



# APA submission

## NSW Renewable Fuel Scheme

*February 2024*





Tim Stock  
Director Hydrogen and Clean Energy Programs  
NSW Treasury, Office of Energy and Climate Change  
52 Martin Place  
SYDNEY NSW 2000

**Lodged via email: [renewablefuelscheme@environment.nsw.gov.au](mailto:renewablefuelscheme@environment.nsw.gov.au)**

2 February 2024

**RE: APA Submission to NSW Renewable Fuel Scheme consultation**

Dear Mr Stock,

Thank you for the opportunity to participate in the NSW Government's consultation on the draft rule for the NSW Renewable Fuel Scheme (RFS). We welcome policy developments which support growth for the hydrogen and renewable energy industries in NSW and Australia more broadly.

APA is an ASX listed owner, operator, and developer of energy infrastructure assets across Australia. Through a diverse portfolio of assets, we provide energy to customers in every state and territory. As well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission networks, and 692 MW of renewable generation and battery storage infrastructure.

We have provided extensive feedback throughout the RFS consultation processes, including the Expansion Options consultation conducted late last year. With reference to APA's previous submissions, we provide the following key points for the NSW Government's consideration before finalising the draft RFS rule and attaching policies.

***Ensuring the draft rule is flexible to future amendments***

We are of the view that generating demand for renewable fuels will best be achieved through market-based policies which do not prescribe a single eligible fuel and production method – such as green hydrogen and electrolysis. Strong policy signals for a wider range of renewable fuels will better support the market to drive the best opportunities for commercialisation and in turn, generate more investment opportunities.

This is especially the case given the objective of the RFS is stated in the Consultation Paper as creating financial incentive to increase the production of renewable fuels, not purely green hydrogen. While we can appreciate the current rule definition of renewable fuel is limited to green hydrogen, future iterations of the RFS have the potential to expand this scope.

Therefore, we support the NSW Government's investigation into expanding the RFS in future iterations to other renewable fuels and related production activities. The draft RFS rule that will come into effect should be designed in a way that accommodates future amendments and scope expansions.

As an example, we note that the definition of ‘Eligible Production Method’ is set out in clause 7 and is limited to the electrolysis of water. In future iterations, this prescriptive approach should be revisited, where clause 7.2 may be expanded on so that specific production methods do not need to be outlined in clause 7.1.

This will also help continued alignment with other policies that are relied on for the RFS’ operation, including the Guarantee of Origin (GO) scheme which contemplates a much broader scope of application, including steam methane reforming of biomethane as a production method. Alignment between the GO and RFS schemes for eligible production methods is strongly encouraged so that the relevant certificates are utilised to their full potential, which in turn will help reduce gas customers’ liability.

### ***Equitable distribution of costs across energy customers***

As stated in the November 2023 RFS Discussion Paper, the NSW Government should ensure those who benefit from the scheme are contributing to the cost of the scheme when determining the RFS’ liable parties.

Currently, the draft RFS rule only prescribes gas retailers and large end users as liable parties.

As stated in our previous submissions, we strongly support expanding the scheme’s liable parties, including but not limited to, electricity retailers and end users who evidence a strong use case for the initial uptake of renewable fuels. Spreading the costs over a wider group will be more equitable and reduce the impact on specific sectors and the risk of cross-subsidisation.

The cost of operating and meeting liabilities under the RFS should be spread across all stakeholders which benefit from the supply of renewable fuels. This is especially the case if there is potential for the RFS to be expanded to other renewable fuels.

Gas retailers and large end users will not be the only benefitting parties, given the potential for renewable fuels to contribute to the longer-term pathway to net zero for NSW and Australia. Therefore, liabilities under the RFS should be revisited so that cost pressures on gas networks and their customers are limited and proportionate to the benefits arising across multiple end users and industries.

Designing the RFS in a way that requires gas network customers to be the only parties which pay for the costs of the RFS would be inequitable, given other sectors such as heavy transport and mining will likely be the biggest beneficiaries from the uptake of renewable fuels initially. Taking a whole-of-system approach to decarbonisation in NSW, this cost should be spread proportionately across as many energy users as possible – also so that the objective of the RFS is met sooner than later.

We recognise that NSW policies, including the NSW Hydrogen Strategy, aim to support the green hydrogen industry’s growth; as such, green hydrogen may be the natural place to start for the RFS. However, widening the scope of opportunities for renewable fuels will likely stimulate more domestic demand for green hydrogen than a prescriptive or singular approach.

The market should be allowed to find the best opportunities for renewable fuels. It is our view that, given we are in the early stages of transitioning to renewable fuels, governments should



be incentivising development of all potential renewable fuel supply chains. This in turn, will reduce the costs of producing and supplying renewable fuels over time.

If you wish to discuss our submission in further detail, please contact John Skinner on 02 9693 0009 or [john.skinner2@apa.com.au](mailto:john.skinner2@apa.com.au).

Regards,

A handwritten signature in black ink, appearing to read 'Caroline Beattie'. The signature is written in a cursive, flowing style.

**Caroline Beattie**  
**General Manager Future Energy**





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