



8 February 2023

Department of Climate Change, Energy, the Environment and Water

Submitted via DCCEEW's consultation hub: <https://consult.dcceew.gov.au/aus-guarantee-of-origin-scheme-consultation/have-your-say>

Dear Sir/Madam

**Australia's Guarantee of Origin
Policy Position Paper, Dec 2022**

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to respond to the Department of Climate Change, Energy, the Environment and Water's (DCCEEW's) December 2022 Policy Position Paper on Australia's Guarantee of Origin Scheme.

We acknowledge the work of DCCEEW and the Clean Energy Regulator (CER) in preparing this consultation paper and we thank DCCEEW for the opportunity to provide a response.

This submission contains the view of Stanwell and should not be construed as being indicative or representative of Queensland Government policy.

As a major provider of electricity to Queensland, the National Electricity Market (NEM) and large energy users throughout Australia, Stanwell is invested in providing reliable and affordable energy for today and into the future. We are also developing renewable energy, storage and hydrogen projects and technologies to help reduce emissions and ensure Queensland electricity supply remains secure and reliable now and into the future.

Stanwell commends the DCCEEW and CER for presenting two complementary carbon certificate schemes (one for renewable electricity and one for products) which demonstrate a measured approach to enabling and encouraging broad participation whilst carefully balancing the competing needs of stakeholders for these voluntary schemes. The timely commencement and fine tuning of both schemes will place Australia in good stead to be world leading in the international carbon certification and emissions reduction marathon upon us.

Stanwell is overall supportive of the proposed Guarantee of Origin Scheme which will provide a credible platform for emerging green industries such as hydrogen to develop, and challenge established industries to reduce the emissions from their products. In particular, Stanwell is very supportive of the ability to use the proposed Renewable Electricity Guarantee of Origin (REGO) certificates to "green" a ProductGO certificate. The key policy

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position that Stanwell would like DCCEEW to reconsider to future proof both schemes is Policy 7 (Provenance), and instead make the ProductGO tradable in the same way as a REGO certificate.

Stanwell's detailed rationale for the above position, along with responses to each proposed Policy on Australia's Guarantee of Origin Scheme, is detailed in Attachment 1.

Our main feedback to DCCEEW's proposed Guarantee of Origin Scheme is:

- **Policy 2: Expanded system boundary** – Stanwell supports the expanded system boundary of well-to-user, which will include emissions from transportation and storage. Stanwell understands the CER trials for the emissions calculator has focused on the well-to-gate system boundary. Therefore, the emissions from transport and storage should be made compulsory for inclusion on the ProductGO certificate only once the calculation methodology for these next steps has been deemed by the CER to be sound.
- **Policy 4: Cost recovery** – Stanwell would be keen to understand the cost recovery process when further details are provided during the next round of consultation on the exposure draft of the GO scheme legislation.
- **Policy 5: Resourcing for scheme implementation** – For the two schemes to operate smoothly at commencement, upgrades to the CER's registry and an increase in staff to provide participants with compliance and administrative support will be required. Stanwell would encourage the CER to develop a resourcing strategy early on, in preparation for scheme administration.
- **Policy 7: Provenance approach** – The consultation paper proposes to use a Provenance Approach for the ProductGO, whereby there has to be a reasonable physical link between the physical product and the ProductGO certificate. Although Stanwell understands the attraction of the provenance concept, we are of the view that the inability to separate the product from the certificate has the potential to:
 - create perverse outcomes which lead to real increases in carbon emissions; and
 - create disincentives for industry to share common infrastructure.

Stanwell's concerns are illustrated by two examples provided in our detailed comments in Attachment 1. Every other aspect of the voluntary ProductGO design, already enables participants who want to apply a Provenance approach, to do so. Therefore, Stanwell urges the DCCEEW to reconsider the application of a Provenance approach and allow ProductGO certificates to be tradable in the same way as is proposed for the Renewable Energy Guarantee of Origin (REGO) certificates.

- **Policy 9 – Scheme participant roles** – Stanwell supports the ability for participants registered under different roles to populate the ProductGO with information for production, transport, storage through to consumption. However, the ability/requirement for different parties to populate the ProductGO throughout the supply chain raises questions around who has ownership of the ProductGO certificate at each stage of the supply chain versus who has responsibility for populating it with compliant information.

