



Review into extending the national gas regulatory framework to hydrogen and renewable gases.

Australian Hydrogen Council

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Submission to the Australian Government

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About the Australian Hydrogen Council

The Australian Hydrogen Council (AHC) is the peak body for the hydrogen industry, with 86 members from across the hydrogen value chain.

Our members are at the forefront of Australia's hydrogen industry, developing the technology, skills and partnerships necessary to build Australia's hydrogen economy.



Hydrogen and the future of the gas industry

AHC welcomes the review of the Natural Gas Rules and the National Energy Retail Rules as part of the broader review of regulatory instruments to facilitate the transition to a zero emissions gas network. Establishing a regulatory framework which allows for the use of hydrogen and other zero emissions gases will ensure that Australians can continue to use gas as an energy source into the foreseeable future and will reduce the risk of stranded assets which would occur if gas use was abandoned completely in favour of alternative zero emissions energy sources.

We welcome moves to allow the Australian gas industry to transition towards carbon neutrality. AHC has endorsed an initial 10% hydrogen blending target and clarification and certainty around the regulatory framework which will apply will help to facilitate this. With the blending of hydrogen into natural gas networks being seen by industry and policy makers as an effective way of immediately achieving a decrease in carbon intensity and a firm offtake for hydrogen production, it is crucial that the regulatory framework allows this to happen.

Hydrogen is a high profile candidate to be a fuel of the future however AHC understand the scale of the economic challenge to achieving net zero reductions and are pleased that the review focuses on hydrogen as well as other renewable gases, thus ensuring a path to lowest cost decarbonisation is created. A number of projects already injecting hydrogen into natural gas networks are providing learnings for the future of Australia's gas infrastructure. In light of this, a regulatory regime which anticipates a range of pathways to decarbonisation is necessary and the outcome of this review will enable its development. We also consider however, that the development of a clean gas industry may be an iterative process and note that the National Gas Law and National Energy Retail Law allow for further rules changes to be considered if there is a need.

In our view, the AEMC has given broad consideration to the issues which need to be addressed to enable the transition to renewable fuels in Australia's gas networks. While the need to decarbonise is not a new consideration in the economy, it has not previously been a focus of the gas regulatory framework. In framing this review around the need to drive change from existing market participants as well as allowing for competition to develop and the protection of end use consumers the review is suitably broad in scope to allow for meaningful outcomes to be achieved.

We note that jurisdictional arrangements and the impacts of electrolysers (and other gas production equipment) on the grid are explicitly out of scope. We agree that for the purposes of this review that this should be the case. However, the journey to net zero emissions will require a coordinated approach and we believe that the issues of national harmonisation and of course the interaction between the gas and electricity networks are key considerations which should remain front of mind in any planning discussions. We note from discussions with the AEMC that there is an awareness of these issues and we are comfortable that while formally out of scope the AEMC is cognisant that decisions made in this review will impact on other matters (and vice versa).

With regard to the framework for assessing the potential changes, we note that the AEMC is required to demonstrate that changes to the National Gas Rules or National Energy Retail Rules are consistent with the National Gas Objective and the National Energy Retail Objective. We agree that use of the criteria listed will enable the contribution toward these objectives to be determined. It is unclear from the consultation paper whether the assessment criteria are given equal focus or are

listed in order of priority. As we see the path toward lowering emissions from the natural gas system as the underlying driver of this review we consequently consider that the decarbonisation criteria must be weighted at least as highly as any other criteria.

Noting the potential for future policy settings to drive the use of hydrogen and other renewable gases through incentives or targets, the Rules must be sufficiently flexible to accommodate these. Elevating the decarbonisation criteria in this review will ensure that a focus to allow this is maintained.

In responding to the officials' paper on extending the National Gas Law and National Energy Retail Law to hydrogen and renewable gases, AHC noted the simplicity of effectively broadening the definitions of the types of gases and infrastructure covered and ensuring that the same rules apply to all parties. We consider that a similar approach be implemented with regard to the National Gas Rules and National Energy Retail Rules in order to ensure that a level regulatory playing field exists for both incumbent gas businesses and new entrants. This approach will ensure that the impact policy decisions to drive decarbonisation are not hampered by a regulatory regime which either constrains or advantages particular market participants by imposing red tape or regulatory barriers on some and not others.

With this in mind, we also consider that the transition to a low carbon gas future will be an evolutionary process and that future rule changes may be required where it is apparent that regulatory settings may need adjustment.

AHC is deeply cognisant of the consumer engagement element of a transition to widespread use of hydrogen in the economy. This said, we believe that this element is centred around 'big picture' issues such as safety, community acceptance and land/water use, issues which are far upstream from the customers/retailer relationship. We anticipate that these issues will be socialised through coordinated communications from government and other key stakeholders.

We do not consider that customers should be required to engage with the transition where there is not material impact to them. The one way in which a transition to a gaseous fuel other than natural gas could impact customers is in relation to a customer's financial position. If the customer's price per kilojoule delivered is materially altered, it may be reasonable to notify customers of this impact however, we stress that materiality is key and that the costs of additional retailer interactions with consumers may outweigh the benefit. We recommend that the AEMC should not make pre-emptive changes to the customer/retailer relationship and instead consider whether existing provisions in the National Energy Retail Rules are suitable to capture any price variations which result from a change from natural gas to a natural gas equivalent.

AHC supports the AEMC's engagement with other key decision making bodies on this matter and appreciates the opportunities for discussion. We will continue to follow the process and contribute where necessary to ensure that the NGR and NERL facilitate the transition to a lower carbon future.

We welcome the opportunity to provide further detail about any aspect of this submission via GM Policy, Mr Joe Kremzer who can be contacted by email on jkremzer@H2council.com.au or telephone 0413 266 081.