

2 February 2024

Renewable Fuel Scheme team
Office of Energy and Climate Change
renewablefuelscheme@environment.nsw.gov.au

Dear RFS team,

Re: NSW Renewable Fuel Scheme draft rule consultation

Thank you for the opportunity to respond to the Renewable Fuel Scheme (RFS) draft rule consultation published in December 2023. This submission outlines ATCO's response to the proposals put forward in the consultation paper and draft rule.

ATCO recognises the work of the Office of Energy and Climate Change in developing the scheme. ATCO is a renewable hydrogen producer and is currently undertaking a feasibility study for a 1GW hydrogen production and 800ktpa ammonia facility in the Illawarra region of NSW as part of the HyGATE initiative facilitated by ARENA.

The RFS can play an important role in supporting hydrogen projects in New South Wales. One of the primary challenges in scaling hydrogen production, and in turn achieving economies of scale and cost efficiencies, is the shallow depth of the offtake market in the short-term, and a customer's appetite to incur a price premium before cost curves decline. Policies like the RFS can play a role in contributing to making green hydrogen competitive against alternative fuels over the coming decade.

ATCO understands the primary objective of the scheme is to incentivise large scale hydrogen production. A simple scheme design to facilitate the development and investment decisions for hydrogen production facilities must be prioritised. To this end, ATCO is supportive of the proposals in the draft rule and looks forward to the prompt commencement of the scheme.

This submission comments on the key issues relevant to ATCO as a prospective hydrogen producer in NSW. ATCO does not seek to comment on all aspects explored in the consultation paper but have provided comments on the matters where we can offer informed feedback.

The key points this submission conveys are:

- 1. Integration of the RFS and GO scheme is necessary to create efficiencies and reduce costs for hydrogen producers.**
- 2. Limiting the eligibility of the RFS to renewable hydrogen will best support uptake of electrolyser capacity in NSW.**
- 3. An overall emissions intensity threshold may help future-proof the scheme if other methods of hydrogen production are eligible in the future.**
- 4. Time of use matching considerations should be balanced with the risks associated with increasing complexity to the scheme.**

Integration of the RFS and GO scheme is necessary to create efficiencies and reduce costs for hydrogen producers.

ATCO is supportive of the paper's second proposal, where the RFS will be integrated with Product GOs. Using information from GO certificates as inputs to renewable fuel certificates will create efficiencies and reduce costs, allowing producers to achieve better outcomes from both schemes without additional administrative costs. Integration would streamline governance and reporting obligations, ensuring that both schemes work well in conjunction to help further the development of the hydrogen industry in NSW. To this end, ATCO also supports aspects of the fourth proposal which ensures that the RFS emissions boundary is the consistent with the proposed Product GO.

Limiting the eligibility of the RFS to green hydrogen will best support uptake of electrolyser capacity in NSW.

Limiting the RFS to renewable hydrogen production has been ATCO's stance in previous consultations, therefore ATCO is supportive of the paper's third proposal. ATCO understands that limiting the eligibility to renewable hydrogen will best support uptake of electrolyser capacity in NSW. While there may be merit in 'not picking winners' and being technology-agnostic, it is important to consider that the scheme can play a role in driving efficiencies and economies of scale of hydrogen electrolyzers specifically. There is the potential that establishing a stronger investment signal for one particular type of production technology may lead to greater cost savings and production efficiencies that might otherwise not be achieved if the scheme supported all technologies.

An overall emissions intensity threshold may help future-proof the scheme if other methods of hydrogen production are eligible in the future.

ATCO notes the absence of an emissions intensity threshold in the draft rule. Given the evolving nature of the hydrogen industry, having an emissions intensity threshold may not be necessary given the draft rule requires Accredited Certificate Providers (ACPs) to report total production emissions for certificate creation and that Product GO certificates will provide information on emissions intensity.

However, if other methods of hydrogen production are considered eligible in the future (if they become available under the GO scheme), even if they have a low-to-zero emissions intensity, there is the possibility that they may be stamped with a different emissions intensity rating under the GO scheme to what green hydrogen production may achieve. Therefore, there may be merit in specifying GO emissions intensity for hydrogen products irrespective of their production methods, which may help future-proof the scheme.

Time of use matching considerations should be balanced with the risks associated with increasing complexity to the scheme.

ATCO recognises the benefits of time of use matching as it can incentivise the right mix of renewable energy infrastructure. However, ATCO supports the RFS team in not making it a requirement in the draft rule as such requirements may hamper the ability of some proponents to effectively participate in the scheme. This consideration is heightened given the early stages of the hydrogen industry in NSW, which is yet to mature. As mentioned above, the main priority should be the prompt commencement of the RFS to incentivise large-scale hydrogen production in NSW. ATCO are wary of the risks associated with layering complexity into otherwise simple and robust schemes or seeking to achieve multiple objectives with a singular mechanism over short time horizons.

We thank the Office of Energy and Climate Change for the opportunity to make a submission. If you have any questions or would like to discuss any of the comments made in this submission, please contact myself or Sarah Siddiqi – Policy Lead, at sarah.siddiqi@atco.com

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tridgell', with a stylized flourish at the end.

Oliver Tridgell

General Manager – Market Strategy & Policy

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