

██████████ welcomes the opportunity to provide feedback on the consultation for the Cost Recovery Implementation Statement of the Guarantee of Origin Scheme.

Please note we are happy to have our submission made public, but without personal names or our organisation name.

[illegible]

Response to Consultation.

Charging (Cost Recovery) Model.

The current cost recovery model raises a significant number of questions without providing adequate answers or context. It appears to rely primarily on supply-side modelling based on outputs and business processes of the activities. However, robust certificate markets rely heavily on demand in order to create the necessary trading volume and market liquidity. Setting certificate charges without a clear understanding and vision of what mechanisms will be used to stimulate demand risks undermining the Guarantee of Origin (GO) scheme's viability before it begins. The reliance on 'publicly available information on proposed projects' (Appendix 1) focuses solely on supply and ignores the direct link between demand and scheme participation observed in other certificate schemes.

Furthermore, using publicly available information on proposed projects to forecast participation in the GO framework highlights a critical blind spot regarding demand. A clear case in point is the biomethane projects cited in Appendix 1. These initiatives relied heavily on ARENA funding to become commercially viable, with ARENA contributing an average of 20% toward total project costs. If the GO scheme is to successfully drive project additionality, the market price of GO/REGO certificates must be capable of bridging a similar financial gap. Without demand-side mechanisms to support these certificate prices, the framework will fail to incentivise new projects and any cost recovery mechanisms will act as a direct disincentive to project financial investment decisions (FID) or program participation.

By proposing a cost-recovery model for the GO scheme that ignores demand-side creation, the program framework all but ensures creating a low-value, voluntary-tier pricing structure. A market price reflecting a voluntary \$6 average will be unable to provide the 20% minimum capital equivalent that projects like the listed ARENA projects cited in Appendix A required to reach FID.

The certificate value required to bridge the 20% capital gap and deliver a viable project business case is widely demonstrated by mature international programs such as Denmark's Feed-in Premium and the US Low Carbon Fuel Standard (LCFS) to be **at least \$20 AUD per GJ**. These established frameworks prove that bioenergy infrastructure only achieves commercial liftoff when policy guarantees a high-value, demand-driven price floor for environmental attributes. Establishing a cost-recovery model for the GO scheme that ignores this demand-side reality risks locking the Australian market out of the green gas future it seeks to support under the Guarantee of Origin scheme.

This critical price threshold for renewable energy programs and projects is further evidenced locally by the trajectory of the Large-scale Renewable Energy Target (LRET). Once lauded as a multi-decade, bipartisan success story that effectively met its national targets, the scheme has inadvertently transitioned into an affordable vehicle for passive corporate climate inaction. As Large-scale Generation Certificate (LGC) prices have collapsed from historical highs of over \$30–\$80 per MWh down to an anaemic \$2 per LGC, the framework now provides zero project additionality. The lack of a price signal is forcing commercial and industrial (C&I) renewable energy developers to pivot their resources away from facility-level projects toward sectors with viable business cases. Consequently, Australian businesses and energy-intensive industries are left exposed to rising energy costs and tightening ESG mandates, completely unassisted by a legacy program that no longer has fit for purpose targets and that offers no meaningful financial utility.

Specifically regarding cost recovery feedback, Table 9 of the CRIS estimates that 21 facilities will be registered for PGOs in FY 2025-26, with an estimated total of 3.2 million certificates registered. There are several flaws with this assumption. Firstly, that there will be 21 facilities registered with one month remaining in FY 2025-26 is highly unlikely (at least according to the currently available public information). Secondly, that each facility will create (in this financial year) approximately 155,000 certificates. For a single biomethane project, this would be equivalent to 558 TJ of biomethane, which is 500% more gas per year than Australia's current reference project, The Jemena Malabar Biomethane project.

Using the proposed charges outlined in Table 5, a biomethane facility creating 155,000 PGOs will incur \$284,066 in costs to have the facility registered and create PGOs annually¹. This is a significant cost for an industry that the government is trying to incentivise, especially given there is currently no demand for PGOs and the price of a PGO is yet to be determined.

¹ Annual fee of \$8,166 per facility, plus a certificate creation fee of \$1.78 per unit.

International market data demonstrates that certificate schemes cannot survive on voluntary corporate goodwill alone. According to Ecosystem Marketplace, the lack of mandated demand in the global Voluntary Carbon Market keeps average credit prices suppressed at just USD6.34. Conversely, World Bank data shows that legally binding Compliance Carbon Markets (such as the EU ETS) drive prices up to USD80–95, providing the actual financial utility required to fund new infrastructure.

