bp Australia Pty Ltd
A.B.N. 53 004 085 616
717 Bourke Street
Docklands Victoria 3008
Australia

26 September 2024

bp submission to the *Future Made in Australia (Guarantee of Origin) Bill 2024 inquiry*

Thank you for the opportunity to provide a submission to the Senate Environment and Communications Legislation Committee on the Future Made in Australia (Guarantee of Origin) Bill 2024. bp provides this feedback with reference to our experience developing projects to produce low emissions hydrogen and low carbon liquid fuels in Australia, our engagement with customers on the use of these products, and our participation in regulated markets internationally that rely on similar certification schemes.

Driving the production and use of low emissions products will support Australia in achieving its net zero target as well as realizing its ambitions espoused in *The Future Made in Australia* package. However, many of these low emissions products cost more to produce than their conventional alternatives and will come with a 'green premium'. Policy will be needed to drive the uptake of these products in Australia and these policy incentives will need a robust and credible basis to distinguish the low emissions products from their conventional alternative. The Guarantee of Origin system can establish this emissions intensity basis for regulators and customers.

About us

bp's purpose is to reimagine energy. Our strategy is to transition from an international oil company to being an integrated energy company.

Globally, bp aims to be net zero across our operations (scope 1 & 2), in our oil and gas production (scope 3) and in the energy products we sell (life-cycle emissions intensity). For each of these we have also set short-term (2025) and medium-term targets (2030). You can read more about our net zero plans and progress in our Net zero ambition report released earlier this year.

bp's transition from an international oil company to an integrated energy company is underway – between 2019 and 2022 the share of our annual capital investment going into what we call out transition growth engines (bioenergy, convenience, EV charging, renewables and power, and hydrogen) grew from 3% to 30% But we also continue to invest in oil and gas – investing in meeting the needs of today's energy system alongside investing to help scale lower carbon alternatives.

In Australia, bp is in action to:

- Grow our partnership with Lightsource bp with 1GWp of solar generation in operation and under construction. Subject to regulatory approvals, we plan to take full ownership of Lightsource bp by 2024.
- Advance three proposed green hydrogen projects - Project GERI which is 100% owned by bp with up to 14GW of integrated renewables, The Australian Renewable Energy Hub (operated by bp as part of a joint venture) which has potential to be one of the largest green hydrogen projects in the world; and H2Kwinana which could produce hydrogen as part of the Kwinana Energy Hub.
- Transform our former refinery at Kwinana into a planned integrated energy hub (Kwinana Energy Hub) to produce low carbon liquid fuels such as sustainable aviation fuel and renewable diesel.
- Service some of Australia's largest commercial fleets with our network of independent business owners and dealers to deliver a premium fuel offering at more than one thousand sites in addition to more than 350 company owned retail sites.
- Serve Australian industry by safely delivering energy where it is needed, working in partnership with bp's global trading and shipping teams.

- Build a convenient electric vehicle charging network through the roll out of up to 600 bp pulse EV charge points.

A Guarantee of Origin (GO) system can support the production and use of low emissions products

bp supports the development of the GO system that can provide transparent and high integrity information about low emissions products. This will be fundamental to the marketing of these products and give confidence to customers (both domestic and export) about the low-emission characteristics of the product. It is critical consumers and the public have confidence low emissions products that are produced and used in Australia are effective in reducing emissions as well as meet other environmental and social expectations.

The GO system can also provide a basis for regulators to align policy and other incentives to the emissions intensity of the product and ensure those policies do not have any unintended consequences for other environmental and social outcomes. A regulated sustainability assurance approach is needed for any lower carbon fuel policy and a suitably designed GO system can underpin this.

A GO system underpinned by legislation provides confidence and integrity

A government backed certification and assurance system like the GO that is underpinned by legislation provides the necessary trust and credibility both locally and internationally in the emission reduction attributes of the products. A legislative basis is particularly important where the scheme is intended to underpin tax incentives and compliance with regulated emissions reduction policy.

The Clean Energy Regulator is well placed to administer the GO system

It's sensible that the GO system is administered by the Clean Energy Regulator because it can efficiently leverage existing capabilities and systems already under its control. For example, it already has processes for ensuring fit and proper persons, oversees several registries and emissions reporting systems, administers auditing lists and executes similar enforcement activities for other relevant laws.

That being said, the CER will need to expand its capacity and expertise to fully administer an effective GO system. The supply chains for some of the low emissions products to be captured by the GO will be dispersed and complex, requiring strong traceability and the ability for the Clean Energy Regulator to verify claims will be key to maintain credibility. We encourage the CER to engage with similar regulators and international certification bodies to better understand the resources needed to effectively administer the GO system, not just for renewable electricity and hydrogen but also for LCLFs, green metals and biomethane.

GO system legislation should accommodate different low emissions products

bp is encouraged the legislation would allow for different low emissions products to be certified, where tailoring would be developed in subordinate legislation to ensure methodologies to determine emissions intensity reflect the specifics of a particular product type. bp agrees with the Government's intention to include renewable electricity, hydrogen and its derivatives, low carbon liquid fuels (LCLFs), green metals and biomethane.

To date much of the policy development has focused on renewable electricity and hydrogen, with the legislation reflecting the approach best suited to these products. While we agree the legislation sets a good framework for these fungible energy vectors, modifications or differences will be needed to accommodate blended and/or composition-dependent products such as LCLFs and Green Metals.

For example, the definition of a production gate and delivery gate are important as they would be used to establish the system boundaries and scope of emissions that need to be accounted for in relation to certified products. It's conceivable for some products the GO system may need to account for emissions beyond the delivery gate to also reflect differences in emissions associated with the use phase (e.g. combustion for liquid fuels).

