

Australian Government
Department of Climate Change, Energy, the Environment
and Water

Submission via the Department's Consultation Hub

3 February 2023

Re: Australia's Guarantee of Origin Scheme Consultation

Rio Tinto welcomes the opportunity to make a submission to the Department of Climate Change, Energy, the Environment and Water ("the Department") on Australia's Guarantee of Origin Scheme consultation paper (the "Consultation Paper").

Rio Tinto is very supportive of Australia implementing a Guarantee of Origin Scheme with transparent and consistent emissions accounting for low carbon or green products such as hydrogen, and addresses the current gap in recognising renewable energy not covered by the Renewable Energy Target (RET).

Rio Tinto is committed to decarbonising our assets and has committed to Scope 1 and 2 emissions reduction targets. Our business consumes large amounts of energy in Australia. We are both generators and consumers of renewable electricity which includes large investments in the Pilbara region. We are undertaking feasibility work to look to replace natural gas with green hydrogen at our Yarwun alumina refinery.

Key Positions

We support the proposal that large-scale generation certificates (LGCs) and renewable electricity guarantee of origin (REGOs) should be used to demonstrate renewable electricity use and that behind the meter / direct supply should not require certificate surrender. Rio Tinto would like to see the vintage and surrender requirements aligned with the current LGC guidelines and include more flexibility beyond the proposed 12 months vintage requirement for surrendering units that have been issued within 12 months of generation.

Rio Tinto is supportive of a providence approach to Product GOs (Guarantee of Origin certificates) and the requirement to establish a reasonable physical link between the production of the product and the users of the product. We agree with REGOs following the same flexibility as LGCs in relation to being able to be traded independently of the electricity that was generated with the certificates.

Rio Tinto supports the update of the calculation methodology for calculating residual mix factors (RMF) that accurately reflect the emissions intensity from unclaimed electricity generation. It is our view that due to the differences in generation type by state that a national RMF is not appropriate nor accurate for reporting market-based Scope 2 emissions and advocate for state and territory RMFs to be published by the Australian Government. In order to support these calculations, there should be a

requirement for REGOs to include information about the State or Territory in Australia they were generated in.

Our specific responses to the questions in the Consultation Paper are set out in the Appendix of this Submission. Rio Tinto looks forward to engaging further with the Department on the content of the Consultation Paper. We would welcome the opportunity to discuss this submission with you further. In the interim, if you have any questions, please contact Zoe Godijn (Zoe.Godijn@riotinto.com).

Yours sincerely

A handwritten signature in black ink, appearing to be "K Parker", written in a cursive style.

Kellie Parker
Chief Executive, Australia
Rio Tinto Limited

Appendix: Further detail on specific matters from the Consultation Paper

Policy position proposal 1: The scheme will be covered under new legislation administered by the CER.

Response: Rio Tinto is supportive of this proposal.

Policy position proposal 2: The Product GOs will cover the well-to-user system boundary.

Response: Rio Tinto supports broadly aligning the calculation methodology boundary with an internationally recognised standard. The well-to-user system boundary is suitable for informing energy users as to the value chain emissions of the product GO.

Policy position proposal 3: There will be no minimum emissions intensity requirements for Product GOs and participation will be voluntary for both Product GOs and REGOs.

Response: Rio Tinto is supportive of this proposal.

Policy position proposal 4: The GO scheme will be cost recovered in line with Australian Government policy.

Response: Rio Tinto is supportive of this proposal.

Policy position proposal 5: The scheme will be reviewed in 2025 and every five years thereafter to ensure it is fit for purpose and able to support the industry.

Response: Rio Tinto is supportive of this proposal.

Policy position proposal 6: Product GOs and REGOs will be housed on a publicly visible register with general information and the ability to share specific information with other scheme participants.

Feedback is sought on the information that should be publicly visible on REGOs (e.g. time of generation, grid location, commissioning date, end user, etc) and the information that should be publicly visible on Product GOs? (emissions intensity, volume, relevant inputs, etc).

Response: Rio Tinto supports the sharing of specific information to the extent that these are not commercially sensitive and are within legal frameworks.

Policy position proposal 7: Product GOs will use a provenance approach, while REGOs are able to be traded independently of the electricity they were created alongside.

Response: Rio Tinto is supportive of this proposal.

Policy position proposal 8: An upfront data reporting model will be implemented to provide a practical reporting process.

Response: Rio Tinto is supportive of this proposal.

Policy position proposal 9: There will be four scheme participant roles with differing responsibilities and permissions.

Response: The roles for registration and participation are reasonable. Rio Tinto supports the flexibility of having the same participants being able to register for multiple roles.

Policy position proposal 10: The creation process will be implemented which combines batch data with the upfront profiles to create certificates. The creation period for GOs can range from a single hour to a year. Feedback is sought on whether the certificate creation period range is suitably practical for businesses.

