



12 July 2024

Commonwealth Treasury

Submitted via email:

HydrogenProductionTaxIncentive@treasury.gov.au

Submission: Hydrogen Production Tax Incentive consultation

CS Energy welcomes the opportunity to provide a submission in response to the *Hydrogen Production Tax Incentive consultation*.

About CS Energy

CS Energy is a proudly Queensland-owned and based energy company that provides power to some of our state's biggest industries and employers. We employ almost 600 people who live and work in the Queensland communities where we operate. CS Energy owns and operates the Kogan Creek and Callide B coal-fired power stations and has a 50% share in the Callide C station (which it also operates). CS Energy sells electricity into the National Electricity Market (**NEM**) from these power stations, as well as electricity generated by Gladstone Power Station for which CS Energy holds the trading rights.

CS Energy is creating a more diverse portfolio of energy sources as we transition to a new energy future and is committed to supporting regional Queensland through the development of clean energy hubs at our existing power system sites as part of the Queensland Energy and Jobs Plan (**QEJP**).

We are involved in a range of hydrogen projects, as outlined in Appendix One.

Submission

The announcement of the Hydrogen Production Tax Incentive is a welcome step in helping to overcome economic barriers to the uptake and development of hydrogen. Hydrogen has the potential to assist in the decarbonization of hard-to-abate sectors and will continue to be an essential input into many industrial processes.

We support the development of the tax incentive, although recommend that it be kept at a real \$2/kg by indexing it to inflation, so as to reduce the inflation risk and to provide greater certainty about the value of the incentive.

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In terms of eligibility, the consultation document states that the incentive “will be available to corporations that are subject to Australian income tax throughout the relevant income year”. Hydrogen projects often involve a range of varied commercial structures including joint ventures with domestic and overseas firms. The policy design should be sure to account for this, and clarity on how tax incentives are to be allocated between project partners will be important.

If you would like to discuss this submission, please contact Joshua O'Rourke, Gas Policy Manager, on either 04 811 66 801 or jorourke1@csenergy.com.au.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Don Woodrow', is positioned above the typed name.

Don Woodrow
Acting Head of Policy and Regulation

Appendix One: Examples of CS Energy Hydrogen Projects

Kogan Renewable Hydrogen Demonstration Plant

- The Kogan Renewable Hydrogen Demonstration Plant is a hydrogen production facility that is being built at our Kogan Clean Energy Hub.
- The project will include the co-location of a solar farm, battery, hydrogen electrolyser, hydrogen fuel cell, hydrogen storage and outloading facility. CS Energy is also planning a refueller network that will form part of the Hydrogen Superhighway.
- The demonstration plant's hydrogen electrolyser will only be powered by behind-the-meter solar energy, making it one of the few truly renewable hydrogen projects in Australia.
- The aim of the project is to produce renewable hydrogen and provide energy and other grid services while gaining expertise from an operational hydrogen project from production, storage, transport and handling.

HyNQ

- CS Energy is part of a consortium of domestic and global energy players that has joined forces to accelerate the development of the HyNQ North Queensland Clean Energy project.
- The consortium comprises Energy Estate, Idemitsu Australia, CS Energy and IHI Engineering Australia.
- If it proceeds, HyNQ will be a large-scale project integrating renewable energy with the production of green hydrogen and green ammonia for domestic and export markets.
- The project is planned to be located at the existing export terminal at Abbot Point, repurposing infrastructure into a decarbonisation platform to accelerate the energy transition for the region.
- The project will harness the benefits of existing infrastructure, draw on the experienced workforce and supply chain of North Queensland and help to unlock the critical minerals and renewable energy opportunities across the region.
- HyNQ is strategically located within the Collinsville Renewable Energy Zone recently announced by the Queensland Government and will benefit from access to an existing deep water port.

QUT Hydrogen Project

- CS Energy is a project partner for QUT's \$8.5 million Hydrogen Process Research & Development Project. The multi-party project brings together researchers, technology developers and industry from Australia and overseas, and will evaluate the viability of producing hydrogen from renewable energy systems and processes.
- The project will establish a renewable hydrogen plant at the Redlands Research Facility east of Brisbane using locally produced solar energy to extract hydrogen from non-treated drinking water, such as seawater.
- A smart micro-grid using existing and new photovoltaic arrays, supplemented with commercially available batteries, is planned for the Redlands facility.

Brigalow Peaking Power Plant

- CS Energy is developing a hydrogen-ready, natural gas power station to provide crucial 'firming' capacity to support more renewables entering the grid in

Queensland. The plant will have the ability to operate on up to a 35 per cent green hydrogen blend from day one, and this can be upgraded to 100%.

- The project is located at CS Energy's **Kogan Clean Energy Hub** next to our **Kogan Creek Power Station** near Chinchilla in the Western Downs. This region is critical to Queensland's energy supply system and offers excellent connections into the existing power grid.
- The open cycle power station with a capacity of up to 400 megawatts (MW) will have fast-start capability and will operate in high demand periods to support variable solar and wind energy and underpin energy security for Queenslanders.