



Department of Industry,
Science, Energy and Resources

GPO Box 2013
Canberra ACT 2601

By email: renewablegas@industry.gov.au

26 November 2021

Dear Sir/Madam,

**Extending the national gas regulatory framework to hydrogen blends & renewable gases –
Consultation paper**

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Department of Industry, Science, Energy and Resources (“the Department”) in response to the Consultation paper on Extending the national gas regulatory framework to hydrogen blends & renewable gases (“the Consultation paper”).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to more than 750,000 retail customer accounts across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

Hydrogen is an important component of a future carbon free world

ENGIE believes that hydrogen has the potential to be the key to unlock the full potential of renewables and carbon-free energy solutions. It could accelerate the energy transition by allowing numerous green energy technologies to be used with much greater flexibility.

ENGIE is committed to developing solutions based on renewable hydrogen, produced by electrolysis using a green energy supply. Hydrogen is the missing link for a decarbonised ecosystem, allowing for the harmonious progress of cities, territories and societies around the globe.

ENGIE’s aim is to operate across the entire value chain of renewable hydrogen, from carbon-free power generation to the three key end uses: mobility, industry, and energy storage.

ENGIE is already partnering with governments and other businesses on trials, feasibility studies, and early commercial projects in order to develop the know-how that will allow the hydrogen sector to scale up quickly. This involvement has a global footprint, including projects in (amongst others) France, Singapore and Australia.

Notably, ENGIE is project lead on one of the three ARENA-supported commercial-scale renewable hydrogen projects: a 10 MW electrolyser project to produce renewable hydrogen in a consortium with Yara Pilbara Fertilisers at their Karratha plant. ENGIE is also a partner in one of the other projects, a 10 MW electrolyser for gas blending at AGIG's Murray Valley Hydrogen Park in Wodonga.

In this light, we welcome the Department's publication of the Consultation. Clarity on the legal and regulatory status of hydrogen blends, biomethane, pure hydrogen streams and other emerging gas products is important for the development of these industries.

Our detailed response to the questions in the Consultation paper are attached in the requested template format. Our positions have been summarised below.

NG equivalents

Since the NG equivalent definition is predicated on not requiring users to change their appliances, there should be little to no impact on end users of substitution of natural gas with an NG equivalent. Accordingly, it seems sensible to apply the same regulatory framework. Creating a different framework could, in certain circumstances create a perverse incentive (or disincentive) to switch to an NG equivalent that is driven by regulatory arbitrage rather than genuine commercial agreement.

Other gases

By contrast, other gases are an emerging industry sector. National and jurisdictional hydrogen strategies envisage a rapid ramp up in production and consumption, including new production methods, new end use cases and the creation of an export market. Accordingly, it's important to:

- a) not stifle innovation and effective market development with excess or inflexible regulations; and
- b) not assume that concerns relating to the natural gas market must be relevant to hydrogen.

Hydrogen production is likely to be more competitive than natural gas production, given latter is dependent on access to underground resource and typically controlled by small number of large companies. Hydrogen can be produced by multiple methods, and green hydrogen from electrolysis is open to anyone with access to electricity and water. Initially, hydrogen should be considered as a general commodity, and few other commodity markets are regulated to the extent the natural gas market is.

Some elements of the natural gas regulatory framework are idiosyncratic – there are three different designs of commodity market (short-term trading market, declared wholesale gas market, and gas hubs), for example.

Others, such as market transparency mechanisms and elements of the pipeline regulation framework have emerged as a result of specific concerns relating to Australia's natural gas market and the market impact of the LNG sector. So, they do not necessarily represent a general regulatory blueprint applicable to other commodities.

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, 0477 299 827.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'J Lowe'.

Jamie Lowe

Head of Regulation,
Compliance, and Sustainability