The GO Producer (party with ability create ProductGO certificates) has also been defined as the entity who has *'legal rights to the product **and** operational control of*

the production facility'. Stanwell would like to highlight that there are many situations where the entity with legal rights to the product may not be the same entity that has operational control of the facility. Therefore, the definition of a GO Producer needs to be redefined such that the legal rights to a product is unbundled from operational control of a facility.

- **Policy 19: Materiality threshold to reduce regulatory burden** – Stanwell supports a materiality threshold but notes that it is highly likely that participants will need to measure and calculate emission sources below the materiality threshold at least once to demonstrate the source is immaterial. Therefore, to reduce the regulatory burden, Stanwell recommends a process whereby sources (once demonstrated to be immaterial) may be excluded as an input to the ProductGO for a fixed period of 5 years and only revisited after 5 years, or within 6 months of a significant change to the production process.
- **Policy 22: Residual Mix Factor** – It makes sense to introduce a residual mix factor (RMF) so that an emission factor can be calculated for the remaining electricity from the grid once the renewable electricity has been “claimed”. However, Stanwell has a few concerns around the frequency at which an RMF can be calculated since it is dependent on being able to determine the number of renewable electricity certificates which have been claimed for the specific grid location. If renewable electricity generators have up to 1 year to claim a renewable electricity certificate, then presumably the RMF will not be able to be updated any more frequently than once a year. We request DCCEEW clarify this matter to ensure consistency between the calculation of RMF and the timeframes for generators to claim renewable energy certificates.
- **Policy 24: Expansion of ProductGO to other commodities** – The government’s plans to expand ProductGO to other commodities in future makes it even more important that fundamental aspects of the ProductGO scheme are established right at the onset of commencement. For this reason, Stanwell urges the DCCEEW to consider the impracticalities of Policy Position 7 (Provenance Approach) and make the ProductGO a tradable certificate which can be separated from the product.

Stanwell appreciates the opportunity to contribute to DCCEEW’s development of Australia’s Guarantee of Origin Scheme and we look forward to working with DCCEEW as development of the Guarantee of Origin Scheme progresses.

Should DCCEEW wish to discuss our submission in more detail, please contact Zi Ying Koh on (07) 3228 4137 or email ZiYing.Koh@Stanwell.com

Yours sincerely



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Attachment 1

Australia's Guarantee of Origin Scheme: Proposed Policy Positions

Policy 1:

The scheme will be covered under new legislation administered by the CER.

Agree

Policy 2:

The Product GOs will cover the well-to-user system boundary.

Agree

It is Stanwell's understanding that the current emission calculation trials being run by the CER to date mainly address the well-to-gate system boundary and that the CER will tackle the gate to user, (transportation and storage) emissions next.

While we support the expanded well-to-user system boundary and the timely commencement of this scheme in 2024 so that operators can road test this scheme, it is important (from a transparency and accuracy perspective), that emissions from transportation and storage are made compulsory for inclusion in the ProductGO certificate only once the CER has established that the calculation methodology is sound. Otherwise, it could result in confusion for users of the ProductGO and potentially create concerns about the transparency and integrity of the ProductGO. Stanwell encourages a transparent staged rollout of the scheme so that all participants including the GO Consumers are clear about what they are trading.

Policy 3:

There will be no minimum emissions intensity requirements for Product GOs and participation will be voluntary for both Product GOs and REGOs.

Agree

Policy 4:

The GO scheme will be cost recovered in line with Australian Government policy.

Agree

Stanwell would be keen to understand the cost recovery process when further details are provided during the next round of consultation on the exposure draft of the GO scheme legislation.

Policy 5:

The scheme will be reviewed in 2025 and every five years thereafter to ensure it is fit for purpose and able to support the industry.

Agree

Stanwell notes that the additional information proposed for inclusion in the both the ProductGO and REGO scheme is substantial. While these additional fields will optimise scheme flexibility and encourage voluntary participation from a broad range of users, the processes (including front loaded registration) and IT system upgrades which will need to be implemented by the CER before the scheme commences is significant. The CER will need to consider its resourcing strategy to ensure a timely, effective and successful start to the ProductGO and REGO.

Stanwell has provided further details about our preferred IT approach for the CER registry in our submission on the REGO.

Policy 6:

Product GOs and REGOs will be housed on a publicly visible register with general information and the ability to share specific information with other scheme participants.

Feedback is sought on the information that should be publicly visible on REGOs (e.g. time of generation, grid location, commissioning date, end user, etc) and the information that should be publicly visible on Product GOs? (emissions intensity, volume, relevant inputs, etc).

