



Australian Government

**Department of Climate Change, Energy,
the Environment and Water**

**Future Made in Australia (Guarantee of
Origin) Bill 2024,**

**Future Made in Australia (Guarantee of
Origin Charges) Bill 2024 and the**

**Future Made in Australia (Guarantee of
Origin Consequential Amendments and
Transitional Provisions) Bill 2024**

Submission to the Environment and Communications
Legislation Committee

September 2024

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Purpose of this Submission

The Department of Climate Change, Energy, the Environment and Water (the department) is pleased to provide this submission to the Senate Environment and Communications Legislation Committee. This submission provides context for the Future Made in Australia (Guarantee of Origin) Bill 2024 (GO Bill), the Future Made in Australia (Guarantee of Origin Charges) Bill 2024 (GO Charges Bill) and the Future Made in Australia (Guarantee of Origin Consequential Amendments and Transitional Provisions) Bill 2024 (GO Consequential Amendments Bill). It summarises the key elements and intended operation of the bills and highlights the extensive consultation that has informed the development of the Guarantee of Origin (GO) scheme to date. The department would be pleased to engage further with the Committee to assist in its consideration of the bills.

Background and context

Future Made in Australia agenda

The Government, through its Future Made in Australia agenda, is investing \$22.7 billion over a decade to help Australia become an indispensable part of the global economy as the world transforms to net zero emissions and undergoes the most significant changes since the industrial revolution. The Future Made in Australia agenda will help Australia build a stronger, more diversified and more resilient economy powered by renewable energy, and will create more secure, well-paid jobs and encourage and facilitate private sector investment required to make the most of this opportunity.

The Future Made in Australia agenda is about attracting and enabling investment, making Australia a renewable energy superpower, value adding to Australia's resources and strengthening economic security, backing Australian ideas and investing in the people, communities and services that will drive national success.

The GO scheme supports the Government's Future Made in Australia plan to attract and enable investment, leveraging economic and industrial benefits of the global move to net zero. The scheme is critical for encouraging investment in industries that can make a significant contribution to Australia's net-zero target and where Australia has an opportunity to build an enduring competitive advantage. The certification of renewable electricity and low-emissions products would support Future Made in Australia priority sectors identified under the National Interest Framework. Industry participants will benefit from participation in the voluntary GO scheme through reduced trading barriers, by aligning with global standards and enhancing the competitiveness of Australian exports.

The GO scheme will also unlock additional opportunities for industry. Product GO certificates created as part of the scheme will be a primary eligibility and verification mechanism for producers seeking access to support under other Government incentive schemes such as Hydrogen Headstart program and the proposed Hydrogen Production Tax Incentive.

The need for the Bill

The GO Bill is the primary bill in the legislative package. It provides the legislative basis for the GO scheme. The GO Bill establishes a framework to enable the Clean Energy Regulator (CER) to issue Product GO and Renewable Electricity GO digital certificates.

At present, the market does not provide consumers with enough information to tell the difference between Australian made carbon-intensive products, and low-emission equivalents. This lack of information hinders consumers from being able to make choices between products based on their emission impacts, and producers being able to attain “green premiums” for the low emissions products they make.

The GO scheme will address the problem by empowering producers with the ability to market the low-emissions credentials of their products. It will also support consumers who purchase low-emission products with a publicly accessible record of those low-emissions credentials.

A consistent and transparent emissions accounting framework is also required to enable the targeted support of renewable and green industries. Government funding for green industries, such as tax credits under the \$6.7 billion Hydrogen Production Tax Incentive and production credits for the \$4 billion Hydrogen Headstart program, is contingent on the associated products being verified as low emissions. The GO Scheme will provide a framework to ensure eligibility of projects and verify the emissions intensity of the hydrogen production to ensure funding and support from these schemes is targeted correctly. Any future policies to support Australian green industries will be able to rely on the GO Scheme in the same way, as it expands to certify other products.

The Renewable Electricity GO component of the scheme will provide an enduring renewable electricity certification mechanism that will eventually replace the certification framework under the Renewable Energy Target which is due to sunset in 2030. This provides the certainty that the renewables industry is looking for to support their investments now.

