Gas Supply and Other Legislation (Hydrogen Industry Development) Amendment Bill 2023

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GLENCORE

Submission to Transport and Resource Committee

Gas Supply and Other Legislation (Hydrogen Industry Development) Amendment Bill (March 2023)

Glencore is pleased to have this opportunity to make a submission to the Transport and Resource Committee on the *Gas Supply and Other Legislation (Hydrogen Industry Development) Amendment Bill* (the ***Hydrogen Bill***).

Glencore and the Surat Hydrogen Project

Glencore is one of the world's largest diversified natural resource companies and we aim to achieve net zero emissions by 2050. As well as providing the metals and minerals for a low carbon future, Glencore is investing in ways to reduce emissions from fossil fuels.

Hydrogen and ammonia are potential pathways to a net zero emission future.

Glencore is undertaking studies for a commercial scale hydrogen and ammonia project in Queensland known as the Glencore Surat Hydrogen Project. We are currently in the process of completing a $40 million pre-feasibility studies into the use of coal as feedstock to produce hydrogen and ammonia.

To produce hydrogen from coal it needs to be gasified above ground to create syngas which is then processed to make hydrogen and then ammonia. We plan to use ammonia as a carrier to economically and safely store and transport hydrogen and as a chemical feedstock, so it can be used in Australia and exported to customers overseas.

We are aiming to use carbon capture and storage technology to capture approximately 90% of the total carbon dioxide emissions produced as part of the hydrogen production process.

Glencore's hydrogen facility is proposed to be located near Wandoan. Hydrogen or ammonia produced by the facility is proposed to be transported by pipeline to a facility in Gladstone, from which it can then be exported.

Support for the Hydrogen Bill

Glencore is supportive of the Hydrogen Bill.

To promote the development of a decarbonised economy, it is critical for the Queensland government to provide project proponents and other stakeholders with the necessary regulatory certainty of the approval pathway that will apply for the production, transportation and storage of hydrogen and ammonia. As a resource industry, it is appropriate that hydrogen and ammonia are regulated in a similar manner to other resources produced in Queensland.

The Hydrogen Bill will amend the *Gas Supply Act* (***GSA***) and the *Petroleum and Gas (Production and Safety) Act* (***PGA***) to allow for the transportation of 'regulated hydrogen' (being hydrogen, hydrogen gas blends and other regulated substances (including ammonia)) by extending the existing petroleum and gas pipeline licensing scheme under those Acts to such substances. The GSA is focussed on distribution pipelines and the PGA is focussed on transmission pipelines.

It is the PGA amendments that are of primary interest to Glencore for the Surat Hydrogen Project. They would allow Glencore to apply for a Petroleum Pipeline Licence (***PPL***) under the PGA for a pipeline to transport hydrogen and/or ammonia (as 'regulated hydrogen') from the proposed production site and facilities at Wandoan to export facilities at the port of Gladstone, (and of course would similarly allow other hydrogen projects to do the same).

Glencore considers the Hydrogen Bill takes a logical and sensible regulatory approach to this issue by adopting established and tested legislation, in the form of the PGA, and applying it to pipelines used to transport regulated hydrogen.

Amendments and proposals for further consideration

Whilst Glencore is supportive of the Hydrogen Bill, it does consider there is further opportunity to enhance parts of the proposed legislation and makes the following comments on the Bill.

1. **Ammonia as 'Regulated Hydrogen' –** Section 11A of the Hydrogen Bill inserts a new definition of 'regulated hydrogen', that in sub-paragraph (c) includes '*another substance prescribed by regulation that is involved in, or produced for, a process related to the storage or transport of hydrogen*'. It is proposed to make an amendment to *Petroleum and Gas (General Provisions) Regulation 2017* to insert a new section 6A "substances that are regulated hydrogen" and that section will prescribe "ammonia" (amongst others) for the purposes of the new section 11A. This means ammonia, at least to the extent that it 'is involved in, or produced for, a process related to the storage or transport of hydrogen' falls within the definition of 'regulated hydrogen', and that a pipeline for transport of ammonia can be the subject of a PPL.

