

Personalised for:
Yoana Cholteeva

14 October 2021

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New South Wales offers AUD 3 billion incentive to kick start hydrogen economy

Australia's New South Wales (NSW) government has become the latest state government in the country to unveil its hydrogen strategy, under which it will offer AUD 3 billion (USD 2.2 billion) in incentives to transform the state into a major H₂ producer and exporter.

As part of its hydrogen strategy, announced on Wednesday, NSW will allocated AUD 70 million (USD 50 million) to create hydrogen production hubs in the coal-focused regions of Hunter Valley and Illawarra, as well as hubs around previously planned renewable energy zones (REZ).

The government will also allocated AUD 78 million to support the Tallawarra B power station – Australia's first green hydrogen and gas powered plant, which is scheduled to come online in 2023-24.

NSW expects its AUD 3 billion incentive package to attract more than AUD 80 billion (USD 59 billion) of private investment into hydrogen projects – helping the state become a major H₂ producer and cut its greenhouse gas emissions. The state is looking to cut its GHG emissions by 50% by 2030, on 2005 levels, and reach net-zero by 2050.

Green hydrogen was highlighted in the strategy, with NSW aiming to produce 110,000 tonnes of green hydrogen annually from 700 MW of electrolyser capacity for under AUD 2.80 (USD 2.06) per kg.

State Premier Dominic Perrottet said that as NSW worked through post-lockdown recovery, hydrogen was an opportunity to drive new investment and help secure jobs right across the state.

“Our major trading partners see hydrogen as part of their energy future, this state has the skills, infrastructure and renewable energy resources to compete globally in this new industry.”

Looking into the state's hydrogen capabilities, Stephen Harrison, managing director at sbh4 told Gas Matters Today: “As an exporter, NSW is not as well placed as other states in Australia but will find its way despite that. Queensland is closer to main markets in North East Asia, and Western Australia and North Australia have better wind and solar power generation conditions.”

“However, some production from NSW could be shipped as liquid hydrogen as per the HySTRA pilot from the Port of Hastings in Victoria, which is further south than NSW, to Kobe in Japan is demonstrating,” he added.

According to NSW's energy minister Matt Kean, the strategy is forecasted to increase the size of the state economy by more than AUD 600 million by 2030.

“This strategy is forecast to more than halve the cost of green hydrogen production in NSW and

will make NSW the best place to invest in hydrogen in the world,” said Kean.

To aid the hydrogen buildout, NSW is offering like a 90% exemption from electricity network charges for green hydrogen producers who connect to parts of the network with spare capacity and incentives for green hydrogen production.

NSW’s hydrogen strategy seems to be on the right track as “electrolyser capital costs and renewable power generation costs are falling rapidly due to scale-up in these sectors and the learning rates will certainly result in significant capex and opex reductions in the coming decade,” according to Harrison.

“As green hydrogen projects in NSW scale up and benefit from these cost reductions, achieving a 50% reduction in the cost of green hydrogen as delivered to the NSW markets is realistic within this decade,” he said.

The state generated ~75% of its electricity from coal and just under 20% from wind and solar in 2020, according to federal government data.

Having positioned itself as the largest exporting state of thermal coal according to the 2020-21 NSW Intergenerational Report (IGR) and while producing little gas, it seems like NSW will be taking the opportunity for a rapid transition through renewable generation, even more so after its three biggest coal export markets Japan, South Korea and China have now all pledged to reach net-zero emissions by 2050. - YC



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