Agree

Policy 7:

Product GOs will use a provenance approach, while REGOs are able to be traded independently of the electricity they were created alongside.

Disagree

Stanwell can see the attraction of the optics behind using the Provenance approach for the ProductGO, but from a commercial and practical point of view, it is important that ProductGO certificates are able to be separated from the product, as is the situation with Large Scale Generation Certificates (LGCs) and the Renewable Electricity Guarantee of Origin (REGO) certificates.

The Renewable Energy Target has been responsible for stimulating investment in renewable energy projects and the CER (and its predecessors) should be commended on administering such a successful and well-respected scheme. By having the CER administer the ProductGO and REGO schemes, four of the five principles for the Guarantee of Origin Scheme (Trustworthy, Transparent, Consistent and Flexible), would have been met. The ProductGO would meet the fifth principle, Practical, if it was a tradable certificate whereby the product could be separated from the certificate. It should also be noted that every other aspect of the voluntary ProductGO design, already enables participants who want to apply a Provenance approach, to do so.

Stanwell is of the view that the Provenance approach, whereby there has to be a **reasonable physical link** between the product and the certificate, creates too many unnecessary barriers which have the potential to create perverse outcomes of reducing energy efficiency and increasing emissions, as well as dis-incentivising industry from working cooperatively to share common infrastructure.

The barriers and dis-incentives of a Provenance approach to the ProductGO are illustrated by the two scenarios below.

Scenario 7a – Establishing a reasonable physical link

Biomethane and natural gas are interchangeable fuels. In October 2022, Energy Ministers agreed to amendments to the National Gas Law and Regulations to bring biomethane, hydrogen and other renewable gases under the National Gas Regulatory Framework. Biomethane is currently recognised as a zero emissions fuel under the National Greenhouse and Energy Reporting Scheme. Therefore, biomethane is a viable alternative to burning natural gas to reduce Scope 1 CO2 emissions under the Safeguard Mechanism.

There is a biomethane producer located in Dalby, QLD who wants to sell biomethane to an industrial site in Roma, QLD (GO Consumer). The GO Consumer in Roma, QLD is already burning natural gas at their site and is currently connected to natural gas distribution network A. However, the biomethane producer is currently connected to a separate natural gas distribution network B. The potential GO Consumer in Roma could connect to the natural gas distribution network B, but it would involve constructing a connecting pipeline of approximately 10km from network B to its site in Roma and joining this to the existing natural gas pipeline which feeds into its existing plant on site.

The consultation document explains that under the proposed Provenance approach where

products like clean biomethane or hydrogen are comingled with other products of a different emission pedigree - *“there will need to be a **reasonable physical link** established between the clean biomethane or hydrogen and the Product GO.*

For example, clean hydrogen may be injected into a natural gas network and mixed with the methane. The end consumption of the clean hydrogen could be assigned to any users within this network. However, the end consumption of the clean hydrogen could not be able to be attributed to consumers outside of this network.”

In Scenario 7a, if the biomethane producer and user wanted a ProductGO (under the Provenance approach) for their activity, the only way for the biomethane from DALBY to be physically linked to the GO Consumer in ROMA would be for the GO Consumer to construct a connecting pipeline to the natural gas transmission network B. This connecting pipeline construction comes at a financial cost for the GO Consumer and an emissions cost to the climate due to the embedded emissions associated with constructing the pipeline to achieve a “reasonable physical link” under the notion that the User will somehow be burning a few of the clean molecules at the other end. The reality is that even for a transmission and distribution network that is connected, the further the point of injection from the point of consumption, the less chance there is that the molecule being consumed is the same as the one injected at the other end.

These added costs associated with the construction of an additional piece of pipe in the scenario above, would be entirely avoided under a tradeable ProductGO certificate if the biomethane producer could demonstrate that they were producing biomethane and injecting it into their closest network, and the GO Consumer could then obtain and surrender the appropriate amount of certificates but remain using the natural gas from the network it is currently connected to.

The added benefit of applying a tradeable certificate approach to the ProductGO would be that emissions associated with pumping biomethane further (than needed) could be avoided – resulting in greater energy efficiency and emissions efficiency overall – regardless of whether some of these emissions are to be included on the ProductGO certificate or not.

