



Department of
**Primary Industries and
Regional Development**

Our reference [REDACTED]
Enquiries [REDACTED]

streamlinewa@treasury.wa.gov.au

STREAMLINE WA - REQUEST FOR REGULATORY REFORM SUBMISSIONS

I am pleased to provide the attached submission in response to your request of 25 February 2019.

We see opportunities such as regulatory reform in Renewable Hydrogen as an important step to making it easier to do business in Western Australia. The Department of Primary Industries and Regional Development looks forward to partnering with Streamline WA to achieve this.

Yours sincerely

Ralph Addis
DIRECTOR GENERAL

26 March 2019



SUBMISSION - RENEWABLE HYDROGEN

Description of the regulatory issue

The renewable hydrogen industry (hydrogen made using renewable energy sources) is growing at pace, and is of particular interest to the gas industry which is considering ‘blending’ hydrogen in the domestic gas pipelines (transmission and domestic). Two key pilot projects are underway already – ATCO in WA and AGIG in SA – testing the technology for this application. Other WA-based proposals are in progress, including a very large (15-24GW) “solar to hydrogen” proposal in the north Pilbara.

There is an increasing call on Government to provide regulatory direction and certainty for a range of hydrogen-related requirements and applications, including blending, transport and export.

The central recommendation from the State’s WA Renewable Hydrogen Council is the importance of proactive action from Government to establish early regulatory principles and actions, particularly to send a clear message to potential proponents (who are looking at alternative jurisdictions) that WA is serious about a renewable hydrogen industry.

A second important recommendation from the Council is the need for regulations to be flexible, supportive, and for the unknown areas to be worked through in a proactive way. It will take time to identify and modernise the regulatory framework, and uncertainty about timing and content of regulatory reforms is cited in itself as being a barrier to hydrogen innovation.

How it should be addressed

In its recommendations to the State Government, the WA Renewable Hydrogen Council has proposed a series of ‘Regulatory Principles’ be adopted. The premise is, given it isn’t yet known exactly what regulatory reforms might be needed, the Government can potentially commit to following certain principles in its regulatory responses as they arise, which will give some guidance and confidence to industry and other market participants.

The Council has also proposed Government consider the concept of a ‘regulatory sandbox’ to enable innovation, ahead of full regulatory reform.^{1 2} The regulatory sandbox is a framework within which normal rules are suspended or relaxed, to enable real-world trials of new products, services and business models. To manage risk, trials are typically limited in size, scale and duration.

Expected outcomes

For renewable hydrogen, a sandbox offers a useful interim approach. Rather than making detailed regulatory reforms from the outset, a quick and flexible system of permits and exemptions to bypass

¹ See for example the UK Office of Gas and Electricity Markets (Ofgem)’s Innovation Link project ([ofgem.gov.uk/publications-and-updates/what-regulatory-sandbox](https://www.ofgem.gov.uk/publications-and-updates/what-regulatory-sandbox)) and their introductory paper *What is a regulatory sandbox?*

² Australian Energy Market Commission (2019) *Regulatory Sandbox Arrangements To Support Proof-Of-Concept Trials*. Retrieved from <https://www.aemc.gov.au/sites/default/files/2019-03/Interim%20Advice%20-%20REGULATORY%20SANDBOXES%20-%20for%20publication.pdf> on 7 March 2019.



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barriers and fill regulatory gaps could help demonstration and pilot projects get moving swiftly, without committing the Government to any particular long term position.

Implementing a sandbox for renewable hydrogen activities will itself require some innovative legal drafting, because it will need to span various Acts and Regulations.

Who will benefit

Experience gained during a regulatory sandbox trial will inform business and Government when developing later full-scale regulatory changes. This will also help 'fast-track' the development of trials and demonstration projects in WA, keeping WA at the forefront of the development of the renewable hydrogen industry, promoting jobs and economic diversification, transitioning our existing LNG industry into a low emissions future, and working towards export partnerships with our key trading partners (including Japan and Korea).