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Director, Production Tax Incentives Unit
Corporate and International Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

12th July 2024

Hydrogen Production Tax Incentive – Consultation Feedback

Dear Sir / Madam,

Please find following h2ec's feedback on selected consultation questions.

Regards,

A handwritten signature in blue ink, appearing to read 'ASmith', is positioned above the printed name.

*Aaron Smith
Managing Director and CEO*

7. *Please provide any feedback on the proposed emissions intensity threshold of 0.6kg of carbon dioxide equivalent up to the production gate.*

This threshold effectively rules out using the grid to power an electrolyser without some form of offset. We submit that it should therefore be clear that grid power supplemented with a legislated form of carbon offset such as Renewable Energy Certificates (REC's) directly reduces emissions for the purposes of this assessment. This seems to be the underlying basis of the scheme as we understand it. Further to this, it should be clarified as to the eligibility of other non-REC's offsets, such as the use of ACCU's for the purpose of offsetting in this context. We propose that these types of offsets, are not to be eligible for this purpose.

9. *Please provide feedback on the proposed minimum capacity requirement (equivalent to 10 MW electrolyser)?*

We submit that this minimum requirement is too large at present. While scale is important to the hydrogen business case, and ultimately a 10MW facility (and significantly larger in the future) is likely to be viable and more commercially attractive, at present, to justify a facility, demand / off-take must be identified to secure financing. In the early stages, particularly for heavy vehicle road transport as an application / end use, a 1 - 5MW facility will likely be considered. We suggest that the minimum starts at 1MW and is possibly increased over time.

We need to acknowledge that there are projects of this scale, that are moving towards FID within the next 1- 2years, having access to this incentive will most certainly increase the chances of achieving FID and activating decarbonisation of this sector earlier.

12. *Please provide feedback on the proposal to not include additional requirements on renewable energy generation for access to the incentive, such as additionality and hourly time-matching with hydrogen production.*

We agree with the approach not to implement additionality or time matching requirements in the initial phase of the market. This would add significant cost and make transitioning to hydrogen unviable. Ultimately, we agree that new projects across ALL generation, storage and consumption will need to be "real zero", but to implement this now would likely mean the hydrogen market will not develop at all.

23. *Please provide feedback on the proposed treatment of the interactions between the HPTI and other forms of Commonwealth, State or foreign government support.*

We agree with the proposed approach that recipients can claim other forms of support and participate in other programs alongside the HPTI, and that payments under the Hydrogen Headstart program will proportionally reduce if a project is receiving the HPTI.