Australia's proposed Guarantee of Origin scheme

Frequently Asked Questions

Guarantee of Origin (GO) scheme

1. When is the scheme intended to start?

Following consultation on the proposed policy design and subject to the Government's decisions, the Department plans to develop legislation to implement the GO scheme in 2023 to enable commencement in 2024.

2. What compliance and enforcement powers will be in place to ensure scheme integrity?

The Clean Energy Regulator (CER) would have a range of compliance controls available including assessment and ongoing review of GO certificate validation claims, structured and risk-based audits, direct engagement and annual reconciliation checks. The compliance monitoring approach would be based on the CER's compliance processes for administration of existing legislation including the Renewable Energy Target (RET).

Where non-compliance is detected the CER would be able to take action. This may involve suspending a registered participant for failing to meet accreditation requirements under the legislation, issuing enforceable undertakings, infringement notices and court action.

Product GO Certificates

3. How will the residual mix factor (RMF) be implemented?

It is anticipated that the RMF will be calculated as part of National Greenhouse Accounts (NGA) emissions factor calculations and included within NGER scheme legislation. If a transition period is required, the GO scheme could use the RMF in Climate Active as part of its accounting approach.

4. Why can't Product GO certificates be unbundled/traded separately?

Product GO certificates will use a provenance approach where certificates would, in principle, be traded alongside the product itself while having the flexibility to recognise that molecules may be interchangeable in certain situations (e.g. during storage and transport, or in a network). The provenance approach for Product GO certificates is expected to reduce the ability for companies to trade clean certification between different products (i.e. green/clean washing).

5. Is there a time-of-use renewable electricity matching requirement for Product GO certificates?

No. Requirements for time matched renewables (e.g. where renewable generation occurs in the same hour as the hydrogen production) are emerging internationally in certain regions and through some voluntary demand. The GO scheme would not require time matching to be demonstrated, however it would allow participants to voluntarily produce or source REGOs that demonstrate this, as well as grid matching.

An hourly time stamp and grid location information is proposed to be included and publicly available on Renewable Energy GO certificates (REGOs) and could be optionally linked to product GO certificates to enable producers to differentiate their products.

6. ***Is the Australian GO scheme part of a broader effort to develop an international GO?***

   The scheme's focus is on meeting the needs of Australian industry by unlocking opportunities for trade.

   The scheme is based on internationally aligned carbon accounting methodologies developed through the International Partnership for Hydrogen and Fuel Cells in the Economy (IPHE). The use of internationally aligned methodologies will ensure a degree of consistency between the various schemes emerging. The Department will continue to work with IPHE and bilaterally with trading partners to ensure the interoperability of Australia's scheme with those developed by trading partners. It will also seek to address evolving requirements such as compliance with the Carbon Border Adjustment Mechanism.

   We have been closely engaged with Standards Australia and the International Organization for Standardization (ISO). The work of the IPHE is intended to form the basis of a new ISO standard on emissions accounting for hydrogen.

7. ***How will intermediaries (involved in product transport and storage) participate in the scheme?***

   Information on transport and storage could be recorded by the GO Producer or an intermediary. GO Intermediaries will be able to create and manage transport and storage profiles and consumption profiles to add information to GO certificates (a different GO will not be created). They will be required to update their profiles following any changes and ensure reported data is in line with scheme requirements. GO Producers will need to collaborate with any relevant intermediaries to ensure their profile information is accessible and accurate for the purposes of review. There may be multiple different intermediaries related to a product and its associated Product GO certificate.

8. ***How will water use choices be demonstrated and accounted in the scheme?***

   The emissions associated with supply and treatment of water is within the proposed well-to-consumption-gate boundary covered by the scheme. The water source (e.g. desalinated, recycled, fresh) is proposed to be included on certificates as a publicly-visible attribute of the product it was used to create. This transparency will enable markets to differentiate and value the type and associated emissions of different water sources used in products such as hydrogen.

9. ***Will biofuels be included as a product in the scheme?***

   The initial focus of the scheme is hydrogen and its derivatives (e.g. ammonia) and renewable electricity. The policy paper proposes a high-level process for developing and incorporating new emissions accounting methodologies to expand the scheme over time. Coverage of metals, biofuels and other materials could be considered and the Department welcomes feedback on the proposed process for prioritisation.

10. ***What additional value does the GO scheme provide for products where industry standards and assurance processes already exist?***

    A transparent, government-led scheme adds a layer of integrity that will result in increased confidence, as well as consistency to ensure alignment with international approaches and other government schemes.

The scheme will be designed to facilitate compliance with a range of international requirements, e.g. country of origin or carbon border adjustment mechanisms, and to interoperate with international registries.

