The Superpower Institute

Level 3, 105 Victoria Street
Fitzroy, VIC 3065
www.SuperpowerInstitute.com.au

TSI welcomes hydrogen production credits

25 November 2024, Melbourne

The Superpower Institute (TSI) strongly welcomes the Future Made in Australia (Production Tax Credit and Other Measures) Bill 2024, to provide, among other things, for a $2kg production credit for hydrogen.

"The immediate use of hydrogen for Australia – where our comparative advantage is - is as an input to industrial processes, for example, as a reductant to take the place of metallurgical coal to reduce iron ore to iron metal," said Rod Sims, Chair of TSI.

"There has been confusion over the role of hydrogen as countries move to net zero. Some have seen it playing a large role in ensuring green electricity, but you need a lot of green electricity to make green hydrogen. That is, hydrogen will be a net user of green electricity.

"Others have suggested Australia export green hydrogen in the form of, say, ammonia, but this is expensive and so only attractive now to those countries with severe deficiencies in renewables resources.

"Hydrogen is needed for its chemical properties as a key enabler of producing green iron, green fertiliser and green shipping and aviation fuel and is central to decarbonising many sectors that cannot decarbonise through electrification.

"In fact, *The New Energy Trade*, released last week by TSI demonstrates that Australia is set to gain some $700b in export opportunities from green exports such as green iron. This is over five times the usual value of our coal and gas exports," Mr Sims said.

TSI has strongly supported the Government addressing the economic externalities that, unless addressed, will prevent the world decarbonising and Australia playing its appropriate role in this.

The key externality is the lack of a world carbon price such that green products are currently competing on an uneven playing field with those products produced using fossil fuels. The latter are not paying for the damage they do to the environment and so the costs they impose on others.

"As indicated in the Treasury's Public Interest Framework for the Future Made in Australia, the $2kg production credit is the Government playing its appropriate role in the absence of a carbon price to level the playing field," said TSI CEO, Baethan Mullen.

"The hydrogen production credits are therefore not a subsidy; they instead represent sound economics by levelling the playing field between green products that do not damage the environment, and products produced with fossil fuel which do.

"Australia has likely the best combination of solar, wind and biomass resources in the world and so has an obligation as well as an opportunity to produce goods that can reduce world emissions by up to 10%. Green hydrogen is crucial to doing this.

"If this opportunity is seized, we foresee a period of economic growth that surpasses the mining era, characterised by real wage growth and full employment, that will benefit communities across Australia," Mr Mullen said.

TSI notes that the credits are only paid when green hydrogen is produced. TSI is aware of projects currently contemplating producing green iron in Australia. Dealing with the lack of a world carbon price, which the $2kg does, is necessary if these projects are to proceed.

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Media Contact

Ranya Alkadamani | ranya@impacgtroupinternational.com | +61 434 664 589

About the Superpower Institute

The Superpower Institute's purpose is to help Australia seize the immense economic opportunities of the post-carbon world. With unparalleled renewable energy resources and our 'clever country' scientific and engineering capabilities, Australia is perfectly positioned to be a green export superpower in the world of net zero emissions.

The Institute specialises in the policy settings and market incentives needed to make Australia an economic superpower and provides practical knowledge to governments and industry to realise this opportunity.

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