Outline of the Bill

Future Made in Australia (Guarantee of Origin) Bill 2024

Product-based emissions accounting framework

The GO Bill would provide a robust framework that enables Australian producers of low-emissions products to make objective and credible claims about their product’s embodied emissions.

The GO scheme is intended to align with international emissions accounting frameworks for low emissions products, as well as existing domestic frameworks such as the National Greenhouse and Energy Reporting (NGER) scheme and emerging frameworks such as the mandatory climate-related financial disclosures. This would allow industry and state and territory-led certification schemes to use information from the GO scheme, and support industry’s interaction with international schemes.

Product GO certificates would:

- record and verify the carbon intensity of products across each step of a product's lifecycle
- capture information on emissions associated with supply of raw materials, production, storage and transport to the point of consumption or international export
- use a chain of custody approach to track the physical flow of products through the supply chain
- enable robust claims regarding the production and consumption of products.

Renewable electricity certification

The GO Bill would also provide transparent information on renewable electricity generation and support claims of renewable electricity use. This would enable domestic and international markets to have confidence in claims of renewable electricity use, whether in the manufacture of low emissions products, or in day-to-day business operations. Strong demand for renewable electricity certificates exists in Australia due to the mandatory obligations under the Renewable Energy Target (RET) and voluntary corporate environmental, social and governance commitments. Large-scale generation certificates (LGCs) created under the RET have been used to meet mandatory target obligations and as evidence of meeting voluntary claims of use of renewable electricity generated from large-scale sources such as power stations. However, from 1 January 2031 certificates for renewable electricity cannot be created under the RET.

Renewable Electricity GO certificates:

- certify the electricity used to create these certificates as verifiably renewable
- can be traded independently from the physical delivery of electricity
- can be used to claim the benefits of renewable electricity use
- provide information about generation and delivery of electricity, including facility age, fuel source, time of generation, location of facility etc.

Roles and responsibilities established under the Bill

The GO Bill provides for the CER to administer the GO scheme. This would include registering participants and facilities, issuing certificates, maintaining the public register of certificates and undertaking compliance and enforcement. The CER's knowledge and experience, including through the existing Small-scale Renewable Energy Scheme and the RET, and established administrative processes and systems, will ensure the robust and efficient operation of the GO scheme.

The GO Bill would also provide the CER with the power to require third-party audits to be commissioned by a registered person under the GO scheme. The CER would also be provided with information-gathering powers to monitor general compliance or undertake more specific investigations into suspected breaches of methodology determinations or scheme requirements. Scheme participants would be subject to record-keeping requirements.

Assurance and enforcement processes would be managed by the CER. To deter conduct that would reduce confidence in the GO scheme, and to ensure effective enforcement, the GO Bill would provide for a range of compliance powers, including monitoring, investigation, civil penalties, infringement notices, enforceable undertakings and injunctions.

The GO Bill provides for periodic formal reviews of the scheme, which at a minimum would consider the effectiveness of meeting the objects of the Act, functionality and efficiency of the GO Scheme, and the relevant international context.

Subordinate legislation

The GO Bill is designed to establish the GO scheme architecture while subordinate legislation will contain further detail, including emission accounting methodologies regarding production, transport and storage of different products, information requirements and timeframes for applications and activities, and defining eligible products under the scheme.

Given the innovative and technical nature of the scheme, the Government will need flexibility provided through subordinate legislation to adapt the scheme to reflect addition of new products and production pathways, technological advancement, respond to market dynamics, rectify or clarify misinterpretations, align with international obligations, and to ensure integrity is maintained.

Full public consultation would be undertaken on legislative instruments and any amending of legislative instruments, and disallowance and sunseting processes would apply.

In addition to full public consultation on draft legislative instruments, targeted consultation would be undertaken on technical aspects of the subordinate legislation, such as via expert working groups or meetings.

Future Made in Australia (Guarantee of Origin Charges) Bill 2024

The GO Charges Bill establishes the cost recovery framework for the GO scheme. The GO scheme is to be fully cost recovered with fees and levies being included from commencement of the scheme and phased in for nascent industries.