Response: The certificate creation period of between one-hourly batches and 12 months is appropriate and Rio Tinto supports a pre-assessment process to reduce processing times.

Policy position proposal 11: Product GOs are proposed to require creation and transport and storage information to be complete. Product GOs can then be surrendered and report consumption information.

Response: Rio Tinto is supportive of this proposal.

Policy position proposal 12: REGOs are proposed to be available to be traded or surrendered after being validly created.

Response: Rio Tinto is supportive of this proposal.

Policy position proposal 13: The CER will undertake compliance monitoring and will have regulatory powers to address non-compliance.

Response: Rio Tinto supports that the CER has ability to take action in relation to detected non-compliance. Since there is a requirement to complete third party assessments to generate the GO certificates, the risk-based audits should be limited.

Policy position proposal 14: LSTRs will provide third-party assurance of the information reported under the GO scheme. The need for LSTRs will be front-loaded requiring less as time goes on and participants demonstrate compliance with the requirements of the scheme.

Response: Rio Tinto supports the use of Limited Scope Technical Reviews (LSTR) instead of limited assurance.

Policy position proposal 15: Where Product GOs have incorrect information, they will be updated to reflect the most up to date information. After the ARC process, Product GOs will be finalised and not subject to further amendments.

Response: Rio Tinto is supportive of this proposal.

Policy position proposal 16: Where REGOs have incorrect information, they will not be updated and instead will follow an 'unders' and 'overs' reconciliation process to minimise impacts on the renewable electricity certificate market.

Response: Rio Tinto is supportive of this proposal.

Policy position proposal 17: The Department proposes the GO scheme methodologies will align where possible with the NGER and the Safeguard mechanism.

Response: Rio Tinto supports the alignment of GO scheme methods to Safeguard Mechanism and NGER where possible with the exception of market-based Scope 2 emissions accounting in the well-to-user calculation of emissions as NGER only provides location-based electricity factors.

Emissions from hydrogen production required to be reported under NGER should be limited to the Scope 1&2 emissions of the operation as it is already within the NGER (Measurement) Determination. Expansion of this to incorporate the well-to-user method would be better placed in the National Greenhouse Accounts.

The recognition of consumption of hydrogen as a zero emissions source should be covered by NGER. Having Product GOs recognised under NGER and Safeguard mechanism reporting is important.

Policy position proposal 18: The CER will be able to establish formal data sharing arrangements with the administrators of these schemes to streamline the creation process.

Response: Rio Tinto is supportive of this proposal.

Policy position proposal 19: Material emissions sources that must be measured for each product and production pathway will be specified in the methodologies. The sources will be selected based on materiality threshold of 2.5% of total emissions per source.

Response: Rio Tinto is supportive of having an approach to materiality. As low emission sources emerge, an approach of fixed quantity minimum emissions and/or the % for materiality will be less burdensome on low emission producers.

Policy position proposal 20: ACCUs issued from within the system boundary will need to be surrendered for the emissions reductions to be recognised under the GO scheme. ACCUs or other carbon offsets cannot be used to reduce the emissions intensity of products listed on GO certificates.

Response: Rio Tinto is supportive of this proposal and agrees that inclusion of offsets may not be internationally aligned.

Policy position proposal 21: LGCs and REGOs will be used to demonstrate renewable electricity use. Behind the meter or directly supplied renewable electricity will not require certificate surrender if none were created.

Response: Rio Tinto is supportive of this proposal as it leads to a clear and transparent way of making market-based zero emission claims in Australia.

Policy position proposal 22: A new RMF will be calculated for use within the GO scheme that is updated frequently and can be accessed by other market-based frameworks

Response: Rio Tinto supports a new method of calculating a RMF as a way of accounting electricity use not claimed by renewable energy certificates. This should be calculated and available on a State and Territory basis since the electricity mix across the country is vastly different and a national factor is not representative, and does not allow for a good comparison to the state-based location-based factors in NGER/NGA. We believe the use of the RPP as a proxy for calculating renewables within a RMF is also not a representative method and should be avoided.

Policy position proposal 23: RECs used to demonstrate renewable electricity usage in production of a GO product must have been issued within the previous 12 months. Additional information will be captured on REGOs to allow for voluntary time matching at a more granular level.

Response: The 12-month time frame constraints are too limiting to be practical and reasonable for creation and surrender. We would like to see similar vintage allowances and flexibility as is currently available for LGCs/STCs which allow surrender of certificates created the year the electricity was acquired or earlier.

Policy position proposal 24: The GO scheme will expand over time by incorporating new product-specific methodologies. A prioritisation, development and review process with industry input and international engagement will be established to ensure domestic applicability, international alignment, and continued suitability of legislation.

Response: Rio Tinto is supportive of this proposal.