



Tasmanian Council of Social Service Inc.

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# Submission to the Tasmanian Future Gas Strategy – Discussion Paper

*21 January 2022*



**INTEGRITY  
COMPASSION  
INFLUENCE**



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COMPASSION  
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## About TasCOSS

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The Tasmanian Council of Social Service (TasCOSS) is the peak body for the community services industry in lutruwita/Tasmania. Our *Vision* is of one lutruwita/Tasmania, free of poverty and inequality, where everyone has the same opportunity. Our *Mission* is to challenge and change the systems, behaviours and attitudes that create poverty, inequality and exclusion, to ensure all Tasmanians have equal opportunity to live a good life.

Our membership includes individuals and organisations active in the provision of community services to Tasmanians on low incomes or living in vulnerable circumstances. TasCOSS represents the interests of our members and their service users to government, regulators, the media and the public. Through our advocacy and policy development, we draw attention to the causes of poverty and disadvantage, and promote the adoption of effective solutions to address these issues.

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## Introduction

TasCOSS welcomes the opportunity to influence the development of a *Future Gas Strategy* through our submission that highlights the need for a fair, fast and inclusive energy transition.

This submission is informed by our research; collaboration with our networks; engagement with our members, community groups and other consumer advocates; and the lived experiences of Tasmanian energy consumers.

Energy is an essential service and TasCOSS' primary aim for energy policy is ensuring all Tasmanian households, regardless of their means, are able to access an affordable, safe and reliable household energy supply. A "safe" energy supply also implies a clean energy system that is sustainable, zero emissions and actively improves outcomes for all people, the community and the environment.

TasCOSS is committed to ensuring Tasmanians are supported to face the impacts of climate change, which disproportionately affects people on low incomes and their ability to address climate change impacts.

Greenhouse gas emissions need to be reduced as quickly as possible both internationally and within Australia to limit human-caused global warming.<sup>1</sup> The *International Panel on Climate Change* (IPCC) states that limiting human-caused global warming to 1.5°C minimises the risk of further harmful impacts on the world's environment and on human society.<sup>2</sup> To limit warming to 1.5°C, urgent action must be taken to reduce greenhouse gas emissions.

TasCOSS recognises that the use of gas in industries and the transition to alternatives raises quite different issues and priorities. We are not in a position to comment on alternative gas supplies which may be suitable for industry, readily implementable or economically feasible. As household energy needs do not require the energy intensity required by industry, the focus of this submission is on residential customers, whose lower intensity fossil gas needs can be met through electricity.

## Drivers influencing our gas industry

Using fossil gas as a household fuel source is incompatible with a zero emissions economy, Tasmania's Renewable Energy Target and the priorities under Tasmania's Climate Change Action Plan.

Eliminating fossil gas emissions is an urgent climate priority that is key to retaining the possibility of only a 1.5°C average temperature rise. Therefore, a policy priority must be urgent action to reduce the use of fossil gas in households.

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<sup>1</sup> BOM/CSIRO (2020), [State of the Climate 2020](#), Australian Government.

<sup>2</sup> IPCC (2018), [Special Report – Global Warming of 1.5°C](#)

The Discussion Paper identifies that “Australia’s energy systems [are] undergoing a transition from fossil fuels to renewable energy generation”<sup>3</sup> and lutruwita/Tasmania has an opportunity to be a national leader in this endeavour and accelerate this transition.

TasCOSS supports a clean, affordable, healthy and efficient energy system and considers that households and businesses should be supported to transition away from fossil fuels to renewable sources of energy. The transition towards clean energy must be fair and inclusive and put people with the least at the front.

TasCOSS considers the electrification of homes to be the best pathway to enable households to meet their current and future energy needs in a clean, affordable, healthy and efficient way that also supports rapid emissions reduction. Removing reticulated fossil gas from household use over the next decade will be a significant step towards eliminating greenhouse gases.

At the time the natural gas network was constructed in lutruwita/Tasmania, it brought a cheaper fuel into Tasmania’s energy market. However, affordability of gas is now an ongoing issue and there are also concerns for gas supply with the national gas supply outlook predicting gas supply shortfalls as early as 2023.<sup>4</sup>

A planned transition away from networked fossil gas to electrification will reduce risks and costs to households and enable households to best meet their current and future energy needs in a clean, affordable, healthy and efficient way.

