



Tasmanian Council of Social Service Inc.

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# Draft Future Gas Strategy for Tasmania – TasCOSS Submission

*January 2023*



**INTEGRITY  
COMPASSION  
INFLUENCE**

## About TasCOSS

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TasCOSS' vision is for one lutruwita/Tasmania, free of poverty and inequality where everyone has the same opportunity. Our mission is two-fold: to act as the peak body for the community services industry in lutruwita/Tasmania; and to challenge and change the systems, attitudes and behaviours that create poverty, inequality and exclusion.

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.

Please direct any enquiries about this submission to:

Adrienne Picone

Chief Executive Officer

*Phone Number:* (03) 6231 0755

*Email Address:* [adrienne@tascoss.org.au](mailto:adrienne@tascoss.org.au)

## Background

Energy is an essential service fundamental to community, family and individual health and wellbeing, as well as a key driver of overall economic activity. TasCOSS' interest in energy policy is to ensure all Tasmanian households, regardless of their means, have access to an affordable, safe and reliable energy supply.

A “safe” energy supply also implies a clean energy system that is sustainable, low emissions and actively improves outcomes for individuals, the community and the environment. In a rapidly changing energy market that seeks to reduce greenhouse gas emissions and promote renewable energy, it is also crucial that we achieve a fair, fast and inclusive energy transition.

In our conversations with Tasmanians, TasCOSS is regularly told that energy costs are among the top cost of living pressures. This is an important reminder that the transition from fossil fuels to renewables is a key social justice issue because the impacts of climate change disproportionately affect people on low incomes. They are impacted by climate change first, worst and longest because they have fewer resources to cope, adapt and recover. Additionally, there are equity issues to consider in the energy transition as households on low incomes do not have the capacity – and households in private rental or public housing do not have the rights or incentives – to make capital improvements or adjustments to their living circumstances.

TasCOSS is committed to rapid, fair and inclusive action to transition from fossil fuels to renewables. We are looking to the Future Gas Strategy to outline the actions, targets and timeframes for a more affordable, healthier and reliable energy system. We also encourage the use of person-centred language that puts people first, for example, the use of “consumers experience vulnerability” (rather than “vulnerable consumers”).

## Introduction

TasCOSS welcomes the opportunity to comment on the *Draft Future Gas Strategy for Tasmania* (Draft Strategy). We note the Draft Strategy raises a number of concerns regarding reliability of access to reasonably priced gas for residential customers and contains insufficient action to support customers on low incomes or experiencing vulnerability through the energy transition.

*There are also vulnerabilities and uncertainties related to the structure of Tasmania's gas industry and developments in the broader Australian and international gas markets. Tasmania is a small gas market that lacks economies of scale and, with no local gas reserves, is dependent on imported gas at a time of high global gas prices and forecasts of potential future supply shortages in southern Australia.<sup>1</sup>*

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<sup>1</sup> Renewables, Climate and Future Industries Tasmania (2022), *Draft Tasmanian Future Gas Strategy*, Tasmanian Government, p1.

The Draft Strategy highlights higher gas prices in Tasmania compared to the mainland, a significant upward trend in prices over the past decade and domestic spot prices at record high levels.<sup>2</sup> It provides a stark warning to households about access to reasonably priced gas and future supply shortages<sup>3</sup>. It also highlights the barriers for households seeking to transition to cleaner, more affordable, electrification.

## Key Issues

### ***The Future of Gas in Tasmania***

TasCOSS notes the aim of the Strategy is *“to help gas market participants make informed choices and investment decisions at a time when the industry is facing a period of rapid transition related to global efforts to decarbonise, the development of new renewable energy sources and changes in the broader Australian and international gas markets.”*<sup>4</sup>

TasCOSS supports the Draft Strategy position that *“Tasmania, as Australia’s leading renewable energy state, has set a clear policy agenda to reduce greenhouse gas emissions, promote renewable energy and transition away from fossil fuels.”*<sup>5</sup>

The gas price and supply factors identified in the Draft Strategy and highlighted above, point to an immediate need to transition away from fossil gas. The Future Gas Strategy must support and encourage households, in particular households on low incomes, to switch to electrification that utilises Tasmania’s *“abundant competitively priced, reliable and renewable energy”*<sup>6</sup>.

The Draft Strategy points to the example of the Victorian Government’s pathway to net zero, that includes the release of a Gas Substitution Roadmap with a strong emphasis on reducing fossil gas consumption through energy efficiency and electrification. The Roadmap includes several initiatives to assist households and small businesses to replace gas appliance with electric alternatives, including rebates and incentives to support efficient, electric homes. A new initiative in the Roadmap is a \$1.3 billion solar homes program to support 778,500 households to transition from fossil gas to electrification.

