18th January 2022

Renewables, Climate & Future Industries Tasmania
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Via email: renewableenergy@stategrowth.tas.gov.au

TMEC
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Dear Sir or Madam,

Reference: Tasmanian Future Gas Strategy Submission

The Tasmanian Minerals, Manufacturing and Energy Council (TMEC) welcomes the opportunity to provide input to a future Gas Strategy for Tasmania.

About TMEC

TMEC's membership base represents an important wealth creating sector within the Tasmanian economy.

The combined minerals and manufacturing sector employs 21,000 people and contributed $2.7B in exports as of the 12 months to October 2021. Most of our members are based in regional areas of Tasmania and therefore provide critical employment opportunities away from public funded employers.

Minerals exports alone account for 64.3% of Tasmania's commercial exports and is the foundation stone of many regional communities with 5,600 direct jobs. **Importantly, the industry has the potential to increase mineral volumes as well as manufactured goods exports and thereby increase the value created within the Tasmanian economy.**

A key enabler to any long-term growth in our member industries is access to reliable and affordable energy options that are consistent, in both application and delivery, and acceptable as a means of reducing carbon emissions. Natural Gas remains a viable and important option in these regards that can be adopted and expanded in use for commercial and residential purposes, however many factors need to be considered for this to occur including pricing, infrastructure investment and incentivisation for expanded uptake.

TMEC is pleased to provide the following detailed response to the proposed framework for a Gas Strategy for Tasmania, including detailed input in relevant areas of importance for our member industries:

Drivers influencing our gas industry

1. *What factors do you think the need to be considered in developing a strategy for the future of gas in Tasmania?*

    a. Security of supply with pricing predictability.

    b. Australia's domestic strategy for balancing supply and demand of gas which in turn impacts price and affordability needs to be considered.

    c. What is the future of Natural Gas in relation to Tasmania's zero emissions target by 2030?

    d. What potential exists to decarbonise gas through blending in zero / low carbon additives or to replace using bio-methane.

    e. Acknowledgement some Tasmanian commercial or industrial gas consumers have critical production processes which electrification is not a viable alternative. These processes are amongst the most efficient use of carbon fuels. Consumers that use gas for heating purposes, when the current alternative is to revert to diesel or bunker fuels which would not only increase cost to the consumers and increase emissions which is in contradiction to the decarbonisation plans for consumers and the State Government Targets.

    f. Tasmania's current net gas consumption is too low to drive the optimum market settings for competition. Attracting more industrial and or commercial gas consumption loads to Tasmania will contribute to improved security and price settings. With several current project proponents considering Tasmania as a destination for further mineral processing, gas is likely to be a fuel needed and therefore the strategy needs to be conducive to these needs.

    g. The potential for Hydrogen production in Tasmania presents an opportunity to leverage the volume, the potential new consumers against the existing gas network as well as extending the network to provide options to other locations in Tasmania.

2. *What changes are you, or members of your industry, observing related to global and domestic market settings for fossil fuels that could potentially impact on the outlook for gas in Tasmania?*

    a. As more gas is exported, demand is outstripping supply and as such not only is cost increasing as seen in contract negotiations or spot market pricing, but producers are not making as much gas available in the market.
    b. The domestic market pricing is being set against the global market demand and hence Tasmania's small demand compared to other consumers means no market forces in play to drive prices down.
    c. Reduced gas exploration is evident and drives alternate business decisions
    d. Natural Gas, being a fossil fuel will be phased out over many years however no alternate is currently possible at a reasonable price.
    e. Community sentiment to any carbon-based energy source results in unrealistic expectations on gas consumers.

Who uses gas and for what purpose?

3. *If you use gas in the home, what do you use it for? Are you connected to the natural gas network, or do you have LPG delivered?*

    a. N/A

4. *If you are a business that uses gas, what industry are you in? What do you use gas for?*

    a. Large consumer members use gas typically for heating in their process. This could be in holding furnaces to keep products in liquid form until it is solidified to make final product. Another use is to

provide heat to liquefy solid products that are the used to make other manufactured finished products.

b. Large volumes used to drive product up to a specified temperature to let chemical reaction take place, altering product characteristics to add value to product.

c. Typical other uses are heating of water, buildings

5. *Are your gas appliances coming up for replacement? Are you considering switching to electricity or another alternative?*

a. Yes, appliances are always due for replacement due to age, upgrades, or major statutory inspections. Switching to Electricity is not considered an alternative due to being more expensive alternative, not only in the cost of unit comparison for the same amount of heat intensity, but the maintenance and downtime costs of electricity products are higher. Switching to an alternate like Diesel, Bunker Fuel or Synthesised Natural Gas all are more expensive and increase emissions to businesses which is not aligned with the Tasmanian Government zero emissions target by 2030.

b. There has been no indication from suppliers nor the government that gas supply is at risk, so no motivation to consider alternatives.

c. This question brings rise to a question of should an alternative be considered like electricity, is their enough available to supply the needs. Same question would be present around diesel fuel or liquefied petroleum gas supply availability in Tasmania.

d. Ammonia, Methanol or Hydrogen have started to be considered, both as carbon reduction mechanism and as a gas replacement. However very early in this thinking process as none of these products are currently available yet is reasonable to expect will be an alternative in the future. A risk here is also the volumes required to replace NG for industrial customers.