The supply chain and delivery pathway of low emissions products will be different depending on the type of product. It's welcome that the legislation provides some flexibility to define the delivery gate, but more flexibility around the consumption profile is needed to accommodate the specific nature of the supply chain and delivery to the end consumer. For example, LCLFs are likely to be supplied via existing shared infrastructure with potentially many different end consumers. It would not be practical to define all of the end users as the "consumption facility". Instead we propose the consumption profile be prepared for a point in the supply

chain, such as at the point of where excise is collected, where it can reasonably be assumed product placed will indeed be consumed further along the supply chain.

The GO system will need to recognise some low emissions products will use imported inputs and compete with imports

While it may not be the case for renewable electricity or low carbon hydrogen, the supply chains of LCLFs and green metals are likely to be more integrated with international supply chains. For example, renewable liquid fuels produced in Australia could use imported feedstocks. It will be important for the GO system to include the emissions associated with these imported inputs and to be able to define specific environmental and social sustainability requirements that may differ from what is needed for credible assurance of inputs produced in Australia.

It's also likely that low emissions products like LCLFs and green metals produced in Australia will be competing with imported products. This could be final products that are imported, or it could be near-final products that are imported and blended or finished in Australia. Given the objectives of the GO are to support claims made not just about production but also the Australian use of these products, it will be important that the GO system accommodates imports. To ensure an even playing field, imported products should face equivalent sustainability assurance requirements as those produced in Australia. Where other countries have comparable systems to the GO, it will be possible for the Australian system to recognise that system (and vice versa), relying on assurance provided there as well as sharing data. However, it cannot be assumed that other countries will deploy equivalent systems so capacity is needed in the Australia system to accommodate imports. Where the GO forms the basis for incentives & policy designed to drive the use of these products in Australia (including both domestically produced and imports) it would be duplicative if a separate but comparable system is needed to underpin that policy to accommodate imports.

For fully-localised supply chains, the GO system can leverage the broader legislative context to give customers and the public confidence that the production and use of certified low emissions products does not have unintended negative consequences for other environmental and social outcomes. But because imported inputs and end products may be produced in markets that don't have similar regulatory safeguards, it is important that the GO legislation allows subordinate legislation to set out reporting, data and record keeping requirements related to non-greenhouse gas sustainability characteristics to ensure an even playing field with domestically sourced inputs. This will also support the overall integrity of the markets for these products in Australia, so that customers can have confidence the products not only reduce emissions, but also have a view to the broader environmental and social sustainability of the product.

It's sensible for the GO system to leverage international systems- but needs to reflect Australian circumstances

bp acknowledges the intention to align the GO with international emissions accounting frameworks for low emissions products. In principle this makes sense to leverage international efforts in developing these frameworks, support more international consistency in emissions accounting and facilitate trade in inputs and end products.

However, bp's experience producing and trading low carbon products globally, is that even where there are international frameworks agreed, there are still differences in application particularly where the accounting frameworks underpin incentives. For example, countries have taken varying approaches for renewable hydrogen around the additionality of electricity generation used (newness) and the location and time matching of electricity used. The GO provides flexibility for Australian hydrogen producers to meet these different requirements depending on the location of their export customers but there is not international alignment.

For LCLFs there are several different emissions accounting frameworks that have been developed internationally primarily to underpin policy design to drive the uptake. For example, the International Civil Aviation Organisation has agreed an approach for the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) program to drive emissions reduction in international aviation. The EU's Renewable Energy Directive sets out sustainability and assurance requirements for its various policies to drive the uptake of low carbon liquid fuels. The USA uses a different approach to underpin its production credits, and a another system is used under California's Low Carbon Fuels Standard. British Columbia also has an approached developed as part of its LCLFS. The UK has its own standard that is used under its Renewable Transport Fuel Obligation. Like these other markets, Australia should develop the GO to reflect its own circumstances, its related domestic laws, and the expectations of its society.

Some of these internationally agreed emissions accounting frameworks include the use of default emissions factors, but these will not necessarily reflect the emissions profile of inputs or products produced and/or supplied in Australia. It will be important that where the GO leverages international frameworks, tailoring is undertaken to reflect Australian specific circumstances.

Encourage the development of the subordinate legislation at pace

Much of detail for the GO for different products will be set out in subordinate legislation. bp welcomes government's commitment to move forward in parallel with passage of the Bill with the drafting of subordinate legislation for the renewable electricity and hydrogen GOs. The GO for hydrogen will be essential for those projects that are successful under the Hydrogen Headstart program, as well as producers seeking to access the planned hydrogen production tax incentive. Clarity on the detailed methodology and other arrangements for the Hydrogen GO will be needed to support these investment decisions, which need to be understood in the design phase of projects, well before production commences.

bp also urges the government to immediately commence the development of subordinate legislation for LCLFs. bp is progressing plans to produce renewable fuels at our Kwinana site for production from 2028 with discussions are already underway with feedstock providers and potential consumers. These discussions with counterparties, as well as those undertaken by other Australian LCLF project proponents would be greatly enhanced with more clarity in the GO (alongside further detail on proposed production incentives and regulated demand) in the next 6-12 months if Australia is to be a producer before 2030.

Closing

The GO system will play an important role in underpinning demand and investment in low emissions products in Australia by providing confidence in and assurance of the emission profiles of those products.

We encourage the timely passage of the Bill and development of subordinate legislation to enable the many significant investments in the Australian production and use of these low emission products.