On a per capita basis, a similar program for Tasmania would equate to an investment of \$112 million and support more than 67,000 households to install solar PV panels, solar hot water and electric heat pumps, or battery systems at home. TasCOSS encourages the Tasmanian Government to consider investment of this scale to support Tasmanian households on low incomes with energy efficiency upgrades and electrification.

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<sup>2</sup> Ibid, p8.

<sup>3</sup> Ibid, p1.

<sup>4</sup> Ibid, p1.

<sup>5</sup> Ibid, p10.

<sup>6</sup> Ibid, p11.

***Recommendation: The Tasmanian Government develops a gas substitution program for households on low incomes that removes barriers for fossil gas users converting appliances and switching to efficient, renewable electrification.***

TasCOSS acknowledges the role of fossil gas in some industrial processes given the current lack of alternative, substitute, renewable fuels. In this regard, we support the decarbonisation pathways in the Draft Strategy and Government actions that support industry to transition to renewable gases.

While the Draft Strategy suggests the decarbonisation pathway and stages of transition timeframes are uncertain, we encourage the Tasmanian Government to be bold and set clear targets and timeframes that will provide certainty to the energy market, guide industry and investment decisions, influence government action and consumer behaviour, speed up the transition and ensure fossil gases are removed from our economy and environment as soon as possible.

***Recommendation: The Future Gas Strategy outlines clear targets and timeframes to guide fair, fast and inclusive action to transition from fossil fuels to renewables.***

### ***The Vision for Gas in Tasmania***

The Tasmanian Government's view is that fossil gas will continue to play a role in Tasmania's energy mix for some time to come, pending the further development of suitable and affordable alternative renewable fuel sources.<sup>7</sup> The Draft Strategy further states the Government will not consider mandates or moratoriums as a consequence of there being limitations to current alternatives.

While TasCOSS agrees that for some large commercial operations there is not yet a viable alternative to gas, it is not the case for households as electrification provides a more efficient, cheaper and lower emissions alternative to fossil gas. Household energy needs for space heating, hot water, cooking and even vehicles can be met using clean energy supplied by electricity produced from rooftop solar or Tasmania's renewable electricity generation.

This presents an opportunity for the Government to adopt differentiated transition strategies for households and business, enabling moratoriums on household connections, a timeline for phasing out fossil gas for residential use and a faster transition to electrification for households.

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 electrification of homes is 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 fossil gas from household use over the next decade will be a positive and significant step towards eliminating greenhouse gases.

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<sup>7</sup> Ibid, p15.

Just as the Draft Strategy recognises that gas-reliant industries will require government help to develop and adopt new technologies and actively support the transition away from fossil gas to renewables<sup>8</sup>, so too will households require government assistance in the transition to electrification.

### **Government Actions**

#### **Action 1 – Supporting consumer choice: No mandates or moratoriums against new natural gas connections**

TasCOSS does not support Action 1 in regard to households. Mandates or moratoriums relating to new residential natural gas connections and planning for the phasing out of fossil fuels are not antithetical with supporting consumer choice. Being transparent with consumers about the plans, actions, timeframes and cost of transition away from fossil fuels, together with investments in electrification, will empower consumers and support consumer choice.

We encourage the Tasmanian Government to adopt differentiated strategies for residential, business and industrial users and commence the planning and implementation of the transition from fossil gas to renewables now.

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 short and medium term decisions required to reach longer term targets should be implemented now, in order to minimise the risk of immediate and future price impacts on consumers.

Renewable alternatives to fossil gas use for residential customers are already available and more affordable than gas. The phasing out of fossil gas use for households provides a real opportunity to transform household energy use in a way that benefits everyone. To provide certainty for industry and residential customers, and to support and accelerate the transition away from fossil gas for households, the Government must introduce a moratorium on new household gas connections and a timeframe for the phasing out of fossil gas for residential use.

***Recommendation: The Tasmanian Government introduces a moratorium on new gas connections for residential customers and a ten-year timeframe for the phasing out of fossil gas for residential use.***

#### **Action 6 – Supporting energy efficiency**

The average energy efficiency rating of existing homes in Australia is only 1.7 stars. This compares to the 7 star standard required for new housing construction in the *Ministerial Statement of Expectations* for the new Homes Tasmania housing authority.