Scenario 7b – Disincentive to share common infrastructure

There are two hydrogen production facilities C and D. Production Facility C produces renewable hydrogen, while Production Facility D produces hydrogen using fossil fuels. Both facilities have a 50/50 share in the pipeline from their production facilities to the Hydrogen Liquefaction Facility (which is intolerant of changes in load). Half of the liquefied hydrogen storage tanks at the port are owned by Facility C for storing renewable hydrogen and the other half is owned by Facility D for non renewable hydrogen. The Liquefied hydrogen carrier (ship) picks up a shipment once and month and must be full for operational and commercial requirements. There is only a fixed window of time where the carrier can load up with Liquefied hydrogen. The customer in Asia has ordered a shipment of 50% renewable and 50% non renewable hydrogen.

Two weeks before the ship is about to arrive, production facility C (green hydrogen producer) has a plant breakdown and is unable to produce hydrogen. Production facility D however, is operational and is able to increase production to fill all the storage tanks at the liquefied hydrogen storage facility (including those leased by production facility C).

Under the provenance approach, if the customer fills the ship using more than 50% non renewable hydrogen from the storage tanks, the customer in Asia would not be able to have a shipment that was certified as 50% renewable and 50% non renewable hydrogen due to the plant breakdown at the renewable hydrogen production facility C.

Under a tradable certificate approach, production facilities C and D could establish an agreement to ensure that the storage tanks were always full before a ship arrived and to “make up” for the contracted output as soon as the production facility C was back up and running to ensure that the contractual obligations with the customer in Asia was fulfilled.

Any uncertainties or inflexibility of the ProductGO scheme design is likely to result in renewable energy projects having to overdesign plant and processes to compensate for this inflexibility so that contractual obligations can continue to be fulfilled. This overdesign may result in less renewable energy projects being commercially viable.

Policy 8:

An upfront data reporting model will be implemented to provide a practical reporting process.

Agree

Policy 9:

There will be four scheme participant roles with differing responsibilities and permissions.

Agree

Stanwell supports the concept of having different roles to input data into the production, transportation and storage process until the certificate is surrendered (consumed). Stanwell also notes that the intrinsic value of the ProductGO lies in the integrity of the information it contains. However, the process should not create unnecessary complexity. The requirement for different participant roles to input data throughout the supply chain so that all the information is complete by the time it reaches the user, should not confuse who owns the certificate versus who is responsible for compliant information being “added” to the certificate.

Robust integrity controls are proposed within the consultation paper, but more detail is required, together with further consultation with industry. If the integrity measures are impractical, it will result in industry having to establish individual contracts with third parties specifically to tackle information access/provision needs in order to be able to populate the ProductGO with data.

The consultation document states that the GO Producer “*will need to have legal rights to the product and demonstrate that they have “operational control” of a facility*” in order to register as a GO Producer and be able to create a ProductGO certificate. It is assumed that the proposed definition of “operational control” for the ProductGO will be the same definition of “operational control” applied under the *National Greenhouse and Energy Reporting Act*. Should this be the case, then the current definition of who can be registered as a GO Producer has to be amended so that the entity with “legal rights to the product” is unbundled from the entity with “operational control”.

There are many examples where “operational control” of a facility can be contracted to a different entity holding the legal rights to the product. One example is where a company is contracted to operate a coal mine on behalf of the miner owner. Operational control of the coal mine is held by the contractor, but the output of the coal mine belongs to the owner of the mine and not the contractor.

It should also be noted that many start up projects which will want to use ProductGO certificates are being undertaken as partnerships and joint ventures where the commercial arrangements to share risks and rewards can be complex. It would be worthwhile to consider more optionality in situations where legal rights to products will differ to operational control.

<p>Policy 10: The creation process will be implemented which combines batch data with the upfront profiles to create certificates. The creation period for GOs can range from a single hour to a year.</p> <p>Feedback is sought on whether the certificate creation period range is suitably practical for businesses.</p>
<p>Agree</p>
<p>Policy 11: Product GOs are proposed to require creation and transport and storage information to be complete. Product GOs can then be surrendered and report consumption information.</p>
<p>Agree</p>
<p>Policy 12: REGOs are proposed to be available to be traded or surrendered after being validly created</p>
<p>Agree</p>
<p>Policy 13: The CER will undertake compliance monitoring and will have regulatory powers to address non-compliance.</p>
<p>Agree</p>
<p>Policy 14: Limited Scope Technical Reviews will provide third-party assurance of the information reported under the GO scheme. The need for LSTRs will be front-loaded requiring less as time goes on and participants demonstrate compliance with the requirements of the scheme.</p>
<p>Agree</p>
<p>Policy 15: Where Product GOs have incorrect information, they will be updated to reflect the most up to date information. After an Annual Reconciliation Check process, Product GOs will be finalised and not subject to further amendments.</p>
<p>Agree</p>
<p>Policy 16: Where REGOs have incorrect information, they will not be updated and instead will follow an 'unders' and 'overs' reconciliation process to minimise impacts on the renewable electricity certificate market.</p>
<p>Agree</p>
<p>Policy 17: The Department proposes the GO scheme methodologies will align where possible with the NGER and the Safeguard mechanism.</p>
<p>Agree</p>
<p>Policy 18: The CER will be able to establish formal data sharing arrangements with the administrators of the various state based schemes (eg, NSW RFS and WS Green Hydrogen Target) to streamline the creation process.</p>
<p>Agree</p>