Consistent with the Australian Government Cost Recovery Policy, the GO Charges Bill would provide for the imposition of charges that may be considered cost recovery levies. These charges would recover the costs of providing services that benefit groups of scheme participants. This could include activities such as monitoring compliance, investigations and enforcement.

The GO Charges Bill would impose charges on different profiles and registered facilities under the GO scheme for a financial year. Charges would be payable with respect to the following profiles and registered facilities in the GO scheme:

- Production profiles
- Delivery profiles
- Consumption profile
- Accredited power stations
- Renewable electricity generation facilities, other than accredited power stations
- Renewable energy storage facilities
- Aggregated systems.

The amounts of relevant charges, or methods for calculating the amounts of relevant charges, would be set out in regulations. The regulations would also outline other matters relevant to the payment of charges, such as how and when payments are to be made.

Imposition of charges under the GO Charges Bill would be complementary to the collection of cost recovery fees payable for services that the CER provides directly for the benefit of a single individual scheme participant. The GO Bill provides for fees to be payable for activities that would be outlined in rules, such as making applications.

Exemptions, waivers, refunds and remittances may be provided by the CER in circumstances allowable in rules made under the GO Bill. The intention is that exemptions, waivers, refunds and remittances may be provided by the CER on a consistent basis with respect to cost recovery fees payable under the GO Bill and cost recovery charges payable under the GO Charges Bill.

Full cost recovery would ensure that the CER, as the administrator of the GO scheme, is appropriately resourced to effectively and efficiently administer the GO scheme.

Future Made in Australia (Guarantee of Origin) Consequential Amendments and Transitional Provisions) Bill 2024

The GO Consequential Amendments Bill would introduce amendments to the *National Greenhouse and Energy Reporting Act 2007*, the *Clean Energy Regulator Act 2011*, and the *Renewable Energy (Electricity) Act 2000* to align those Acts with the GO Bill.

Amendments to Clean Energy Regulator Act 2011

The GO Consequential Amendments Bill updates the *Clean Energy Regulator Act 2011* to provide authority for the CER to perform functions for the GO Scheme, as outlined in the GO Bill. This ensures that existing administrative powers and obligations on the CER are maintained for the new scheme.

Amendments to the National Greenhouse and Energy Reporting Act 2007

Audits are a core assurance mechanism within the GO scheme and will perform a key role in effective implementation of the scheme. They ensure the scheme operates with integrity so that certificate information can be trusted.

The *National Greenhouse and Energy Reporting Act 2007* will be amended to extend its existing audit framework to include audits for the GO scheme in the same way as it provides for safeguard mechanism audits, biodiversity audits, greenhouse and energy audits and emissions reduction fund audits.

Amendments to the Renewable Energy (Electricity) Act 2000

The GO Consequential Amendments Bill also makes consequential amendments to the *Renewable Energy (Electricity) Act 2000* to ensure certification of electricity from energy storage systems is consistent with the GO Bill. These changes reflect the critical and growing role of battery storage in today's electricity market and makes sure that renewable electricity in these systems can be appropriately certified.

Engagement

Scheme development

The department has been working domestically and internationally with industry, government and the public over the past four years to develop a scheme that is robust and practical for Australian projects while aligned with the needs of potential export markets.

The department is closely engaged with key international partner forums for hydrogen including the International Partnership for Hydrogen and Fuel Cells in the Economy and the International Energy Agency's Hydrogen Technology Collaboration Programme to ensure the scheme will be internationally aligned.

The design of the GO scheme has also benefited from an extensive and iterative consultation process. Consultation to date has included a survey (2020), two phases of hydrogen industry trials (2022 and 2023), release of seven discussion and policy position papers refining the proposed GO scheme between 2021 and 2023, and public webinars and targeted meetings with individuals, industry and Commonwealth, State and Territory government representatives.

The GO scheme has been developed with consideration of the feedback received and is intended to minimise complexity and administrative burden and maximise alignment with existing carbon accounting schemes including NGER.

The department has published on its website the non-confidential submissions from all consultations on the detailed design of the GO scheme. Stakeholders were broadly supportive of the proposed approach, with industry stakeholders indicating support for a government led GO scheme to provide the assurance industry needs to operate in international markets and make credible claims about the products they make and use.