   There are opportunities to supply low emissions, low carbon ammonia as a feedstock to industrial processes, both internationally and domestically. Some of these industrial processes are considered difficult to abate as we proceed to decarbonise the Australian and World economies. An example of this would be the manufacture of low carbon fertiliser for Australian farms.

   To facilitate this opportunity, and because there is no material difference between transporting ammonia by pipeline for the purpose of hydrogen supply or for ammonia chemical supply, it would be sensible for the PPL regime to apply to the transport of ammonia regardless of its intended end use.

   Whilst the most logical reading of the Hydrogen Bill is that the existing proposed amendments have this effect (if one takes the view that once a substance such as 'ammonia' is prescribed by the regulation for the purpose of section 11A(c), it is able to be transported pursuant to a PPL, regardless of its end use), the position is not entirely clear and the other interpretation of the new section 11A(c) is that, even though 'ammonia' is prescribed in the regulation, it is only to be treated as 'regulated hydrogen' when it is being used or involved in, or produced for, a process related to the storage or transport of hydrogen. That interpretation would not result in a sensible outcome, as it would exclude transport of ammonia via a pipeline the subject of a PPL where it is being transported for end use as an industrial feedstock , rather than as a means to transport hydrogen. Glencore submits that the end use of a product should not be determinative of the tenure that may be granted to transport that product.

   This issue could be addressed and clarified by section 11A(c) simply referring *to 'another substance prescribed by regulation*'.

2. **Definition of Major User Facility** – the definition of 'major user facility' in section 16A would benefit from further amendment to refer not only to export facilities for 'fuel gas' (which includes hydrogen) but also export facilities for 'regulated hydrogen' (which includes hydrogen, hydrogen gas blends and other regulated substances (including ammonia). The change is important, as the PGA defines a 'distribution pipeline' as including "a single point-to-point pipeline that transports fuel gas to a place other than a major user facility", and it is not possible to apply for a PPL for a distribution pipeline. Therefore, without the suggested change to the definition of 'major user facility', a 'regulated hydrogen' pipeline to a facility used to export ammonia (not hydrogen) would seem to be at risk of being considered a 'distribution pipeline' for which it is not possible to have a PPL. There does not seem to be any logical reason to not accommodate a PPL for the transport of regulated hydrogen by pipeline to a facility where it is converted into ammonia at that point for export, or for

a PPL for regulated hydrogen (including ammonia) that is produced at a place which is not the place of export.

3. **Petroleum Facility Licences (*PFLs*)** – the Information Paper that the Government issued to accompany the Hydrogen Bill (*Removing barriers to the development of Queensland's renewable hydrogen industry*) states that whilst the current amendments "*will enable an effective regulatory framework for transporting renewable gases in pipelines, a further review of Queensland's regulatory framework is required to be undertaken to ensure all elements of the hydrogen value chain have an effective regulatory framework in place*". Glencore considers that the development of hydrogen projects and the industry would be further enhanced by enabling facilities for the production, processing and storage of hydrogen, hydrogen gas blends and other regulated substances (such as ammonia) to be able to be authorised by PFLs issued under the PGA. PFLs can currently be issued under the PGA to approve similar facilities used in the petroleum and gas industry. Extending PFLs to apply to regulated hydrogen facilities would involve adopting a similar approach to the way that the PPL regime has been extended to regulated hydrogen pipelines by the Hydrogen Bill. The logic is the same – i.e. from a tenure approval and permitting perspective, there are similarities between petroleum and regulated hydrogen production, processing and storage facilities, and therefore there it would be sensible to extend the established and tested PGA PFL regime to such regulated hydrogen facilities. This is particularly so where the pipeline approval regime under the PGA will apply to regulated hydrogen pipelines.

Thank you for your consideration of this submission. If you wish to discuss this submission further, we would be happy to discuss the above matters with members of the review committee.

Your sincerely,

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