

19 March 2021

RET and Energy Section

Clean Energy Regulator

Via EMAIL: CER-RETandEnergySection@cleanenergyregulator.gov.au

To whom it may concern,

Corporate Emissions Reduction Transparency Report

Australian Gas Infrastructure Group (AGIG) welcomes the opportunity to make this submission on the proposed Corporate Emissions Reduction Transparency report (CERT).

After introducing AGIG this letter will briefly outline our position on two issues: reporting of the Renewable Power Percentage (RPP) with a focus on renewable hydrogen facilities; and the need to establish reporting mechanisms and eligible units for hydrogen and other renewable gases.

About AGIG

AGIG is the largest gas distribution business in Australia, serving more than 2 million customers through our networks in Victoria, Queensland, South Australia, and several regional networks in New South Wales and the Northern Territory. Our transmission pipelines and storage facility in Western Australia and the Northern Territory serve a range of industrial, mining and power generation customers.

Our assets report under the National Greenhouse and Energy Reporting (NGER) scheme as Australian Gas Networks (AGN), Multinet Gas Networks (MGN), the Dampier Bunbury Natural Gas Pipeline (DBNGP) and CK William Australia Holdings.

At AGIG, we are committed to sustainable gas delivery today, and tomorrow. In 2017 we worked with Australia's five peak gas bodies to develop Gas Vision 2050 – a pathway to achieve near zero emissions in our gas sector. We are now delivering on this Vision by deploying low carbon gas projects. Our projects include:

- Hydrogen Park South Australia (HyP SA) – A 1.25MW electrolyser to produce renewable hydrogen for blending with natural gas (up to 5%) and supply to more than 700 existing homes and businesses in metropolitan Adelaide. Hyp SA is expected to be operating by around April this year.
- Hydrogen Park Gladstone (HyP Gladstone) – A 175kW electrolyser to produce renewable hydrogen for blending with natural gas (up to 10%) and supply to the entire network of Gladstone, including industry. First production is expected in 2022.
- The Australian Hydrogen Centre (AHC) – A virtual centre delivering feasibility studies for 10% and 100% blending of renewable hydrogen into towns and cities in South Australia and Victoria.
- Hydrogen Park Murray Valley (HyP Murray Valley) proposal – A 10MW electrolyser to produce renewable hydrogen for blending with natural gas (up to 10%) and supply the twin cities of Wodonga (Victoria) and Albury (NSW), with the potential to supply industry and transport sectors.

Renewable Power Percentage and renewable hydrogen facilities

Each of the renewable hydrogen facilities outlined above are grid connected facilities with an electrolyser drawing power from the electricity distribution or transmission network to convert water

into hydrogen. The hydrogen will then be either blended into the gas distribution network or provided directly to industrial and commercial users via tube trailer. While the contractual arrangements vary, each project uses large scale generation certificates (LGCs) to underpin the electricity consumption of the electrolyser.

We support the proposal to automatically allocate the relevant RPP to facilities drawing electricity from the grid equivalent to the LGCs surrendered directly by retailers. This will enable facilities the flexibility to implement other means to address remaining emissions including by directly procuring LGCs.

Grid-connected renewable hydrogen facilities, specifically PEM electrolysers, are also designed to maximise their production during periods of low electricity prices and high renewable electricity production. In doing so, the facilities will ramp up and down and play an increasingly important role in supporting large scale renewable electricity generation.

Therefore, it would be optimal that where granular data is available, the RPP is able to recognise the proportion of renewable electricity in specific time periods, not simply as an average over the year. While there are technical challenges with this approach, such an approach would provide a more accurate representation of the role renewable hydrogen facilities (and other facilities like batteries) play in supporting renewable electricity generation.

In addition to the RPP, AGIG's renewable hydrogen facilities will surrender LGCs equivalent to the remaining electricity consumption. The mechanisms proposed to account for and report LGCs that are directly surrendered by consumers are appropriate for this purpose (e.g. LGC surrender requirement = total electrolyser electricity consumption – RPP).

Reporting mechanisms and eligible units for hydrogen and renewable gas projects

While the CERT and existing mechanisms are largely capable of measuring and reporting the renewable electricity consumption of hydrogen production facilities, no mechanisms exist to recognise the emissions impact of the production, blending and consumption of hydrogen or other renewable gases (biomethane). Given that hydrogen projects are expected to commence producing hydrogen shortly, this represents a significant disadvantage – both financially and in terms of transparency. HyP SA is expected to commence blending renewable hydrogen into the Adelaide distribution network in around April 2021, with HyP Gladstone to commence in 2022 and HyP Murray Valley in 2023.

It is important that the actual emissions associated with hydrogen injection and consumption are measured, recognised and reported. As a first step, the NGER Measurement Determination should recognise the evolving emissions profile of natural gas in networks, adjusting emissions calculations to account for renewable gases included in networks.

More importantly, at present no eligible units recognise the emissions avoided by replacing natural gas with hydrogen and other renewable gases (in the form of ACCUs). Furthermore, no eligible units recognise renewable gas production and consumption as zero emissions energy (in the way LGCs do for renewable electricity). This puts renewable gases at a significant disadvantage to renewable electricity, which has received this support for a very long period of time. This policy imbalance needs to be addressed as a priority.

At present, a facility wanting to report its progress towards achieving net zero emissions would not be able to report the use of renewable gases, whether directly consumed or blended into the network, but would be able to report renewable electricity production. Given that renewable hydrogen will be produced and consumed from 2021 in Australia, this issue should be resolved to fully recognise renewable gases as zero emissions gases.

Efforts to develop a certification or guarantee of origin scheme for hydrogen and biomethane are important, but would not create eligible units for reporting under the CERT. An emissions reduction fund methodology for biomethane blending is being developed by the CER, but this should be complemented with a methodology for renewable hydrogen production and blending. This is

particularly important given the substantial contribution that hydrogen can make to emissions reductions.

In addition, eligible units that recognise the production and consumption of renewable gases will also provide further transparency about the emissions reduction activities of reporting entities. Such an approach would enable producers and consumers of renewable hydrogen and biomethane to measure, report and demonstrate to stakeholders through the CERT process their progress towards achieving emissions reduction targets. It would also ensure the CERT recognises all forms of genuine zero emissions energy production and consumption.

Once again, I would like to thank you for the opportunity to provide a submission on the proposed CERT. Should you have any queries about the information provided in this submission please contact Drew Pearman, Manager Policy and Government Relations (drew.pearman@agig.com.au or 0417 544 731).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Craig de Laine', with a period at the end.

Craig de Laine
General Manager People and Strategy