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Budget Policy Division
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Sent via email to PreBudgetSubmissions@treasury.gov.au

Energy Networks Australia's Renewable Gas Target policy proposal

Funding proposal

- » 2023/24: \$20 million to the Clean Energy Regulator to design and implement a renewable gas target scheme by 1 July 2024.
- » 2024/25 ongoing: \$10 million per annum to the Clean Energy Regulator to administer Australia's Renewable Gas Target.

Policy Justification

- » Develop the renewable gas market to enable the substitution of natural gas with renewable options.
- » Decarbonise buildings and sectors for which there is no electrical alternative.
- » Contribute to Australia's 2030 and 2050 emission reduction targets.

On 5 December 2022, the Assistant Treasurer and Minister for Financial Services called for submissions from individuals, businesses and community groups on their views regarding priorities for the 2023-24 Budget¹.

Energy Networks Australia is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Australia's decarbonisation journey has focussed on the electricity sector. The main policy mechanism has been the Renewable Energy Target implemented in 2001 and modified a number of times since then². This has been supported by feed-in tariffs³ and separate state targets for renewable generation. As a combined results of these policies, together with global developments that have reduced the cost of renewable technologies, renewable electricity generation in 2022 reached nearly 35 per cent⁴.

¹ <https://treasury.gov.au/consultation/2023-24-pre-budget-submissions>

² <https://www.cleanenergyregulator.gov.au/RET/About-the-Renewable-Energy-Target/History-of-the-scheme>

³ <https://www.energy.gov.au/rebates/electricity-feed-tariff>

⁴ OpenNem, accessed 17 January 2023: opennem.org.au

The gas industry – through Gas Vision 2050 – is on a similar journey to reach net zero. Deploying transformational technologies such as renewable hydrogen and biomethane will allow customers to continue using gaseous fuels for heating purposes while at the same time reducing emissions.

Gas distribution networks have led the development of renewable gas projects in Australia with projects underway in Adelaide, Perth and Sydney and more planned in other areas around the country. More information on these projects has been documents in Gas Vision 2050 – hydrogen innovation⁵.

In a 2022 Gas Vision 2050 update, we identified that market development was an immediate priority to deploy renewable gas. Two specific areas were as needing major focus from industry and government. These areas are:

- » A renewable gas target, similar to the existing renewable energy target for electricity, to underpin investment in renewable methane and hydrogen and support the market creation of renewable gases.
- » Market incentives to provide additional financial or retail market incentives to stimulate the market.

Since then, the NSW and WA Governments have commenced consultations regarding renewable gas opportunities. The Victorian Government will commence consultation on opportunities for renewable gas schemes and a target later this year⁶.

A recently completed analysis of emission reduction opportunities from gas networks found that moderate supportive policies can achieve a 16 to 30 per cent reduction in emissions from domestic natural gas use by 2030 while stronger settings may achieve up to a 50 per cent reduction.

High level policy options were identified to enable these emission reductions. The contribution of replacing natural gas with renewable gases was the main opportunity to emission reductions. The Renewable Gas Target (RGT) policy identified was:

- » A renewable gas target of at least 20 to 50 per cent covering hydrogen, biomethane and renewable synthetic methane could support the Scope 3 emissions reduction potential identified within this report. Learning from the Renewable Energy Target, a certificate-based mechanism with some level of guaranteed government certificate purchases may increase the likelihood of Renewable Gas Target success.

The abatement potential from the range of additional gas policies could reach 30 Mt CO₂ by 2030 and could help Australia reach its 2030 emission reduction target. Similar to the RET, a renewable gas target will support the market development of renewables gases and lead to emissions reduction opportunities. This will enable Australia to reach its 2030 emission reduction goals and through the development of

⁵ <https://www.energynetworks.com.au/resources/reports/gas-vision-2050-hydrogen-innovation/>

⁶ Victorian Government (2022), *Victoria's gas substitution roadmap*, pg 13

renewable gas project, will also enable the full decarbonisation of gas networks to reach net zero emissions before 2050.

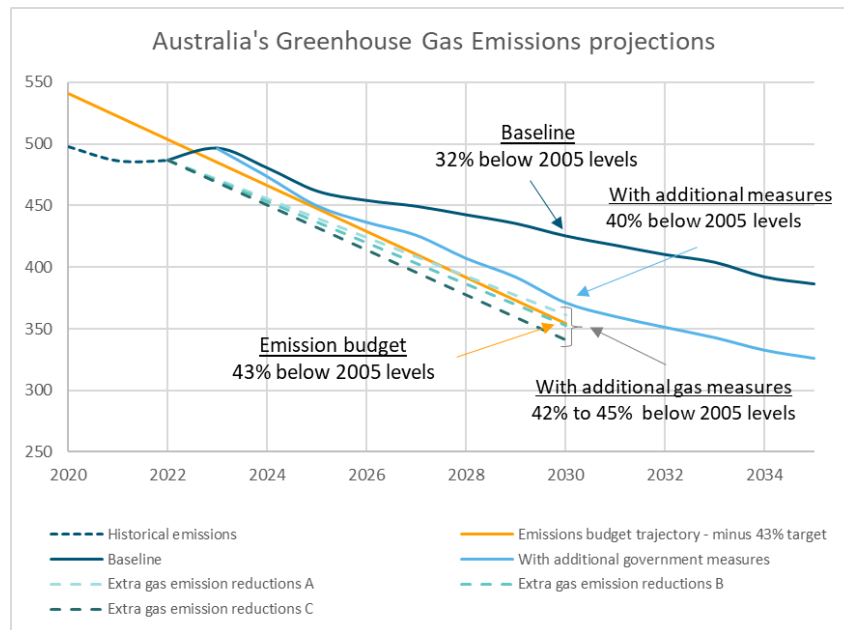


Figure 1: Australia's projected emission and impact of additional gas policies (Source: DCCEEW (2022), Australia's emissions projections, 2022; ENA analysis)

ENA proposes a new policy to introduce a national Renewable Gas Target. An allocation of \$20 million⁷ to the Clean Energy Regulator from the 2023/24 Budget can set up the scheme. The ambition should be for the scheme to be operational from 1 July 2024 to enable it to contribute to Australia's 2030 emission reductions.

Similar to the RET, the cost of complying with the RGT should be borne by energy market participants while the administration should be covered by Government. An annual operating budget of \$10 million from 2024/25 Budget is proposed.

If you would like to discuss the contents of this submission, please contact Dr Dennis Van Puyvelde at dvanpuyvelde@energynetworks.com.au

Regards,



Andrew Dillon
Chief Executive Officer

Attachment

ENE report: 2030 Emission Reduction Opportunities for Gas Networks

⁷ This is off similar magnitude as the 2022/23 additional budget allocation to the Australian Energy Regulator to integrate more renewable energy and improve regulation of gas pipelines. Developing an RGT scheme may be of similar complexity.