

30 August 2024

NSW Government

Department of Climate Change, Energy, the Environment and Water



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

Opportunities for a renewable fuel industry in NSW- Discussion Paper

The Australian Financial Markets Association (**AFMA**) is responding to the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) discussion paper '*Opportunities for a renewable fuel industry in NSW*'.

AFMA is the leading financial markets industry association promoting efficiency, integrity, and professionalism in Australia's financial markets, including the capital, credit, derivatives, foreign exchange, energy, carbon, and other specialist markets. Our membership base is comprised of over 130 of Australia's leading financial market participants, including many of the key participants in Australia's natural gas and environmental product markets.

Key points

- A mix of renewable fuels will play an important role in economy-wide decarbonisation
 - The range of renewable fuels supported by the RFS should be expanded
 - Policy should align to the GO scheme and the Carbon Accounting Framework
-

1. Role of renewable fuels

AFMA welcomes state government policy attention on developing renewable fuel programmes, certificates, and industry more broadly to drive investment in these important transitional assets. As the discussion paper acknowledges, renewable fuels are expected to play a critical role in decarbonisation, particularly for hard-to-abate industry sectors. Both the Commonwealth and other state Government's envisage a clear role and assess market demand for renewable fuels.

AFMA supports the Department's uptake of AFMA's recommendation to include additional renewable fuels beyond hydrogen. In this regard, we reaffirm our recommendation to expand the Renewable Fuel Scheme (RFS) to other renewable fuels, as previously recommended.¹ As likewise expressed in our previous consultation responses, we do not support the use of targets or subsidised prioritisation of any particular fuel type. We believe adopting a markets-based approach is the most efficient and cost-effective approach and will help ensure that fuels will be allocated to the most appropriate use case. Markets naturally drive this behaviour and as a result lead to competitive pricing at a faster rate.

1.1. Role of hydrogen

We believe that creating support for hydrogen production will depend on the use case developed. Developing appropriate use cases will be important to ensure that fuel sources can become efficient

¹ [RFS Draft Rule consultation AFMA submission](#)

and economically viable. We agree with the NSW Government's assessment that focusing hydrogen use on sectors that is hard to abate is appropriate.

2. Regulatory Arrangements

2.1. Existing scheme alignment

AFMA supports using the Energy Savings Scheme's (ESS) regulatory framework to support renewable fuel industry ambition. 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 any new schemes, as has been the case with the Renewable Fuel Scheme (RFS).

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.

2.2. Guarantee of Origin

AFMA considers that consistent certifications are necessary to facilitate the development of the market for renewable products. Therefore, AFMA would encourage the NSW Government to work with the Commonwealth on creating Guarantee of Origin GO certifications for renewable fuels. We believe that a national certification for renewable fuels will be essential for market participation and eventual development of a functional market.

3. Carbon accounting framework

It is AFMA's assessment that being able to use these forthcoming products to meet Safeguard Mechanism targets is going to be critical to promoting uptake. Therefore, AFMA encourages the department to explicitly permit, under the carbon accounting framework, that participation contributes to emissions reduction efforts that can be counted under the Safeguard Mechanism requirements for safeguard entities. Failure to align with the Safeguard Mechanism would add emissions accounting complexities and also risks making participation uneconomical, as safeguard entities would in essence, be paying twice.

4. Liable parties

AFMA is of the view that the costs associated should be borne by the entities that benefit from it. Given the fuels proposed, with particular focus on liquid fuels, it is unlikely to deliver significant volumes of renewable gas to distribution connected gas customers and therefore it is unclear to us why retail gas customers should bear the majority of the cost. We therefore request that liable parties are extended to include emissions intensive industries that are likely to be the main beneficiaries.

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact me via myoung@afma.com.au or 02 9776 7917.

Yours sincerely,

Monica Young

Policy Manager