



Extending the national gas regulatory framework to hydrogen blends & renewable gases Changes to the NGL, NERL and Regulations

Australian Hydrogen Council
26 November 2021
Submission to the Australian Government

Joe Kremzer
General Manager Policy
Australian Hydrogen Council
m: +61 413 266 081
e: jkremzer@H2council.com.au
w: H2council.com.au

Contents

About the Australian Hydrogen Council	3
Hydrogen and the future of the gas industry	4
Natural Gas Equivalents	4
Constituent Gases	4
Consumer Impacts and the NERL.....	5
Conclusion.....	5

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

The Australian Hydrogen Council welcomes the review of the Natural Gas Law and the National Energy Retail Law to allow for the coverage of hydrogen and other renewable gases. As Australia pursues a transition to net zero carbon emissions, it is timely that the arrangements which govern the natural gas market in Australia are considered in this context. 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 in favour of alternative zero emissions energy sources.

We note that expanding the coverage of the National Gas Law and National Energy Retail Law will have downstream regulatory impacts (namely consequential amendments to the National Gas Rules and National Energy Retail Rules) and are engaging with the AEMC on these matters.

AHC has endorsed an initial 10% hydrogen blending target and consider that the proposed approach will help to facilitate this. It will also provide clarity of the regulatory arrangements for future hydrogen blending projects which seek to emulate those projects already underway (such as the Jemena blending facility at the Western Sydney Green Hydrogen Hub or the AGN HyPSA project). The proposed approach will allow for a range of future outcomes which is desirable.

Discussion of proposed approach

Natural Gas Equivalents

AHC considers that the establishment of the *natural gas equivalent*, *constituent gas* and *other gas product* concepts is an elegant solution to ensuring that the Australia's gas regulatory framework is able to seamlessly move toward a low/zero carbon future. We broadly support the approach which effectively considers that all potential direct replacements for natural gas face similar regulatory treatment.

While AHC as an interest in developing the clean hydrogen industry in Australia, we recognise the fact that achieving net zero emissions will require a range of solutions. Despite its versatility, clean hydrogen may not be the most appropriate solution for every decarbonisation challenge. The natural gas equivalent definition will allow for hydrogen or other gases to provide for Australia's future energy needs and allow for decarbonisation efforts to be led by efficient investment decisions. Clean hydrogen, biomethane or other renewable gases will all play a role, and a level regulatory playing field is needed to ensure that decarbonisation of the network is achieved at the lowest cost to consumers.

AHC considers that the proposed approach is the simplest means of facilitating this as it will not lead to the creation of new regulatory structures or processes but will instead ensure that future gaseous fuels are effectively folded into an existing, well function framework.

Constituent Gases

The broadening of regulatory instruments to cover natural gas equivalents would appear to be the simplest element of the reforms and we urge thorough consideration of issues relation to elements of the expansion to constituent gases.

AHC is broadly supportive of the proposal to extend the regulatory framework to cover constituent gases for the purposes of market transparency mechanisms and for gas markets and regulatory sandboxing as outlined in the paper. We note however, that a pipeline carrying a constituent gas would meet the definition of a pipeline under the National Gas Law. This would see the constituent gas pipeline potentially subject to economic regulation.

There are potentially many reasons why economic regulation of constituent gas pipelines is entirely necessary. Due to a fundamental difference in the infrastructure required to produce some constituent gases (namely hydrogen), it may however, be more appropriate to ensure that regulatory tests to identify the existence/creation of a market failure are relied upon to determine whether regulation is necessary.

Unlike the relatively centralised nature of natural gas production and shipping, (natural gas must be transported from where it exists in the environment), constituent gas production may be decentralised as the location at which the constituent gas is produced is unlikely to be constrained in this way. For this reason, there exists a much greater capacity for competition to flourish in the market for constituent gases. AHC considers that regulation of constituent gas pipelines is not required if it can be demonstrated that there is no market power issue. This approach will ensure that new market entrants aren't unnecessarily encumbered by regulatory barriers and can more effectively exert competitive pressure on incumbent gas suppliers. We believe that a regulatory approach such as that outlined in the Pipeline Decision RIS and agreed to by Ministers is consistent with this approach.

Consumer Impacts and the NERL

AHC is mindful that transitioning to zero emissions will have a range of consumer and social impacts. Minimising unnecessary changes for consumers will ease the transition and we consider that the approach outlined is unlikely to require significant change to the NERL in the immediate term. While consumers can and should make meaningful decisions to reduce their emissions, we do not consider it necessary to change the way in which they engage with the retail market.

We anticipate that a greater degree of engagement will be required when/if the market transitions towards the use of other gas products over time however we do not see a need to cover these matters in the immediate term.

Conclusion

The Australian Hydrogen Council supports the approach to extending the regulatory framework as it will essentially future proof Australia's gas industry as it pursues decarbonisation. The approach, which keeps the current framework intact while allowing for future evolutions will minimise the impact on the industry and consumers and allow for a range of possible energy futures.

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.