Friday, 9 August 2024

Submission – 2025 Inputs Assumptions and Scenarios Report consultation

The Clean Energy Council welcomes the opportunity to make a submission in response to the *2025 Inputs Assumptions and Scenarios Report consultation*.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with around 1,000 businesses operating in Australia across renewable energy, energy storage, and renewable hydrogen.

We broadly welcome the Australian Energy Market Operator's (AEMO) proposed scenarios for the 2025 Inputs Assumptions and Scenarios Report (IASR). Scenario continuity is valuable to evaluating Australia's decarbonisation trajectory over time and against previous iterations of the Integrated System Plan.

The stated approach of distinguishing scenarios based on varying levels of economic growth provides relevant and actionable insights into the impacts of different decarbonisation pathways. We welcome the updates to the scenario parameters, noting that the impacts of a disorderly transition on industrial closures could be explored through a discrete parameter or a sensitivity.

We draw your attention to the following policy and budgetary changes that have occurred since the 2023 IASR that should affect scenario modelling for the 2025 IASR:

- Hydrogen Headstart – The Australian Government announced $2 billion in funding for the Hydrogen Headstart program in the 2023-24 Federal budget. In late 2023, the Government announced six shortlisted applicants, representing more than 3.5 GW of electrolysis capacity across domestic and export end uses. Each applicant has since been invited to submit a full application to progress to the next stage of the program. The Government committed an additional $2 billion to expand the scheme in the 2024-25 Federal budget with further information about the subsequent round available in the coming months.
- Future Made in Australia (FMIA) – The 2024-25 Federal budget included further funding to realise Australia's potential to become a clean energy superpower. The package provides funding under two streams of investment, being net zero transformation and economic resilience and security. The net zero transformation identifies renewable hydrogen, green metals and low carbon liquid fuels as priority sectors for investment. The economic resilience and security stream includes refining and processing critical minerals. There are two tax incentives announced as part of the package:
    - Hydrogen Production Tax Incentive (HPTI) – The HPTI was costed at $6.7 billion over ten years. The scheme provides eligible producers a tax credit of $2 kg/$H_2$ for a maximum of 10 years between 2027-28 and 2039-40, commencing no later than 2030. Public consultation on the design of the scheme recently closed.
    - Critical Minerals Production Tax Incentive (CMPTI) – The CMPTI was costed at $7 billion over ten years. It is intended to support sovereign capability in critical minerals processing. It allows eligible entities to claim 10 per cent of eligible

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expenditure for processing and refining any of 31 identified minerals. The scheme lasts a maximum of 10 years between 2027-28 and 2039-40, commencing no later than 2030. Public consultation on the design of the scheme recently closed.

Though some uncertainties persist regarding the design and implementation of these policies, the level of Government subsidy offered under the FMIA will likely result in increased hydrogen and critical minerals production in the short- to medium-terms. These outcomes should be reflected in the scenario parameters as follows:

Parameter	Recommendation	Rationale
Hydrogen use and availability	Change name to 'Hydrogen **and derivatives production**'	This change broadens the parameter to include energy-intensive hydrogen derivatives such as ammonia and methanol. These energy carriers comprise the bulk of the hydrogen demand and are stated end uses for some shortlisted applicants for Hydrogen Headstart.
Hydrogen use and availability	Increase export demand for the following scenarios to: • Progressive change – **lower** export hydrogen (currently 'none') • Step change – **low** export hydrogen (currently 'minimal')	Headstart and the HPTI will create an investment environment more conducive to the development of a hydrogen export industry than is currently accounted for in the scenario parameters. However, the level of export should scale against the overall global economic growth settings of each scenario.
Emerging commercial loads	Change name to 'Emerging commercial **and industrial** loads'	This change would explicitly recognise the impacts of changing electricity demand from growth in electricity-intensive industrial processes including green steel and aluminium manufacturing, and refining and processing critical minerals. Both are likely to expand due to Government supports under the FMIA and the CMPTI.

Thank you for the opportunity to provide this feedback. We look forward to working with AEMO throughout the development of the 2026 Integrated System Plan.

Yours sincerely,

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