

5 June 2026

Clean Energy Regulator

Dear Consultation Team

Re: Guarantee of Origin Cost Recovery Implementation Statement (CRIS)

Australian Gas Infrastructure Group (AGIG) welcomes the opportunity to respond to the Clean Energy Regulators' (CER) draft *Guarantee of Origin FY2025-26 Cost Recovery Implementation Statement* (CRIS).

AGIG's Vision is to deliver infrastructure essential to a sustainable energy future. Through our transmission pipelines, distribution networks, gas storage assets and renewable gas projects we deliver energy to more than two million Australians each day, supplying natural and renewable gas that underpins small business, power generation, manufacturing, and other essential industrial and economic activity across Australia. Our Net Zero Ambition is to achieve net zero emissions in our own operations and to enable net zero emissions for our customers. Renewable gas is central to both.

We are actively developing renewable gas projects as well as connecting third-party renewable gas production to our networks. The Delorean biomethane facility, which will connect to Australian Gas Networks' (AGN's) South Australian distribution network, is one example: at full capacity the facility will deliver up to 210 terajoules of renewable gas annually into the SA gas network. Projects of this kind depend on a well-functioning, cost-effective certification scheme. The cost recovery settings proposed in this CRIS will directly affect the commercial viability of producers connected to AGIG's networks and Australia's nascent renewable gas industry.

The cost recovery model concentrates fixed costs on a nascent industry

The Guarantee of Origin (GO) cost model recovers the CER's regulatory costs by dividing total estimated expenses across forecast volumes of scheme activity. For a mature scheme with many participants and high volumes, this distributes fixed costs efficiently across a large denominator. For a pre-commercial industry with a small number of producers and low initial volumes, the same model concentrates those costs on a handful of participants, producing per-unit charges that bear no proportionate relationship to the regulatory effort involved.

Australia's biomethane industry, while growing is not yet at commercial scale. The number of facilities likely to participate in the GO scheme at commencement is small and the volumes they will certify are low relative to the long-run potential of the sector. Applying a standard cost recovery framework to this industry at this stage of its development produces the outcome reflected in the proposed fees: a total certification cost of \$2.62/GJ, comprising the certificate registration fee of \$1.78/GJ and the consumption information fee of \$0.84/GJ.

This figure represents a significant portion of the production cost of biomethane. Energy Networks Australia estimates that the first 50 PJ per annum of biomethane could be brought to market at between \$10 and \$27/GJ.¹ GO certification would therefore add between 10% and 26% to that production cost – with the proportional burden highest for the most cost-competitive projects. Biomethane production costs have not yet reached parity with wholesale natural gas; a certification cost that adds up to 26 cents in every dollar of production cost materially compounds this challenge.

A comparison with the Australian Carbon Credit Unit (ACCU) Scheme illustrates the disproportionate nature of proposed settings. At current ACCU prices of approximately \$37.60/tCO₂e, the cost of offsetting the natural gas

¹ Blunomy. "Biomethane Opportunities to Decarbonise Australian Industry." *Prepared for: Energy Networks Australia*, July 2025.
<https://www.energynetworks.com.au/assets/uploads/Blunomy-%E2%80%93-2025-%E2%80%93-Biomethane-Opportunities-to-Decarbonise-Australian-Industry.pdf>.

displacement equivalent of one GJ of biomethane is approximately \$1.94/GJ.² The cost of verifying that emission avoidance under the GO scheme is \$2.62/GJ – 35% higher than the cost of the emission avoidance itself.

High certification costs create a negative feedback loop that risks undermining the scheme

The concentration of fixed costs on a small number of producers is not only a concern for individual project economics, it creates a structural dynamic that risks undermining the viability of the scheme itself. Where certification costs are high relative to the commercial benefit of participating, producers will be disincentivised to join the scheme. For biomethane, the commercial benefit of GO certification depends on the existence of a domestic market willing to pay a green premium for certified product, or on access to government incentive programs that require GO certification. Neither currently exists at meaningful scale. Unlike hydrogen, which benefits from the Hydrogen Headstart program and the Hydrogen Production Tax Incentive, both of which create a direct financial incentive for GO certification, biomethane has no equivalent demand-side mechanism. The commercial case for certification rests on voluntary procurement markets and future policy settings that are not yet in place.

Non-participation further concentrates fixed costs across remaining participants driving per-unit costs higher at each periodic review, which deters additional participation and concentrates costs even further. The cost recovery model as designed creates the conditions for its own failure: low volumes produce high costs, high costs suppress volumes, and the review mechanism –which is designed to recover the CER's costs, not to protect participant economics – responds by increasing fees.