The energy efficiency of housing in Australia is so poor that people on low incomes, especially those who rent, are getting sick or dying because they can't reduce their energy use or install retrofits to keep their home warm in winter or cool in summer. Housing with poor energy efficiency performance increases health risks, especially for residents experiencing vulnerability and during extreme weather

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<sup>8</sup> Ibid, p16.

events. Tasmanians are putting their health and wellbeing at risk when making choices between going without heating or cooling to save money, or foregoing food or medication to pay their energy bills.

Improving the energy performance of housing has multiple benefits for people, the community, the electricity grid and governments. State governments around Australia are making significant investments in enhancing the energy performance in residential housing, including the Tasmanian Government through its \$15 million initiative for public housing heating and energy efficiency initiatives.

In announcing this investment, the then Treasurer confirmed that energy efficiency initiatives “*ease the cost of living pressures for our public housing tenants*”<sup>9</sup>, with the then Minister for Housing reiterating that public housing energy efficiency initiatives will “*ease the cost of living pressures for tenants, reduce emissions and create jobs.*”<sup>10</sup>

TasCOSS welcomes the recognition in the Draft Strategy that improving energy efficiency is an important way to take control of energy usage and reduce energy bills, especially in the current environment of rising energy prices, increasing energy debt and cost of living pressures.

We also welcome the investment the Tasmanian Government is making through the No Interest Loan Scheme (NILS) and Energy Saver Loan Scheme (ESLS) to support energy efficiency upgrades. However, there is inequitable access to these programs, in particular for households on low incomes and those in rental properties.

The NILS and ESLS are not viable options for households unable to withstand the financial pressure of additional debt and repayments. This is a growing number of households, as demonstrated by the 30% increase in households in energy debt in the past 12 months and 77% increase since COVID-19.<sup>11</sup>

Additionally, in most cases these schemes are not appropriate for renters living in private rental or public housing as they do not have the rights or ability to install permanent upgrades such as draught reduction, heat pumps or insulation. They are at the mercy of landlords to act and make capital improvements or adjustments to their living circumstances.

Equitable access to energy efficiency products and initiatives is an important consideration to ensure the health and wellbeing benefits, energy savings and lower bills are available and accessible to Tasmanians who rent or who are on low incomes.

Tasmanians’ energy bills are mounting in the wake of surging energy prices and cost of living pressures. The case for investment in household energy efficiency measures has never been stronger. A rapid uptake of household energy efficiency will:

- ease cost of living pressures by immediately reducing energy bills;
- help prevent energy hardship;

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<sup>9</sup> Hon Peter Gutwein MP (2020), *2020/2021 Budget Speech*, House of Assembly, 12 November 2020.

<sup>10</sup> Hon Roger Jaensch MP (2020), *Record investment in housing continues to help vulnerable Tasmanians*, Tasmanian Government media release, 12 November 2020.

<sup>11</sup> Australian Energy Regulator 2022, [Retail energy market performance updates](#).

- create jobs and economic stimulus;
- reduce emissions and help achieve Tasmania's renewable energy goals; and
- improve health and wellbeing.

The importance of household energy efficiency is coming into stark focus as a result of rising energy prices. Significant investment is needed to improve the energy efficiency of households on low incomes, together with the implementation of minimum energy efficiency standards for rental properties, in order to support the transition to renewables, guard against rising energy costs and provide for healthier homes.

***Recommendation: The Tasmanian Government introduces mandatory minimum energy efficiency standards in rental properties that support electrification.***

#### Action 7 – Help low-income and vulnerable consumers to transition

TasCOSS welcomes the acknowledgement in the Draft Strategy that consumers on low incomes or experiencing vulnerability require additional support to transition, due to:

- the upfront cost of switching appliances and fuel sources being a barrier to uptake; and
- the inability of renters to make energy efficiency improvements that are the responsibility of the landlord.<sup>12</sup>

The Draft Strategy further states:

*“The Government will continue to explore options to support vulnerable households to transition to lower emissions fuel and build on its current initiatives such as the No Interest Loans Scheme (NILS) and funding for energy efficiency improvements to Tasmania's public housing.”<sup>13</sup>*

TasCOSS urges the Government to explore the electrification of homes through a bold investment in efficient electric appliances, thermal efficiency, and solar upgrade programs for households on low incomes. This investment should be supported by legislation that introduces mandatory minimum energy efficiency standards in rental properties.

The Australian Government is acting on the need to help electrify the homes of people on low incomes by agreeing to a funding package in the next federal budget, which is in addition to its market intervention to cap gas prices.