## Who uses gas and for what?

The natural gas market in lutruwita/Tasmania is relatively small and constrained by a distribution network with limited reach. A low take-up rate for fossil gas and limited expansion of the distribution network has ensured electricity remains the primary fuel source in lutruwita/Tasmania.

There are around 13,500 residential gas customers with the distribution network passing around 60,000 homes. These figures are well short of initial projections for the Tasmanian Natural Gas Project that planned a distribution network passing 100,000 homes.

Residential customers use natural gas and liquid petroleum gas (LPG) for space heating, hot water, cooking and fuelling vehicles. These needs can be met using clean energy, supplied by electricity produced from rooftop solar or Tasmania’s renewable electricity generation.

The use of fossil gases to meet our energy needs contributes significantly to increased greenhouse gas emissions. Household reticulated gas will not be the best option for households in a zero emissions energy system. The phase out of fossil gas use provides a real opportunity to transform household energy use in a way that benefits individuals, the community and the economy.

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<sup>3</sup> ReCFIT (2021), *Tasmanian Future Gas Strategy Discussion Paper*, Tasmanian Government, p3.

<sup>4</sup> ReCFIT (2021), *Tasmanian Future Gas Strategy Discussion Paper*, Tasmanian Government, p15.

## Outlook for gas

At the time the Tasmanian Natural Gas Project was commenced, it brought a cheaper fuel into Tasmania's energy market. However, affordability of gas is now an ongoing issue. As the Discussion Paper identifies, gas prices are higher in lutruwita/Tasmania compared to other jurisdictions and are expected to remain high.<sup>5</sup> In contrast, lutruwita/Tasmania has the lowest standing offer electricity prices in the country and there are projections for lower wholesale electricity prices in the short-term. Further, modelling shows the construction of Marinus Link would put downward pressure on wholesale energy prices across the National Electricity Market (NEM).<sup>6</sup>

Tasmanian households, in particular households on low incomes, are already struggling with high energy costs. Given gas supply uncertainty, high gas prices and the desire for clean energy sources, the outlook for fossil gas is not appealing for residential customers. A positive outcome for these customers is the phasing out of fossil gas and a planned transition to electrification generated by renewables.

Having a plan for this transition that starts immediately and enables a gradual transition over a decade, will reduce risks, costs and be less disruptive to households and the community.

The Tasmanian Government facilitated the development of the gas distribution network in lutruwita/Tasmania, contributing (in 2002 dollars) \$9.2 million towards the Stage 1 construction of a backbone network to foundation customers and \$46 million towards the Stage 2A rollout of the distribution network to 38,500 residential homes. A proposed Stage 2B rollout to extend the distribution network to front 100,000 residential properties was not progressed by the Tasmanian Government.

The present value of the Tasmanian Government's financial contribution to the construction of the gas distribution network is \$86 million.<sup>7</sup> Any further extension of the distribution network, such as proposed under Stage 2B, is not likely to occur without similar significant levels of government subsidy. Such a level of government investment would be much better spent supporting the transition from fossil gas and the expansion of renewables.

The Tasmanian Government is already transitioning some gas heating customers to electrification through its \$15 million public housing heating and energy efficiency initiatives. This Government program replaces inefficient direct electric heating and gas heating in public housing stock with energy efficient heat pumps. Such a program to install energy efficient heat pumps, powered by Tasmania's 100% renewable energy capability, should be expanded to support all residential gas customers to transition away from fossil gas.

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<sup>5</sup> ReCFIT (2021), *Tasmanian Future Gas Strategy Discussion Paper*, Tasmanian Government, p13.

<sup>6</sup> TasNetworks (2021), *How Do Customers Benefit from Project Marinus?*, Summary Report.

<sup>7</sup> The inflation rate in Australia between 2002 and today has been 55.49%, which translates into a total increase of \$30,628,285.83. This means \$55.2m in 2002 is equivalent to \$85.8m in 2021. The average annual inflation rate has been 2.23%.

## Decarbonisation pathway

As the Discussion Paper states, the global push to decarbonise is gathering pace and energy systems in Australia are looking to transition away from fossil fuels.<sup>8</sup>

An important consideration for the future of fossil gas is that the transition to renewable hydrogen or other gases for residential households will require initial blending which extends the life of fossil fuels. In some cases, achieving 100% renewable hydrogen will require upgrading networks. It will also require new appliances in households and may not be technically possible, or economically viable, at large scale.

lutruwita/Tasmania must continue to demonstrate its leadership in renewable energy and accelerate the transition away from fossil gas.