The CRIS acknowledges this dynamic when it notes that volume estimates for nascent industries are subject to high uncertainty and that updated estimates will be considered at periodic review. However, the review mechanism as described is asymmetric. Where participation is lower than modelled, the cost recovery shortfall creates pressure to increase fees. There is no equivalent mechanism that automatically reduces fees where lower-than-modelled participation suggests the original fee level was set too high. The availability of lower-cost alternatives, such as GreenPower's Renewable Gas Certification further reduces incentives to participate.

The phased remission structure in Table 3 provides six years of graduated cost recovery before full charges apply in FY2031-32. Whether this structure reflects the expected development trajectory of the Australian biomethane industry is not addressed in the CRIS. The steepest reduction falls in the final three years: producers move from 60% remission to 30% to zero between FY2029-30 and FY2031-32. That trajectory has not been tested against any disclosed projection for biomethane industry growth.

Multiple submissions in the Version 1.0 consultation requested that the remission structure be linked to industry maturity rather than a fixed calendar. A maturity-linked remission structure would align the phase-out of cost recovery with the actual development of the industry rather than an assumed one, increasing cost recovery as the industry reaches the scale at which certification costs are commercially absorbable. This approach is also more likely to achieve the scheme's cost recovery objectives over time. A scheme with broad participation recovering costs efficiently across a large volume base is preferable from a cost recovery perspective to a scheme with low participation and structurally escalating fees.

The CRIS acknowledges this feedback and defers it to the periodic review, by which point investment decisions will have been made, the industry's initial participation patterns will have been established, and the feedback loop described above will have had time to take effect. Addressing the remission design now prevents these outcomes, which will be materially harder to reverse at a later review.

The proposed settings are inconsistent with the government's objectives for the biomethane sector

The Australian Government has identified biomethane as a critical decarbonisation pathway. The Future Gas Strategy recognises biomethane's role in reducing emissions across hard-to-abate sectors, whilst the Net Zero Plan identifies renewable gas, including biomethane, as a key input to Australia's emissions reduction trajectory. The

² Certificate Prices < Demand Manager, " 2026 . <https://www.demandmanager.com.au/certificate-prices/>.

consultation process that gave rise to the two new methodologies in Version 1.1 is itself an expression of the Government's commitment to expanding the certification framework to support biomethane commercialisation.

A certification scheme that imposes costs disproportionate to the commercial capacity of a nascent industry to absorb them, that creates a feedback loop discouraging participation, and that applies a fixed cost recovery taper without reference to actual industry development is inconsistent with these objectives. The GO scheme is the mechanism through which Government policy support for biomethane is made commercially meaningful – providing the provenance and emissions accounting that underpins investment, procurement, and future demand-side policy. Cost recovery settings that deter participation undermine the scheme's ability to do that.

The proposed settings are also at odds with the Government's Cost Recovery Policy, which requires that charges reflect the minimum efficient cost of the regulatory activity and that the impact of charging on affected industries be considered in setting arrangements. The impact of the proposed charges on the biomethane industry does not appear to have been adequately assessed, given the absence of published volume sensitivity analysis and the failure to consider the commercial dynamics that will determine whether the scheme achieves meaningful participation.

Recommendations

AGIG recommends that the remission structure for biomethane be redesigned to align the phase-out of remissions with the expected growth path of the biomethane industry, rather than a fixed calendar tied to the date the methodology commenced.

The cost recovery model is designed to produce fees that respond to scheme activity. As volumes and participation grow, per-unit costs fall and fees adjust accordingly. That dynamic only delivers its intended outcome if the remission schedule operates with the same flexibility. Instead, the proposed phase-out follows a fixed timeline, independent of actual growth trajectories. Where industry growth tracks below modelled assumptions, fees rise and remissions phase out regardless, leading to the negative feedback loop discussed above.

A growth-linked remission structure would instead define the conditions under which cost recovery progressively applies, for example, by reference to the number of registered producers, total certified volumes, or the ratio of certification cost to commodity value, and increase cost recovery only as those conditions are met.

This approach is consistent with the Government's stated objective of supporting nascent industries in the initial years of the scheme. It is also more likely to achieve the scheme's cost recovery objectives over time, as it avoids the feedback loop that would result from imposing fees before the industry has reached a scale at which participation makes sense commercially. The first such assessment should occur before the step-down from 90% to 75% remission in FY2028-29, providing an early opportunity to calibrate the phase-out against industry development before the steepest part of the taper begins.

AGIG welcomes further engagement with the CER on the issues raised in this submission. Please contact Owen Sharpe, Strategy and Policy Manager (owen.sharpe@agig.com.au), should you wish to discuss this submission in more detail.

Kind Regards,



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