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ENERGY & INFRA UPDATES

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What's new in APAC's Energy Transition?
The latest energy and infrastructure updates

1. New national strategy for Australia to facilitate continued investment into green hydrogen
2. New partnership between Australia and Germany may help underpin bankability of renewable hydrogen projects
3. New voluntary Guarantee of Origin scheme to further support investment in low-emission industries including hydrogen
4. Government signals ongoing support for decarbonisation and digitisation of the maritime industry in Australia
5. Broader APAC round-up

1 New national strategy for Australia to facilitate continued investment into green hydrogen

Key takeaway

The Australian government released its 2024 National Hydrogen Strategy on 13 September 2024. The strategy provides a framework to facilitate continued investment into green hydrogen in combination with other policies and incentives such as the Hydrogen Production Tax Incentive (see our July 2024 update here) and expanded Hydrogen Headstart Program.

Key details

The strategy was developed in consultation with state and territory governments, industry stakeholders and a multidisciplinary advisory group. Its vision is for a clean, innovative, safe and competitive hydrogen industry that benefits Australia's communities and economy, enables the net zero transition and positions Australia as a global hydrogen leader.

To achieve this vision, the strategy identifies specific objectives, targets and actions to provide greater certainty for investors.

This includes a specific long-term production target (being at least 15 million tonnes of renewable hydrogen per year with a stretch potential of 30 million tonnes by 2050) and a base hydrogen export target (being 200,000 tonnes of renewable hydrogen per year by 2030), which reflects Australia's interest in commencing hydrogen trade with partners such as Germany, Japan and the Republic of Korea.

Through the 2024-25 federal budget the government has also committed to establish a new 'front door' for investors with major, transformational investment proposals related to the 'Future Made in Australia' agenda to make it easier and more attractive for global capital to invest in energy projects such as green hydrogen.

2 New partnership between Australia and Germany may help underpin bankability of renewable hydrogen projects

Key takeaway

A new hydrogen funding partnership was signed between Australian and Germany on 13 September 2024 to deepen cooperation on energy and climate including renewable hydrogen. As part of this partnership, the countries signed a joint declaration of intent to negotiate a A$660 million (€400 million) 'H2Global' window. This opens a range of opportunities for investors to trade renewable hydrogen and hydrogen derivatives, which may help underpin the revenue model and bankability story for these projects.

Key details

Australia and Germany have been working together for some time to develop a global renewable hydrogen industry including through the Australia-Germany Hydrogen Accord and this new hydrogen funding partnership is one of the initiatives under the accord.

The 'H2Global' mechanism will employ a double-auction system managed by a government-backed entity and will aim to support early-stage developers by buying and selling green power-to-X (PtX) products and fostering the growth of the hydrogen economy. The partnership is expected to boost investment confidence in Australia's renewable hydrogen industry by guaranteeing European buyers for Australian renewable hydrogen producers which is critical for underpinning the revenue models and bankability story for these projects.

The initial auction for the 'H2Global' window is scheduled to begin in 2025. Following this, annual auctions are targeted to start from 2027/2028.

3 New voluntary Guarantee of Origin scheme to further support investment in low-emission industries including hydrogen

Key takeaway

The federal government introduced the *Future Made in Australia (Guarantee of Origin) Bill* into Parliament on 12 September 2024. The Bill establishes a voluntary guarantee of origin (GO) scheme to track and verify attributes associated with low-emissions products, starting with hydrogen, and establish an enduring certification mechanism for renewable electricity. This will further support investment and trade by private capital in low-emission industries including hydrogen.

Key details

The Bill defines and provides the framework for two types of certificates – Renewable Electricity Guarantee of Origin (REGO) and Product Guarantee of Origin (PGO). The key distinction between the two certificates is that only REGO certificates can be traded. The REGO certificates will decouple claimable attributes of the electricity from its physical delivery, reflecting the fact that electrons cannot be tracked and most generated electricity is pooled in a network before reaching users.

The Clean Energy Regulator will administer the GO scheme including registering participants and facilities, issuing certificates, maintaining a public register of certificates and undertaking compliance and enforcement.

The GO scheme aligns with other key initiatives in the Future Made in Australia Plan because (for example) GO certificates may be required as part of the eligibility for the Hydrogen Production Tax Incentive (see our July 2024 update here).

4 Government signals ongoing support for decarbonisation and digitisation of the maritime industry in Australia

Key takeaway

The federal government has signalled its ongoing support for the decarbonisation and digitisation of ports through the financing of Flinders Port Holdings (FPH) in South Australia via the Clean Energy Finance Corporation (CEFC). This reflects a global trend towards investment in the decarbonisation and digitisation of the maritime industry.

Key details

The CEFC (which is a corporate Commonwealth entity for the purposes of the *Public Governance, Performance and Accountability Act 2013* (Cth)) has committed A$70 million to FPH, which is its first direct finance in the maritime sector and the first green financing of container stevedoring operations in Australia.

This comes off the back of a Memorandum of Understanding that was signed between Australia and Singapore on 5 March 2024 to establish a Green and Digital Shipping Corridor to help decarbonise and digitise shipping routes between the two countries.

The decarbonisation of port operations and vessel technologies often involves matters such as the replacing internal combustion engine light vehicles and vessels with electric and hybrid alternatives, replacing diesel cranes with hybrid or electric cranes, connecting berthed ships to the grid rather than using diesel bunker fuel and installing of solar PVs across sites. Alternative fuels are also being explored and adopted to further reduce emissions – for example, using biofuels instead of traditional marine diesel in ship engines, hydrogen in fuel cells for auxiliary power and propulsion, and ammonia as a green alternative to heavy fuel oil for large vessels.

5 Broader APAC round-up

Thailand

New Thai majority ownership requirements for electricity business licenses

Thailand's Energy Regulatory Commission (ERC) is still reviewing the draft ERC Regulation concerning the Qualifications, Documents and Procedures for Obtaining an Electricity Business License, which seeks to introduce new Thai majority ownership requirements for power producers to ensure greater local control over power production companies, including limits on foreign shareholding and mandates for Thai directors. Existing license holders will not be affected retroactively but must comply with new requirements upon renewal or new applications. The timeline for the Regulation's enactment remains uncertain, potentially affecting foreign investment and operational strategies in the sector.

PRC

Recent changes may increase the range of market participants and liquidity in China's national carbon market

China has published a comprehensive work plan to develop a carbon management system that regulates both total carbon emissions and carbon emission intensities. The government will implement carbon emissions calculation measures for various industries and integrate carbon emissions into the evaluation criteria for local governments and fixed asset investments. In addition, China has provided a roadmap to expand its national emissions trading system regulatory regime to key emitters in the cement, steel, and electrolytic aluminium sectors. This expansion has the potential to broaden the range of market participants and increase liquidity in China's national carbon market.

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