



26 September 2024

Clean Energy Council submission in response to the *Future Made in Australia (Guarantee of Origin) Bill 2024* and related bills

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback on the package of Guarantee of Origin legislation currently before the Committee.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with around 1,000 businesses operating in Australia across solar, wind and hydro power, energy storage and renewable hydrogen. Our mission is to accelerate Australia's clean energy transition.

Decarbonisation commitments are gathering pace globally, and there is increasing demand for green and low-emissions products. The proposed Guarantee of Origin framework represents a landmark policy proposal, which will provide Australia with an essential mechanism to be able to demonstrate the environmental credentials of the products we produce, for both domestic and international consumption.

The two key elements to the Guarantee of Origin framework are:

1. The Product Guarantee of Origin ('PGO'), which provides a mechanism to track and verify emissions associated with hydrogen and other commodities made in Australia, and
2. The Renewable Electricity Guarantee of Origin ('REGO'), which is a new form of certification for all forms of renewable electricity in Australia, which will support the information needs of the PGO, and ultimately take the reins in 2031 from Australia's existing renewable electricity certification program under the Renewable Energy Target.

We have been closely engaged in the development of the Guarantee of Origin ('GO') scheme over the past four years and are pleased to see these Bills now enter Parliament. While there is a substantial amount of detail that will need to be determined through the subordinate rules, we are broadly supportive of the proposed framework and Bills, as set out below.

1. Product Guarantee of Origin

The most important function for the Government's Guarantee of Origin (GO) scheme is a robust and trustworthy centralised 'source of truth' for production and emissions profiles of supply chains. This data can then be leveraged by other certification schemes to enable producers to demonstrate their compliance with standards and expectations of different customers and offtake markets.

We welcome the flexible and practical approach that the Department of Climate Change, Energy, Environment and Water (DCCEEW) has brought to the design of the scheme, which should ensure that it's both fit for purpose and future ready for emerging markets. An example of this flexible approach includes allowing it to be used by both renewable and fossil-fuel based commodities. It is in our interests for all product types to be able to verify the production methods and emissions intensity of their products, and as such we have not supported the limitation of the PGO scheme to renewable-based products only. At some stage in the future – when the necessary supporting policy architecture and methodologies are in place – Australia could consider making reporting against this scheme mandatory for certain commodity categories. This could in fact become necessary in order to support the information needs

of other regions imposing a Carbon Border Adjustment Mechanism (CBAM) as implemented in the European Union where its CBAM will apply to cement, iron and steel, aluminium, fertilisers, electricity and hydrogen imports from 1 January 2026.

Through the subordinate rules of the framework, the Government intends to initially focus on creating emissions accounting frameworks for two of Australia's leading 'superpower' opportunities – specifically renewable hydrogen and ammonia.

We support the position that the Government has taken in disallowing the trading of PGO certificates. This means that it will not be possible for the certificates created by the production of renewable hydrogen in one location to be sold on to a fossil-fuel based hydrogen producer elsewhere – effectively resulting in emissions intensive fuels being passed off as green.

While tradability is helpful for creating more liquid markets, overcoming physical constraints, and maximising efficiencies, we believe that these benefits are outweighed by the downside risks of a perceived lack of transparency and credibility of the scheme, which could leave the renewable hydrogen sector, for example, vulnerable to claims of greenwashing.

In relation to the *Future Made in Australia (Guarantee of Origin Charges) Bill 2024*, we note that DCCEE had previously proposed in its [December 2022 Policy Position Paper](#) for the cost-recovery of the scheme to be delayed until the industry had matured and become competitive with existing energy sources. This is a proposal which we had welcomed, and which we view as an important point of principle in the context that as a voluntary, opt-in framework, the GO scheme is much more likely to be used by the more innovative, greener/cleaner product producers, who will wish to verify their environmental claims.

Clean, low-emissions products – such as renewable hydrogen – already face significantly higher production costs than fossil fuel-based products, and the Government should avoid imposing further imposts on the low-emissions products that we wish to incentivise. This is particularly the case at a period in time in which the Commonwealth policy settings provide insufficient demand side support to drive the uptake of clean products (such as a carbon price, emissions intensity standards for products or clean fuel mandates).

2. Renewable Electricity Guarantee of Origin

The original rationale for the new REGO certification scheme was two-fold:

- To enable sources of renewable electricity generation, which are currently ineligible to produce Large-scale Generation Certificates (LGCs) under the mandatory Large-scale Renewable Energy Target ('the RET') – specifically below-baseline generation and electricity intended for international exports – to demonstrate their product characteristics.
- To ultimately succeed Large-scale Generation Certificates when the RET sunsets.

The new certificate scheme is also viewed as an opportunity to modernise the nature of product information available on a renewable energy certificate, by providing more granular information about the time, place and source of production. The CEC considers these to be welcome proposals, noting the growing global interest from business and consumers for more detailed information and transparency relating to the environmental (and social) impacts of the products they purchase.

