

24 January 2023

Renewable Fuel Scheme Team
Office of Energy and Climate Change
NSW Treasury



Submitted by email: renewablefuelscheme@environment.nsw.gov.au

Dear Sir/ Madam,

Renewable Fuel Scheme – Discussion Paper

The Australian Financial Markets Association (AFMA) is responding to the Office of Energy and Climate Change's Renewable Fuel Scheme – Discussion Paper.

AFMA is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets. AFMA has more than 125 members reflecting a broad range of participants in Australia's financial markets, including energy companies who are key participants in Australia's energy and environmental product markets.

AFMA's members are active participants in Australian environmental product markets including NSW's Energy Savings and Peak Demand Reduction Schemes. AFMA maintains industry standard template documentation for transacting environmental products and administers the Environmental Product Conventions that streamline market practices and enable Australia's OTC markets to operate to high standards consistent with international markets. Our comments are therefore directed at ensuring the regulatory arrangements for Renewable Fuel Scheme (RFS) certificates support a well-functioning market and a smooth implementation, rather than commenting on the underlying merits of the RFS.

1. A well understood framework

AFMA supports using the Energy Savings Scheme's regulatory framework to support the RFS. This framework is well understood by the market and supports a well-functioning market for Energy Savings Certificates and can be easily adapted to incorporate RFS certificates. AFMA anticipates that certificates issued under this framework will be well suited to be traded under the markets current arrangements for dealing in environmental product certificates, which should enhance the prospect of a functional market developing.

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| i. Support establishing the RFS under the Energy Savings Scheme's regulatory framework |
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2. Common standards

Green hydrogen is an emerging product, ensuring that there are consistent benchmarks for the product will be critical to its success. The work the Commonwealth Government is undertaking to establish the Guarantee of Origin (GO) scheme is an important step to establishing an Australian standard that is consistent with overseas equivalents. We therefore recommend that the RFS should build on the GO scheme's standards as this will ensure consistency with other jurisdictions and simplify administration.

2.1. Align with GO scheme

Aligning the RFS with the GO scheme should minimise the administrative burden on participants and the scheme administrator. AFMA therefore supports adopting the GO scheme to determine which sources of hydrogen are eligible to participate in the scheme. Given the rapid pace of technological innovation we consider that the RFS scheme should not limit the technologies that can be used to produce green hydrogen and that any hydrogen that is able to be certified as zero carbon under the GO scheme should be eligible to participate in the RFS.

2.2. Renewable fuels

Green hydrogen is the only fuel eligible to participate in the RFS. Our members have asked that you consider making the scheme technology neutral so that other renewable fuels, such as biomethane, biodiesel and ethanol, can be eligible for the scheme.

The RFS should also encourage the development of markets for the underlying renewable fuels by ensuring transparent information about price and volume is available for all renewable fuel transactions that benefit from the RFS.

2.3. Simplified compliance

AFMA considers that the compliance burden of the scheme should be minimised by relying on the GO scheme's register to verify a products status as green hydrogen, including the emissions of any energy used to create the hydrogen. We think the RFS should be designed so that participants do not have to provide any additional evidence beyond the records held in the GO scheme registry.

Additionally, we think as a practical matter in the early years of the RFS, all hydrogen should be deemed to have been used in NSW. This may need to be reconsidered as the market develops; but, at least initially, we consider that the administrative burden associated with proving where the hydrogen was used will not be justified for the small volumes produced under the scheme.

- ii. The RFS should adopt the GO scheme's approach to certifying green hydrogen
- iii. All hydrogen certified as green under the GO scheme should be eligible for the RFS
- iv. The RFS should be open to other renewable fuels, including biomethane, biodiesel and ethanol
- v. Information about the price and volume of renewable fuel transactions that benefit from the RFS should be published
- vi. The scheme administrator should rely on the GO scheme's registry to certify green hydrogen and should not require additional information from scheme participants, including about the source of the energy used to create the hydrogen
- vii. At least initially all hydrogen should be deemed to be used in NSW

3. Implementation

The timetable for implementing the RFS is quite compressed with final rules being gazetted by Q3 2023 and commencing 1 January 2024. Our members have indicated that liable parties will need to understand the financial impact of the scheme by May 2023 to allow them to build the costs into their retail offerings for 2023-24. A key element they would like to know is if the RFS will include a shortfall price and what level it would be set at.

viii. Details of the financial impact of the RFS, including any shortfall arrangements, should be communicated as early as possible

AFMA would welcome the opportunity to discuss the development of the RFS. Please contact me on 02 9776 7994 or by email at lgamble@afma.com.au.

Yours sincerely



Lindsay Gamble
Policy Director