



2 February 2024

Submission: Renewable Fuels Scheme Rule 1 consultation

The Australian Pipelines and Gas Association (APGA) welcomes the opportunity to contribute to the NSW Office of Energy and Climate Change's (OECC) consultation process for Rule 1 of the Renewable Fuels Scheme (RFS).

In making these comments, APGA notes that we commented on the proposed scheme in January 2023,¹ and to an interim, limited consultation process on a proposed expansion of the RFS including of liable parties, in early December 2023.²

APGA is concerned that there appears to be no material change in the design of the scheme to address the issues we previously raised. Specifically, our concern that the RFS as designed applies a liability on gas customers without gas customers necessarily benefiting from the activities of the scheme remains. Ultimately this means gas users may be forced to subsidise decarbonisation of other sectors – particularly egregious during the current cost-of-living crisis.

Avoid making gas customers pay to subsidise decarbonisation of others APGA recommends the NSW Government ensure gas customers can access emissions reduction in line with their RFS liability, rather than subsidising decarbonisation of others.

This means that the NSW Government should provide liable parties (i.e., gas users) with the exclusive right to purchase the green hydrogen and claim it against their total gas consumption, thus ensuring that the beneficiaries of the scheme are the ones paying for it.

To achieve this, liable entities should be able to claim Scope 1 emission reductions using certificates (either GO or RFS) under the National Greenhouse and Energy Reporting (NGER) scheme. This would avoid a double cost impost on gas users seeking to use renewable fuels to meet the requirements of carbon reduction schemes, such as the Safeguard mechanism.

The most effective way to ensure this is through engaging with the Federal Government to ensure a market-based method for Scope 1 emissions is inserted into the National Greenhouse and Emissions Reporting (NGER) Measurement Determination. Developing a market-based reporting method for liquid and gaseous renewable fuels would allow recognition of RFS certificates or GO certificates (if a market-based approach is adopted for

¹ APGA, 2023, *Submission: NSW Renewable Fuels Scheme*, https://39713956.fs1.hubspotusercontent-na1.net/hubfs/39713956/230125_apga_submission_-_nsw_renewable_fuels_scheme.pdf

² APGA, 2023, *Submission: NSW Renewable Fuels Scheme Expansion*, <https://39713956.fs1.hubspotusercontent-na1.net/hubfs/39713956/231204%20APGA%20Submission%20-%20NSW%20Renewable%20Fuels%20Scheme%20expansion.pdf>

domestic hydrogen use) under NGER emission reporting, and hence permit gas customers to access the decarbonisation benefit associated with their RFS liability.

APGA notes that the Climate Change Authority's review of NGER in late 2023 made recommendations to develop such a framework for market-based reporting.³ APGA hopes that development of this framework will commence in 2024 and recommends that the OECC engage with the Department of Climate Change, Environment, Energy and Water on this.

Consider NSW GreenPower Renewable Gas Certificates

Additionally, **APGA recommends that the RFS include consideration of NSW GreenPower Renewable Gas Certificates as evidence of renewable hydrogen production** alongside Guarantee of Origin (GO) Scheme certificates.

Current GO Scheme certificate accounting requirements make it impossible to certify hydrogen traded across the East Coast Gas Market.⁴ GreenPower Renewable Gas Certificate accounting requirements are more readily compatible with the East Coast Gas Market.⁵

Expand to Biomethane

As related in its response to previous RFS consultation, **APGA strongly recommends the RFS be expanded to consider biomethane**. Biomethane is a lower cost renewable fuel in comparison to hydrogen today and will play a critical role in delivering the least cost pathway to net zero emissions for gas customers in NSW. All above points relating to hydrogen apply equally to biomethane.

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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³ Climate Change Authority, 2023, *Review of the National Greenhouse and Emissions Reporting Legislation*, <https://www.climatechangeauthority.gov.au/sites/default/files/documents/2023-12/2023%20NGER%20Review%20-%20for%20publication.pdf>

⁴ APGA, 2023, *Submission: Guarantee of Origin Scheme Accounting*, <https://39713956.fs1.hubspotusercontent-na1.net/hubfs/39713956/231114%20APGA%20Submission%20-%20GO%20Emissions%20Accounting.pdf>

⁵ Note that accounting practicalities aside, APGA opposes GreenPower's choice to prohibit the use of its Renewable Gas Certificates to decarbonise residential gas use. No gas customer should be prohibited from the choice to decarbonise via renewable gas. Residential customers face the greatest gas use decarbonisation hurdles and should be guaranteed the right to access all available decarbonisation options.