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

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AGL Response to the Renewable Fuel Scheme Rule 1 Consultation Paper

AGL Energy (AGL) welcomes the opportunity to contribute to the Renewable Fuel Scheme (RFS) Rule 1 Consultation Paper (Consultation Paper).

Proudly Australian since 1837, AGL delivers around 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.

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 of new firming and renewable assets by 2036.
- An initial target of 5 GW new firming and renewables by 2030.

AGL has also committed to repurposing its large thermal generation sites into low carbon industrial energy hubs, which may play a role in green hydrogen and/or renewable fuel industry developments.

AGL strongly supports the NSW Government commitment to achieving net zero emissions by 2050 and we believe that to achieve this objective, a range of fuels will be required to reduce emissions across all sectors of the NSW economy.

This submission's key points are summarised as follows:

- The scheme should be expanded to include a wide range of renewable fuels beyond only green hydrogen, such as biomethane, to help meet NSW's decarbonisation goals at the lowest cost to customers.
- Consideration should be given to the impacts to small business and retail gas customers who will bear the cost of the RFS but will not necessarily directly benefit from it.



- AGL supports the integration of the RFS with the Guarantee of Origin (GO) Scheme, to promote transparency, reduce administrative burden, and maximise efficiencies. We recommend alignment of key scheme timelines and features and for the government to consult widely prior to implementation of critical elements such as time matching.
- AGL recommends that the NSW Government consider the potential cost and market impacts of linking the RFS with the GreenPower scheme and release further details around costings of the RFS.
- We urge the government to provide more guidance on the requirements for scheme participants and compliance in the early stages of scheme implementation.

Broader fuel coverage

As mentioned in previous submissions^{1,2}, AGL is strongly supportive of the inclusion of biomethane and other zero-emissions fuels within the RFS. Allowing different renewable fuels to compete will assist with decarbonising the NSW energy system most cost-effectively, especially if hydrogen production takes longer to scale than expected or if there are substantial breakthroughs for other technologies. **We therefore recommend that the government prioritise the rollout of other zero-emission fuels within the scheme and consider appropriate implementation timeframes.**

AGL's view is that the costs of any scheme should generally be borne by those who benefit from it. While hard-to-abate sectors will likely rely on renewable fuels to decarbonise due to electrification not being technically or commercially viable, AGL considers electrification to be the most viable decarbonisation option for the residential and small business sectors. Given that the RFS is a retailer-led scheme that will impact costs for gas users in NSW, many of which may not directly benefit from the production of green hydrogen, it is crucial that consideration is given to how best to support those who do not have the means to electrify, particularly given current cost of living pressures. This will become increasingly important as residential customers disconnect from gas, leaving higher RFS recovery costs for those who remain.

Linkages with other schemes

AGL strongly supports the alignment of the RFS with the GO Scheme, to promote transparency, reduce administrative burden and maximise efficiencies. However, it is important to note that key design elements of the scheme and its certificates - Product GO certificates and Renewable Electricity Guarantee of Origin (REGO) certificates - are still being considered, and any delays will impact the RFS development.

One design element under consideration in the development of the GO Scheme that needs particular thought and attention is that of time matching. It is not yet clear whether time matching will be implemented and if so, when and in what form. **We encourage the government to ensure alignment of key scheme timelines and features, and to consult widely prior to implementation.**

With regards to the Consultation Paper's proposed linkage of the RFS with the GreenPower scheme for the use of renewable energy certificates in demonstrating the production of green hydrogen, AGL has some

¹ [AGL's December-23 submission to the NSW RFS discussion paper](#)

² [AGL's January-23 submission to the NSW RFS discussion paper](#)



questions and concerns around the potential impacts to Large Scale Generation Certificate (LGC) markets, GreenPower prices and renewable fuel certificate prices, and subsequent roll-on effects for customers' gas bills. Further to this, it is unclear how the RFS penalty price for 2025 has been determined, and whether this has considered stricter requirements around renewable energy certificates as specified in the recently updated GreenPower Program Rules³. **AGL recommends that the NSW Government consider the potential impacts of linking the RFS with the GreenPower scheme and release further details around costings of the RFS.**

Clarity on scheme details

In order for liable entities under the RFS to sufficiently prepare for scheme compliance, it is important that further details around the scheme be set and published well in advance of the scheme commencement. With some RFS design elements still uncertain and currently under investigation, including whether or not other renewable fuels will be introduced, it is unclear whether some key scheme details will change and what impact they will have on participants of the RFS. To help ease the compliance burden and to provide clarity to scheme participants, **we urge the government to provide more guidance on the requirements for scheme participants and compliance in the early stages of scheme implementation, given the delays to scheme commencement that have been experienced to-date.** We welcome further consultation with industry on scheme expansion options under investigation.

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

Yours sincerely,

AGL Energy

³ For example, limitations to power generation age of 15 years: <https://www.greenpower.gov.au/news-and-events/news/program-rules-update-2023>