The scheme could evolve to include a range of products across the economy. Government will consult with the public, industry and international partners to sequence and incorporate product-specific methodologies into the GO scheme. Where an international standard exists, we will work with the relevant industry and fora to ensure the most efficient approach to add value to the scheme without duplicating effort.

Renewable Electricity Certification - REGOs

11. Can you explain the interaction between REGOs and LGCs under the Renewable Energy Target (RET) scheme?

LGCs would continue to be created until the end of the RET scheme in 2030 and used for RET liability and voluntary purposes.

REGOs are proposed to be used purely for voluntary purposes. REGOs would be able to be created for electricity that is not eligible for LGCs, including below baseline generation, electricity that is created offshore and/or exported, storage and aggregated small-scale systems. REGOs would not be able to be used to meet RET liability.

Prior to 2030, a generator would be able to create either a LGC or REGO for each megawatt hour (MWh) of electricity. A generator could choose to create LGCs that have the same attribute information as REGOs, for example if they want to sell them to buyers interested in that information.

After 2030, REGOs would be the only government-backed certificate able to be created for renewable electricity.

12. What is proposed in terms of time stamping for REGOs?

REGOs would be required to include an hourly time stamp and LGCs could also include this where the generator sees value in it. It would be up to buyers whether they time match.

The Department proposes the CER would support time and other attribute matching of renewable electricity and is keen to hear stakeholder views on how it could best do this. Options could include validating or enabling the matching of energy attribute conditions across facilities or organisational boundaries, or enabling third party platforms or applications to support consumers who wish to time match. This may not be available until after the scheme commences.

While interest in hourly time matching is limited at present, it is important to future proof the scheme to accommodate emerging trends. Large data and technology companies have made commitments to time matching, and more granular time matching by major players may set the standard in other sectors. Voluntary schemes could require more granular time matching of renewable energy in the future.

13. Would REGOs replace I-RECs?

The proposal is for REGOs to be created under a voluntary scheme established through legislation and administered by the CER. I-RECs are being issued and used in the Australian

market. REGOs would provide an option for certification under a government scheme for those who consider that valuable.

The intention is to avoid double counting of electricity by requiring that a REGO could only be created if no other certificate has been issued for that electricity.

14. How would trading of REGOs be administered and how would prices be determined?

Similar to LGCs, REGOs could be traded via contracts or on the spot market. The CER would provide the registry to facilitate creation of REGOs, as well as a record of transfer of ownership and cancellation of REGOs when they are surrendered. Trading of certificates (including any futures or derivatives markets) would operate outside of the registry through various methods of exchange (offered in the private sector).

The price of REGOs would reflect the zero emissions attribute of renewable electricity, and their attractiveness in the market compared to other options to reduce scope 2 emissions.

15. What would be the impact of below-baseline certification on the LGC price?

The impact of below-baseline certification on LGC prices will depend on voluntary demand and the extent to which price differentiation occurs. For example, certificates from newer power plants may attract a premium from those seeking to support new investment in renewables. Voluntary certificate demand growth is uncertain and there is a range of projections.

The availability of certificates from below-baseline generation could potentially meet some of the demand for voluntary certificates currently being filled by LGCs, and this could lead to lower LGC prices than otherwise may have occurred. However, future voluntary demand and prices for LGCs and REGOs with different attributes is highly uncertain and makes price forecasting difficult.

Below-baseline generators are already releasing I-RECs to the market.

16. Why are you proposing to allow small-scale generation to create REGOs?

The proposed policy position not to impose a size threshold for REGO creation goes to future proofing the scheme. There is potential for energy companies to increasingly coordinate and trade distributed energy resources to trade energy, such as through virtual power plants, rather than just operate large power stations. We don't want to exclude aggregation and emerging business models from a potential revenue stream.

17. Would REGOs be able to be exported?

It is proposed that REGOs that are created for electricity generation (consumed domestically or exported) would be able to be transferred on an online registry the Clean Energy Regulator would administer. The Registry would maintain a record of the transfer of ownership of a REGO to a purchaser that is making a claim on that renewable electricity. The purchaser of the certificate could be a domestic or foreign participant and the participant may choose to surrender (cancel) the REGO certificate on the Registry to demonstrate their claim to that renewable electricity, or they could choose to on-sell the certificate and the transfer of ownership would be recorded on the registry.

18. What is the value in allowing storage to create REGOs?

A storage facility would be able to create a REGO certificate for each MWh of electricity it dispatches provided it can demonstrate that it has used renewable electricity to store in the first place. The hourly time stamp on the REGO created on dispatch might be valued by buyers looking to time-match so there would be an incentive for storage facilities to dispatch in time intervals for which certificates might be scarce for these users.

There is likely to be some losses where electricity passes through a storage facility, so a MWh of renewable electricity from a generator would be less than one MWh when it passes through a storage facility and is later dispatched.