Avoiding price shocks to existing renewable electricity certificates in the introduction of the scheme

There have been concerns from many of the Clean Energy Council's members over the past year that the commencement of the REGO scheme while the Large-scale Renewable Energy Target (LRET) is still in operation could result in a crash in large-scale generation certificate (LGC) prices – due to the possibility of a large quantity of new ('below baseline') certificates entering the market – damaging investor confidence in a critical moment of the transition.

In the 2023 consultation with DCCEEW, the CEC put forward three measures that could assist to reduce these risks:

1. **The restriction of the surrender of below baseline certificates to ‘new’ markets**, being emissions-intensive trade-exposed industries (who are exempt from the RET), and for the creation of PGO certificates.
2. **Bankability limits for below-baseline REGOs**, to safeguard against the risks of a large surplus of below-baseline certificates accruing over time.
3. **Product differentiation between below and above baseline certificates** to support clear brand differentiation between below and above baseline generation certificates within the REGO scheme until 31 December 2030.

We are pleased that the Government has taken, or intends to take, these proposals on board, as outlined within DCCEEW’s Guarantee of Origin Approach Paper, and provided that these measures are implemented through the rules, the CEC is comfortable that these steps will assist to safeguard against major price shocks to the LGC market during the period of concurrent operation.

It should be noted that without a mandatory renewable electricity purchasing target (such as the LRET) post-2030, renewable electricity certificate prices from 2031 (REGOs) are expected to be a fraction of today’s renewable electricity certificate (LGC) prices, probably reflecting little more than transaction costs. They are not expected, in and of themselves, to provide any material incentive for new-build renewables.

Inclusion of small-scale generation in REGO scheme

The CEC supports the principle that all recognised forms of renewable energy generation should be eligible to create renewable electricity certificates. We have previously noted however that there are some challenges and complexities associated with how the inclusion of small-scale generation in the REGO scheme would work in practice, and there may be benefits in maintaining clear differentiation between large-scale and small-scale generation. We note that some of our members oppose the inclusion of small-scale generation in the REGO scheme at this time and would like to see further analysis undertaken of the impacts and approach to such an inclusion.

Past experience (of the Renewable Energy Target) has shown us that using a single scheme to support both small-scale and large-scale generation could result in sub-optimal outcomes. The Small-scale Renewable Energy (‘the SRES’) scheme was created specifically to address the issue of certificates from rooftop solar systems suppressing investment in the large-scale sector.

While we acknowledge that the 1 MWh denominations of the certificates could act as a barrier to rooftop solar creating REGO certificates, we expect to see solar retailers and aggregators acting as intermediaries to purchase certificates from owners of small-to-medium sized systems. If this practice becomes commonplace across the sector, it could create a large new source of certificates, which could have the impact of suppressing prices. That said, given the relatively depressed price outlook for REGOs post 2030 anyway, the effects of large volumes of certificates entering the market from small-scale systems, may well be less consequential than in a market in which a mandatory renewable energy target is still in place.

Next, we note that historically, output of small-scale systems has not been measured specifically but subject to a deeming approach based on the size of the system and location, in which generation is estimated, and certificates generated accordingly. A change to measuring actual generation will have involve some complexity, with most rooftop solar PV systems using net metering, which measures only the exported electricity. Methods for estimating self-consumption are available through various third-party devices but these will involve an additional cost.

There is also likely to be some complexity in the consumer education and communications associated with the sale of REGO certificates to aggregators, in relation to environmental claims associated with self-consumption by households/businesses. By way of example, a household which has purchased a rooftop solar system may believe that it is using renewable electricity, but if it has sold its certificates to another entity (e.g. an aggregator or intermediary) at the time of purchasing the system, the household’s

green certificates can then be used to ‘green-up’ the power supply of another entity (e.g. a business or industrial facility wishing to make renewable energy claims), while the household’s power supply is considered to be equivalent to the residual emissions intensity of the grid.

Finally, should small scale systems be included within the scheme, we would urge the Australian Government not to rely on REGO certificates alone to incentivise accelerated and sustained uptake of consumer energy resources. The Clean Energy Council’s *Powering Homes, Empowering People: National Consumer Energy Resources Roadmap* released in June 2024 recommends in particular that the Government introduces a National Home Battery Saver to accelerate uptake of batteries and orchestration.

Traceability of electricity supply where energy storage used

Traceability of renewable electricity is of increasing interest to corporate energy buyers, and the traceability of renewable electricity which passes through energy storage systems will need to be carefully considered in the development of the rules supporting the REGO scheme. Under the current proposed design, it is possible to charge a battery system using a large-scale generation certificate (which is not time-stamped) and then later discharge a battery (at a different time of day) and issue a REGO certificate which *is* time stamped. The question that arises is whether it is appropriate that the REGO certificate is time-stamped with the discharge time. We look forward to working with DCCEEW in relation to the rules associated with the surrender and creation of certificates from energy storage systems.

Conclusion

The CEC broadly supports the proposed Guarantee of Origin framework, and while we note that some areas of fine-tuning and careful rule and methodology design will be required to support the scheme, we look forward to the passage of the legislation through Parliament, in order to support Australia’s Future Made in Australia vision.

We stand ready to work with the Department in the weeks and months ahead on the successful implementation of the scheme.

Yours sincerely,

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