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Department of Climate Change, Energy, the Environment and Water

Submitted via email: GuaranteeofOrigin@dcceew.gov.au

19 October 2023

AGL Response to the Guarantee of Origin Scheme Design paper

AGL Energy (AGL) welcomes the opportunity to contribute to the Guarantee of Origin Scheme Design paper (Consultation Paper).

AGL is a leading integrated essential service provider, delivering 4.3 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio and have the largest renewables and storage portfolio of any ASX-listed company, having invested $4.8 billion in renewable and firming generation over the past 20 years and added more than 2,350 MW of new generation capacity to the grid since 2003.

AGL recognises the important role that the electricity sector has in decarbonising the economy. In September 2022, AGL released its inaugural Climate Transition Action Plan (CTAP) under the Say On Climate initiative, which states AGL's updated ambition for decarbonisation, including the following commitments:

- Targeting a full exit from coal-fired generation by the end of FY35 (up to a decade earlier than previously announced).
- Ambition to meet customer energy demand with around 12 GW new firming and renewable assets by 2036.
- An initial target of 5 GW new firming and renewables by 2030.

This submission has drawn on our experiences as a participant and advocate in a number of environmental markets across carbon, renewables and energy efficiency.

The importance of transparency in decarbonisation

AGL understands the importance of supporting a wide range of technologies with respect to decarbonising the economy and understands that transparency is a key factor in ensuring the integrity of low-emissions products. Businesses, governments and customers are becoming increasingly engaged in the energy transition as they set decarbonisation targets, seeking further detail to verify the green credentials of various products. The ability to track and verify emissions associated with products and services allows market participants and the wider public to make informed choices and provides assurance that what they are purchasing is leading to real sustainable outcomes.

A robust and transparent public registry is essential to a well-functioning Guarantee of Origin (GO) scheme to enable market participants and the wider public to scrutinise claims around the emissions and

sustainability credentials of products. Where possible, learnings should be taken from existing scheme registries to avoid previous mistakes and improve and streamline implementation. We have generally found the Renewable Energy Certificate (REC) Registry to be a good example of a well-functioning registry that promotes transparency through the publication of a wide range of market data. We would encourage the government to review the benefits and issues of existing and old registries to identify opportunities to increase transparency, reduce costs and implement a fit-for-purpose GO Registry.

AGL believes that it would be sensible for the Clean Energy Regulator (CER) to implement and streamline data sharing provisions where possible with other scheme administrators such as the NSW Government to ensure robustness of data and registry.

Existing and proposed scheme linkages

The objectives of the GO scheme should be considered in the broader context of market schemes at both a state and federal level to help minimise the compliance costs and the administrative burden on participants. There are a number of existing and proposed certificate schemes such as the NSW Renewable Fuel Scheme and the Victorian Renewable Gas Scheme that will likely have overlapping objectives, data and market participants. Any potential synergies between these schemes should be identified to maximise efficiency across scheme administration and operation.

It would be beneficial to define, but not limit, the classification of 'hydrogen carriers', and look to expand the scheme to include a broad range of products and technologies such as biomethane and e-methane (synthetic methane). Biomethane in particular is likely to provide a promising short-term solution to substitute fossil gas at least-cost and help meet decarbonisation and energy security objectives. The government should look to streamline scheme administration by aligning scheme definitions as well as information held within scheme registries.

Scheme administration and GO certificate lifecycle

The GO scheme enrolment and registration process defined in the Consultation Paper appears quite logical and sensible, and AGL holds no major concerns with what has been proposed. However, we do have some concerns around the certificate creation and assessment process in terms of whether errors identified down the track will pose a problem. Given that corrections can be made during the Annual Reconciliation Check process, which may be some time after commercial arrangements have been made (including surrender), it is unclear who would wear the risk of incorrect information reported for a Product GO. For example, there are potential reputational risks from greenwashing where a Product GO is purchased, surrendered and reported on the assumption of low emissions, with an audit later finding the emissions associated with the Product GO to be much higher.

It is essential that once certificates have been issued, there is a high degree of assurance and certainty in their integrity and that they will not change. Additionally, we would expect that there are sufficient resources and systems in place to minimise the chance of significant delays in issuance of certificates.

In terms of the emissions accounting boundary set for Product GOs, that being the 'well-to-delivery gate' system, AGL questions whether a more holistic circular view should be considered for product end-of-life. As the world moves towards more of a circular economy approach to emissions and waste, many governments and markets are looking at how they can close the loop on products' life cycles and it is likely that this will

need consideration in the future. This includes cross-border considerations such as emissions accounting for shipping and transport beyond international departure, whereby clarification is required as to which country's contributions the emissions would count towards under Article 6 of the Paris agreement.

As Renewable Electricity Guarantee of Origin (REGO) certificates are proposed to require time stamping, there is the potential for this to add significant costs to the administration of the scheme. We believe it would be prudent to further assess the implications of time stamping to ensure that administration costs do not outweigh the benefits. Pilots could be a useful mechanism to test and refine certificate implementation and to gauge customer interest in particular attributes.

The exclusion of carbon offsets such as Australian Carbon Credit Units (ACCUs) from the GO scheme is a sensible approach to avoid additional complexity, particularly given the issues currently present with carbon offsets.

A phased approach

It is important that the development of the GO scheme does not adversely impact other markets and undermine their credibility. There is a possibility that the introduction of new competing renewable certificates, i.e. REGO certificates running in parallel with Large-scale Generation Certificates (LGCs) prior to 2030, may have some unintended consequences on the electricity markets and send the wrong signals to renewable energy investors. Given that the Renewable Energy Target (RET) is scheduled to end in 2030, we do not believe there is any urgency to roll out the use of REGO certificates. We therefore would encourage the government to consider a phased implementation of REGO certificates, potentially guided by trials of the new certificates to properly assess the impacts of moving to a new certification scheme.

We recognise that there is some immediacy to establish a scheme for hydrogen with respect to Australia's ambitions to be a major global player by 2030 in terms of the decarbonisation of Australian industries as well as on an export basis. Given that Product GOs are aimed at hydrogen and hydrogen energy carriers, with no associated functioning certificate scheme currently, there is less concern around unintended consequences of a more immediate rollout. Additionally, given that the government is proposing that LGCs be eligible for surrender to claim the use of renewable electricity in Product GOs, there is no obvious reason why Product GOs and REGO certificates cannot be phased in at different times. However, to the extent that a phased implementation of REGO certificates may impact Product GOs, consideration may need to be given to a phased approach for Product GOs to avoid distorting markets.

We anticipate that the CER will require time to establish processes and systems to handle the new scheme and so a phased approach may also assist in testing and verifying the new capabilities and operations.

For additional views on the implementation of this scheme, please refer to our submission on the Renewable Electricity Guarantee of Origin Approach paper. We look forward to further engagement on the intent and implementation of this scheme.

If you would like to discuss any aspect of AGL's submission, please contact Casey Barkla-Jones cbarkla@agl.com.au or Aleks Smits at asmits@agl.com.au.

Yours sincerely,

Chris Streets

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