Policy 19:

Material emissions sources that must be measured for each product and production pathway will be specified in the methodologies. The sources will be selected based on materiality threshold of 2.5% of total emissions per source.

Agree

Stanwell agrees with setting a materiality threshold, although we note that demonstrating that an emission source falls below the 2.5 percent threshold would involve the collection or measurement of these of those sources to start with anyway.

If the intention is to minimise the measurement burden, a suggestion would be to enable facilities to perform the calculation once (to identify the immaterial sources) and once identified and recorded, these sources can be eliminated from the certificate input calculation for a fixed period (such as 5 years), subject to there being no significant changes to production methodology. The materiality of a source would then be required to be reviewed after 5 years or within 6 months of a significant change to methodology to determine whether it remains below the 2.5 percent threshold.

Policy 20:

ACCUs issued from within the system boundary will need to be surrendered for the emissions reductions to be recognised under the GO scheme. ACCUs or other carbon offsets cannot be used to reduce the emissions intensity of products listed on GO certificates.

Agree

Policy 21:

LGCs and REGOs will be used to demonstrate renewable electricity use. Behind the meter or directly supplied renewable electricity will not require certificate surrender if none were created.

Agree

Policy 22:

A new RMF will be calculated for use within the GO scheme that is updated frequently and can be accessed by other market-based frameworks.

Agree

Stanwell supports the concept of having a Residual Mix Factor (RMF) which allows ProductGO participants to account for imported electricity use not claimed by a renewable electricity certificate such as a REGO or LGC.

However, the ability to calculate an accurate RMF will be dependent on factors such as whether the RMF will be grid specific and the timeframes allowable for REGO and LGC creators to “claim the renewable electricity”. Presumably, if a renewable electricity generator has up to one year to claim the renewable electricity and generate a REGO, then an RMF would not be able to be calculated any more frequently than once a year?

The proposed RMF also appears to be inconsistent with the current NGER Scheme where Scope 2 emissions are based on the state location rather than grid location and the Scope 2 emission factors are only revised once a year for through the National Greenhouse Gas & Energy Report Determination for each NGER reporting period. Should the RMF be introduced and revised at a more regular frequency than once a year, Stanwell would like to understand whether the frequency of updating the Scope 2 factors for NGER would be amended to align with the ProductGO.

Policy 23:

RECs used to demonstrate renewable electricity usage in production of a GO product must have been issued within the previous 12 months. Additional information will be captured on REGOs to allow for voluntary time matching at a more granular level.

Neutral

Stanwell seeks more details on the proposed deadlines for creation/issue of REGO and whether it will be the same as the current rules for creation and issue of Large-Scale Generation certificates.

Currently ***“All LGCs must be created by the 31 December of the year after the year that the electricity was generated. For example, LGCs for any eligible electricity generated in 2021 must be created by 31 December 2022.”***

Should the same rules for REGO be applied, then it would mean that REGO's which are eligible to be used for ProductGO's (issued within previous 12 months) could potentially be for renewable electricity which was generated up to 36 months ago.

Policy 24:

The GO scheme will expand over time by incorporating new product-specific methodologies. A prioritisation, development and review process with industry input and international engagement will be established to ensure domestic applicability, international alignment, and continued suitability of legislation.

Agree

In preparing our submission, Stanwell has given due consideration to the expansion of ProductGO to other products in future and whether each of the policy positions will future proof this ProductGO and REGO certificate sufficiently to accelerate the adoption and update of this by other commodities. It is therefore imperative that the fundamental aspects of these schemes are established at the on-set as any changes to fundamental aspects (such as provenance versus tradable certificate) at a later date, could have significant unintended impacts on entire industries that must be commercially viable to remain in business.

End of Submission