Supporting the electrification of housing for Tasmanians on low incomes will assist them to move away from using fossil gas for their heating, hot water and cooking. It will also deliver longer-term savings as gas appliances are inefficient to run compared to electric appliances and households will no longer need to pay for two energy network costs.

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<sup>12</sup> Renewables, Climate and Future Industries Tasmania (2022), *Draft Tasmanian Future Gas Strategy*, Tasmanian Government, p21.

<sup>13</sup> Ibid, p21.



In TasCOSS' 2021/22 Budget Priorities Statement, we proposed a bold program of government investment in household energy efficiency initiatives targeted to Tasmanians on low incomes.<sup>14</sup> We encourage the Tasmanian Government to explore our proposal for a Household Energy Efficiency Program and options to support households through investments in energy efficiency upgrades for social housing, low-income owner-occupier homes and rental properties.

Tasmanians on low incomes are very vulnerable to increased energy costs because they spend significantly more of their income on energy bills compared to higher income households. They are also more likely to live in poor quality housing and rely on inefficient appliances, meaning they need to use more energy to power their household. And without the capacity to invest in more energy efficient homes and appliances, they are also highly vulnerable to even small price increases.

***Recommendation: Tasmanian Government undertakes a bold investment in efficient electric appliances, thermal efficiency, and solar upgrade programs for households on low incomes to encourage and support the transition from fossil gas to renewables.***

#### Action 11 – Reviewing the gas strategy within five years

As the Draft Strategy states, the global energy system is in a period of unprecedented change. In recent years, households have experienced a number of unforeseen shocks including a global health pandemic, cost of living crisis and surging energy prices.

During this period of rapid change and significant challenge for households, TasCOSS considers a review within two years is more appropriate than five years to ensure the strategic direction keeps pace with the rapidly changing gas and energy markets.

***Recommendation: The Tasmanian Government undertakes a review of the Tasmanian Future Gas Strategy within two years.***

## Conclusion

The Draft Strategy delivers a stark warning to households of the need to transition out of fossil gas as soon as possible, due to concerns regarding escalating gas prices, forecast supply shortages and its contribution to greenhouse gas emissions. There are viable alternatives to fossil gas available to households that are renewable, more efficient, cheaper and lower emissions.

The Draft Strategy also highlights the need to address the major barriers for consumers to transition from fossil gas to renewables, in particular to support households on low incomes and customers experiencing vulnerability. Government investment is required to electrify the homes of people on low incomes by investing in efficient electric appliances, thermal efficiency and solar upgrade programs, as well as supporting renters that have limited ability to influence the energy efficiency of their homes.

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<sup>14</sup> TasCOSS (2021), [Household Energy Efficiency Initiatives: creating jobs, stimulating our economy and lowering power bills](#), 2021/22 Budget Priorities Statement.

The pathway to a low emissions energy system can start with getting our homes off fossil gas. All-electric homes powered by renewable energy are already accessible and are already saving residents money on energy bills. The decarbonisation pathway outlined in the Draft Strategy lacks clear targets and timeframes for the transition away from fossil gas. These are necessary in order to:

- provide certainty to the energy market;
- provide certainty to industry and guide investment decisions;
- influence government action and consumer behaviour; and
- speed up the transition to ensure fossil gases are removed from our economy and environment as soon as possible.

The final strategy requires additional actions by the Tasmanian Government to ensure a fair, fast and inclusive transition from fossil fuels to renewables. TasCOSS is calling for a Future Gas Strategy that supports households in the transition to electrification that leaves nobody behind. This means phasing out fossil gas, improving household energy efficiency and tackling the barriers to renewable energy-powered homes faced by renters and Tasmanians on low incomes.

## Recommendations

### Recommendation 1:

The Tasmanian Government develops a gas substitution program for households on low incomes that removes barriers for fossil gas users converting appliances and switching to efficient, renewable electrification.

### Recommendation 2:

The Future Gas Strategy outlines clear targets and timeframes to guide fair, fast and inclusive action to transition from fossil fuels to renewables.

### Recommendation 3:

The Tasmanian Government introduces a moratorium on new gas connections for residential customers and a ten-year timeframe for the phasing out of fossil gas for residential use.

### Recommendation 4:

The Tasmanian Government introduces mandatory minimum energy efficiency standards in rental properties that support electrification.

### Recommendation 5:

Tasmanian Government undertakes a bold investment in efficient electric appliances, thermal efficiency, and solar upgrade programs for households on low incomes to encourage and support the transition from fossil gas to renewables.

### Recommendation 6:

The Tasmanian Government undertakes a review of the Tasmanian Future Gas Strategy within two years.