Similarly, RFS certificates could confer zero-emissions energy use to the liable entity upon surrender. This would ensure that gas customers had access to the least cost decarbonisation opportunities available across NSW. It will be important to avoid double counting of zero emissions energy use when implementing such an approach, which could be achieved by retiring the Product GO certificates used to confirm that produced hydrogen is indeed Green Hydrogen.

Regardless of the solution, liability for the decarbonisation of emissions-intensive industries resting on residential and small business gas consumers does not appear, to be an appropriate trade-off to achieve the NSW governments hydrogen industry development ambition.

RFS design concerns

Use of renewable methane

APGA understands, in consultation with the RFS project team and through review of the relevant legislation (*Electricity Supply Act 1995 No 94, Schedule 4A, Part 3, Section 154*), that gas customers may use both renewable methane and green hydrogen to reduce liability under the scheme. This is important; however, the consultation document does not provide any detail on how this may work, and how gas users can demonstrate this reduction in liability. The consultation document only makes reference to renewable methane in the context of future hydrogen production method that might be recognised by the scheme (steam methane reforming).

Efforts of wholesale gas customers to decarbonise and reduce their liability through all renewable gases – green hydrogen and biomethane – should be recognised. APGA proposes that the RFS scheme endeavour to make use of relevant certificates that can demonstrate usage of renewable methane and green hydrogen to reduce gas customers’

liability, and even consider including renewable methane as a renewable fuel under the scheme.

Interaction with Guarantee of Origin Scheme Design

In reference to the Federal Government's proposed Guarantee of Origin (GO) Scheme, there are inconsistencies and potential contradictions in the consultation paper which may warrant further clarification. For instance, the consultation paper is inconsistent with the defining green hydrogen with respect to existing and proposed certification schemes:

- Section 3.4 identifies that green hydrogen produced is defined as being via electrolysis from renewable electricity validated through Large Generation Certificate (LGC) surrender; and
- Section 3.6 identifies that hydrogen producers will require Product Guarantee of Origin (GO) certification to participate in the RFS.

We appreciate that some of the consultation document may have been developed prior to the public release of the GO Scheme design. Given that Product GO certificates can be issued using both LGCs and Renewable Energy GO certificates (REGOs), this definition of green hydrogen may benefit from revision to avoid confusion.

APGA also observes that the design of the RFS is influenced by and heavily dependent on the GO scheme, which is presently under consultation. There may be some risk that the GO scheme may be altered in its passage in a way that requires amendment to the design of the RFS scheme. The NSW Government should consider interim arrangements in the RFS to avert this.

To discuss any of the above feedback further, please contact me on +61 422 057 856 or jmccollum@apga.org.au.

Yours Sincerely,



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