*Tasmania, as Australia's leading renewable energy state, has set a clear policy agenda that reflects its commitment to reducing carbon emissions, promoting renewable energy and transitioning away from fossil fuels.<sup>9</sup>*

Planning and implementing the transition for household energy systems to zero emissions must start now. Short and medium term actions required to reach this goal should be outlined in the *Future Gas Strategy*, with the objective of minimising affordability impacts on residential customers. To commence the transition away from fossil gas, a moratorium on both extensions of the gas network and new household connections to the existing gas network, should be considered.

Electrification is considered the most cost-effective transition for many users. In addition to reducing greenhouse gas emissions, it also offers the benefits of consumers not paying two (gas and electricity) fixed network/supply costs and electric appliances being more efficient and therefore cheaper to use for heating and cooking.

Given there will be a significant cost to consumers associated with the transition to a zero emissions energy system, the Tasmanian Government should invest in a program of energy initiatives to support Tasmanian households with transition and conversion costs. To ensure the transition is fair and inclusive, greater support should be provided to people on low incomes, particularly renters who may face additional barriers due to limited choice or control in their energy options.

Policies for consideration that support the electrification of homes could include:

- Subsidising energy efficiency retrofits that support upgrades to electric appliances.
- Mandatory energy efficiency standards in rental properties that support electrification.
- Tax rebates/incentives to landlords for replacing gas appliances with electric appliances.
- Access to no-interest loans to purchase new electrical appliances.
- Appliance (e.g. heating/cooling, cooking, hot water) replacement subsidies for people on low incomes.
- Implementing the *Household Energy Efficiency Program* – see Attachments.

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<sup>8</sup> ReCFIT (2021), *Tasmanian Future Gas Strategy Discussion Paper*, Tasmanian Government, p16.

<sup>9</sup> ReCFIT (2021), *Tasmanian Future Gas Strategy Discussion Paper*, Tasmanian Government, p16.

### **Household Energy Efficiency Program**

TasCOSS submitted a Budget Priorities Statement (BPS) in March 2021 that proposed a bold program of investment in household energy efficiency initiatives targeted to Tasmanians on low incomes. Our proposal for a *Household Energy Efficiency Program* would support households to replace fossil gas products with energy-efficient electric appliances, including space heating/cooling, hot water and cooking appliances.

This initiative will lower emissions, help to achieve the Tasmanian Government's renewable energy goals, create jobs, stimulate our economy in the post-COVID-19 recovery, improve the health and wellbeing of Tasmanians and importantly, save energy costs and reduce bills.

TasCOSS endorses the BPS provided in the Attachments.

### **Conclusion**

The fossil gas industry has an uncertain future due to the global push to decarbonise and growing support for renewable energy generation. The release into the atmosphere of greenhouse gases and ongoing gas supply and affordability issues, are making the switch to cheaper and cleaner renewables-based energy alternatives more attractive.

The pathway to a zero emissions energy system means getting our homes off gas. With Tasmania a leading renewable energy state, there are clear alternatives to fossil gas. All-electric homes powered by renewable energy are already accessible and are already saving residents money on energy bills.

TasCOSS is calling for a *Future Gas Strategy* that phases out fossil gas and supports households in the transition to electrification that leaves nobody behind. This means ending new gas connections, improving household energy efficiency and tackling the barriers to renewable energy-powered homes faced by renters and Tasmanians on low incomes.

Having a plan for this transition in the *Future Gas Strategy* will enable a gradual transition away from networked household gas, will reduce risks and costs and be less disruptive to households and the community.

The *Future Gas Strategy* should identify transition pathways and policy programs and initiatives that will achieve a zero emissions energy system by reducing fossil gas, decarbonising the gas sector and increasing renewables-based electrification.

If we are to meet our renewable energy, emissions reduction and climate action goals, planning and implementing the transition to a zero emissions energy system must start now as part of a *Future Gas Strategy*.

Reticulated fossil gas will not be the best option for households in a zero emissions future. The phasing out of fossil gas use provides a real opportunity to transform household energy use, while ensuring Tasmanians have access to an affordable, reliable and safe supply of energy.