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Renewables, Climate and Future Industries Tasmania (ReCFIT)
Department of State Growth
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Draft Future Gas Strategy for Tasmania

The Clean Energy Council welcomes the opportunity to provide feedback on the State Government's Draft Future Gas Strategy for Tasmania.

As you will be aware, the Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with over 1,000 leading businesses operating in renewable energy and energy storage including the emerging sector of renewable hydrogen, and are committed to accelerating Australia's transition to a clean energy future.

The Future Gas Strategy presents a pivotal opportunity for Tasmania to leverage its existing position as a renewable energy powerhouse to completely, or almost completely, phase out the use of natural gas and liquified petroleum gas (LPG) by 2030, while delivering low-cost, reliable and clean energy to all Tasmanian homes, businesses and industry.

As an importer of natural gas, this also represents a strategic opportunity for Tasmania to increase its energy independence and utilise its own massive renewable energy resources, backed by energy storage, to provide the energy security that its citizens and businesses demand.

While gas has played a valuable role over the past two decades, it is subject to high and volatile international prices – representing a significant and increasing risk to industry and business – and Tasmanian homes and businesses pay among the highest prices for gas in Australia.

The relatively low cost of hydro, wind and solar electricity generation, the large reductions in energy storage costs over the past decade, technology advancements in electrical equipment and appliances, and the potential for renewable hydrogen and other renewable gases to play a supporting role where electrification cannot, means that with strong leadership, Tasmania could largely, if not entirely, phase out the use of gas by 2030, while maintaining secure and affordable energy supply for all Tasmanians.

The CEC is, however, concerned that the draft strategy released by the Department is inadequate for the task of decarbonising the gas sector (and the rest of Tasmania) by

the State Government's target of 2030, and misses the opportunity to accelerate the electrification of homes, businesses and industry.

Specifically, the strategy emphasises:

- Keeping all gas infrastructure in place
- Pursuing long-term renewable fuel solutions, which are not currently available at scale at competitive prices for homes, business or industry
- Regulatory reforms to enable the use of these longer-term renewable fuels
- Energy efficiency to manage cost-of-living pressures.

This appears to somewhat contradict the conclusions of the State Government's Future Gas Strategy Discussion Paper (Discussion Paper) released in 2021. The Discussion Paper listed three broad options for the future of gas in Tasmania:

- a 'do nothing' approach
- growth in natural gas
- decarbonisation.

In the Discussion Paper, the State Government found the first two options were not consistent with local and international policy settings and that the preferred option was decarbonisation, with electrification being the most cost effective. Oakley Greenwood noted that the small number of existing gas customers reduces the total cost of conversion and that conversion could be timely. However, the draft strategy does not appear to provide any positive direction or communication to help support customers decarbonise/electrify their gas use, and therefore the Government's aim of electrification will be less effective over the short to medium term.

While we acknowledge and support the existing \$50 million investment by the Tasmanian Government in its Energy Saver Loans Scheme (ESLS), which provides support for solar PV, battery systems, heat pumps and electric hot water systems, the State Government appears to generally de-emphasise the role of electrification – a solution which is ready here and now.

We believe that the strategy could rather leverage and potentially expand the ESLS program as part of a targeted strategy of phasing out the use of reticulated and bottled gas across the state.

The draft strategy expresses concern about the upfront costs of switching from gas to electric appliances, and this is presumably the main reason why the option of electrifying premises on the gas distribution network is downplayed. The strategy does not however address the financial benefits of reducing consumer exposure to high gas prices. The independent not-for-profit organisation, Renew, released [analysis](#) in December 2022 outlining how rising energy tariffs would affect homes with gas or all-electric appliances. The study found that homes on gas would pay significantly more than all-electric homes over the next two years.

While we agree that gas currently plays an important role for heavy industry in Tasmania and that renewable molecule fuels could shape up to be a key strategy for decarbonising some of these facilities, electrification remains the first best fuel-switching option in terms of efficiency and cost-effectiveness. It should play the dominant role for homes and businesses, backed by energy storage, and can play a material role in the industrial sector, with specialist support being provided by emerging renewable fuels or other emerging solutions where required (eg. high-temperature process heat).

While the development of a renewable hydrogen industry is a major economic opportunity for Tasmania, this is a premium energy solution which remains significantly more expensive than gas today, and which cannot physically be more energy efficient or cost effective than direct electrification. While renewable hydrogen export opportunities are large and should be vigorously pursued by Tasmania, domestic use of hydrogen should be targeted at those energy needs which cannot be readily electrified.

Bioenergy and biomethane can also play a role, but substantial work and support is likely to be required for this sector to scale up to meet industrial needs, while ensuring that environmental and social licence concerns are appropriately addressed. The scaling of such an industry will take a number of years.

Finally, we consider that the strategy would be improved by the inclusion of specific targets and timeframes for the phase out of gas and LPG and substitution by other clean energy options, which will help to guide planning and investment.

We therefore encourage ReCFIT to further refine the strategy to:

1. Develops concrete targets and timelines for shifting all homes and small/light-commercial businesses off natural gas/LPG/LNG over the next seven years to direct electrification solutions. Noting ReCFIT's concerns about the costs of electrification and the inability of low-income households to finance the shift to electric appliances, the CEC suggests that the State Government should lobby the Commonwealth Government for funding from its forthcoming package to support households and businesses transition away from gas, as announced on 15 December 2022. This should supplement additional state government funding, and a public awareness and education campaign that puts relevant households and business users on notice that gas use will be phased out, enabling households and businesses to make their own investment decisions accordingly.
2. Work with the 16 large industrial gas users to understand and support the implementation of their own decarbonisation plans that align with the state's emissions objectives. This work can inform the State Government's strategic planning for existing and future infrastructure, the development and investment required for the most prospective decarbonisation solutions, and the allocation of the state's resources to support the energy transition.

Conclusion

The decarbonisation of the Tasmanian economy is a large task, and time is running short for the necessary planning, development and investment which is required to achieve the state's net zero target.

The Future Gas Strategy represents an opportunity to *lower* the cost of energy for those Tasmanian homes and businesses currently on reticulated or bottled gas, and the state should place electrification – which is the most efficient and cost-effective energy solution for homes and businesses – at the centre of its strategy.

At the same time, the State Government should work to understand the decarbonisation needs and plans for heavy industry in greater detail, to inform its own planning and investment in energy-related infrastructure and emerging renewable fuels.

Thank you for the opportunity to provide feedback on the draft strategy, and we look forward to it being further refined to guide the state's decarbonisation plans.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Anna Freeman', written in a cursive style.

Anna Freeman
Policy Director – Decarbonisation