The intention of the CER's draft paper focuses on the wider GO framework. While REGOs are front of mind, the detailed cost recovery models for the expansion into Hydrogen, Sustainable Aviation Fuels, Green metals, and others. Beyond the fee structure, there is a lack of clarity regarding the specific services and value proponents receive for the proposed cost recovery charges, especially given the statutory requirement that the government cannot over-recover costs. While the legal authority for prescribing application fees is clear, the mechanism and frequency for adjusting these cost recovery fees and levies are not. If these amounts are to be 'prescribed in the Regulations,' the process must allow for sufficiently easy and regular adjustment to ensure the continued encouragement of nascent methodologies and to respond to market evolution.

Providing would-be market and program participants with a clear, documented process that shows that any increases in cost recovery value and adequate lead times to give allow time to evaluate if such cost increases are significant enough to cause a reconsideration of program participation, will ensure confidence to participate in the scheme. Conversely, any recognised opportunities to reduce cost recovery values need to be quickly and proactively passed on to demonstrate good faith to facilities and organisations who have chosen to participate in the scheme.

While a remission period is offered, the fact that it will not equally apply to all PGO methodologies is also quite a concern. The key concerns are outlined below.

- A two-year period for remissions is inadequate, especially when viewed against the typical 8 to 10-year investment horizon required for new projects of any significance. The practical reality is that many of these projects will require up to two years just to get off the ground before they can begin generating certificates. This delay effectively consumes the entire remission period before any meaningful cost benefit can be realised.
- The remission provides 100% relief only until the end of the 2027 financial year. We are already halfway through this limited remission period, and the scheme has yet to see any meaningful uptake of PGOs. More troublingly, the market has not received strong, unambiguous signals or incentives to encourage robust participation. The sluggish pace of scheme development is evident in the fact that some key PGO methodologies have not even been introduced. This is particularly harsh for methodologies scheduled for introduction after FY2027, as they will never benefit from the 100% remission rate.
- The proposal initially intended for 11 distinct PGOs to be eligible in the first financial year of the scheme's operation (i.e., FY 2025-26). However, with only one month remaining in the financial year, only the hydrogen methodology is currently eligible, with others (such as biomethane) slated to follow. As a result, the two-year remission period for FY 2025-26 and FY 2026-27 is inadequate for any later-introduced technologies. The current design means that the two-year remission period is not applied based on the year a specific methodology is introduced to the scheme, but rather is tied to the scheme's overall commencement. This structural flaw severely penalises later entrants, contradicting the goal of fostering broad scheme participation across various technologies.

The current lack of an actionable demand-side market signal is actively destabilising Australia's bioenergy supply chain today. EPC firms that [REDACTED] is actively engaged with, which have direct, proven track records in Australian biogas and biomethane deployment, are withdrawing from costing or investing in desired projects entirely due to the absence of clear market incentives to justify investment and deployment. This trend highlights a severe regulatory vacuum that the Guarantee of Origin framework is well placed to address. Even when projects are backed by substantial private capital and driven by experienced EPC partners, the lack of commercial viability with no current certificate framework support is causing a market freeze. Instead of fostering an environment where experienced developers can deploy capital, a market structure with no confidence in demand-side buying or certificate value acts as a barrier, proving that program additionality is desperately needed to prevent the continued stalling of the biogas sector.

The commercial reality is that biomethane initiatives are currently heavily reliant on scale and, often, government subsidies, to be viable. Industry feedback indicates that for projects to be deployed, an maximum ROI of around 7

or 8 years (without government funding) is required. Anything else is not worthwhile. Forcing nascent projects to navigate an expensive cost-recovery fee structure while relying on slow-moving government funding cycles doesn't provide the stability or assurance required for FID.

Two of the key issues outlined in this response, the cost to participate and the remissions period combine to send market signals that will likely favour certain projects, such as hydrogen, over others, like biomethane, despite the scheme's intention to remain technology-agnostic. While the Cost Recovery Impact Statement should aim for an objective and reasonable forward estimate, applying different fees to different technologies inherently influences market perception and investment decisions, whether intended or not.

We continue to advocate with the Federal DCCEEW for immediate consideration of demand creation under the Guarantee of Origin scheme to encourage broader uptake across all eligible technologies. It is [REDACTED] position that without a clear demand signal to the private sector, cost recovery metrics will be immaterial in the wider failure of the program's inability to support and grow Australia's renewable energy sector.

Regards,

[REDACTED]