Future outlook for gas

6. *What do you see as the key opportunities and concerns as a gas user in Tasmania?*

a. Short- and Long-Term supply are the main concerns. Opportunities are the alternatives as supply of gas is shown to be reducing, being heavily influenced by the global exports that occur.

b. Key opportunity for short term is to lobby the Commonwealth and have domestic gas supply separated from export gas and effectively quarantined for use of all domestic consumers.

c. A key opportunity is to promote gas as a product, use it to attract new manufacturing businesses to the state.

d. A key concern is no priority is being shown from state government in relation to ensuring gas supply certainty and for many years into the future.

e. The concern around supply is evident by what appears to happen frequently in relation to transportation contracts of gas from Victoria to Tasmania. This should be a long-term contract not short term. This alone impacts business confidence who currently use gas and for potential future gas users.

f. Utilising Tasmania's existing bio waste together with potential hydrogen production to promote Tasmanian gas as being "green". Creating the product which fits the brand, can be a reason why interstate businesses relocate to Tasmania.

7. *What is your view on the outlook for the pricing of gas in Tasmania?*

a. It is becoming expensive and as mentioned prior directly related to producers making decisions to supply ether domestically or globally.

b. Gas pricing increases will cause businesses to reconsider their viability.

c. As gas pricing like transmission, long term contracts are not on offer. This also causes businesses to not make long term investment decisions,

8. *Given the forecast supply shortfalls and reliance on importing gas, do you think there is any risk of supply of gas from mainland Australia?*

a. Yes, as producers decide where their gas is sold to.

b. The Government ensure for example how much fuels are stored in Tasmania should that supply chain be impacted; however, Gas is not treated the same. This alone will suggest a belief that a real risk does exist.

9. *If natural gas was unavailable in Tasmania, what would you do? Would you be considering moving to LPG, or to another alternative?*

a. Majority of member businesses would shut down. The importance of gas to businesses is as important as other raw inputs, like electricity as an example.

b. Most major users of gas previously did the conversion from diesel, bunker fuels, and electricity for better commercial outcomes. In doing so significant investment was made to convert over, so moving to an alternate would create a significant investment, cost increase and a negative impact on the environment other than electricity source.

c. Ammonia, Methanol and Hydrogen is being considered as not much change to the gas appliances is required to use this source, however this is very early days in this process.

A decarbonisation pathway

10. *Should Tasmania be transitioning to a decarbonised gas network?*

a. Yes, it should, with a defined timeframe so all consumers are aware of the plan and the alternate fuel sources well known and understood.

11. *If Tasmania is to transition to a decarbonised gas network what should the transition pathway look like?*

a. Needs to be one of consultation first and foremost. Should be Government lead with involvement from users, suppliers, and industry experts.

b. Guarantee of supply of gas needs to be assured in any transition. Given current projections suggest Hydrogen production costs will not be commercially competitive until 2030, it is critical the Tasmanian Gas Strategy acknowledges and includes clear actions to ensure a competitive supply of natural gas remains until an alternative becomes available.

c. When an emerging industry like Ammonia is established and the cost is at a comparable level, this should be appropriate time to switch.

d. In terms of alternate products, a priority should be given which would minimise the modifications needed to gas burning equipment and processes to utilise a de-carbonised alternate gas. The more the need for modifications, the less likely the new alternate will be adopted.

12. *Would a switch to a renewable fuel need to be cost-equivalent or would you be willing to pay more for a carbon free fuel?*

a. It will need to be cost equivalent relative to the time it was introduced.

b. Incentives could be provided to switch, which may make it cost comparable.

13. *What risks do you see with decarbonising the Tasmanian gas network (technical, economic, social)?*

    a. Consumers will not have equipment that can operate of the alternative, will not be possible to invest in changing equipment for the new fuel source.

    b. Commercial and industrial gas consumers may have invested years of continuous improvement to optimise their product quality with respect to their gas use. It is important to recognise some material risks exist to move from one energy source to another. Any protections and support which can be made available to de-risk the changeover will be critical.

    c. Legislative challenges, training, and materials to transport, store and utilise emerging NG replacement options (Ammonia, Hydrogen, etc.)

14. *If you are a commercial gas user in Tasmania that would not be able to switch to renewable alternatives, what are the key barriers?*

    a. If switch to electricity will not provide the adequate heat to be able to operate processes. Certain parts of plants have been designed previously for diesel or bunker fuels and electricity is not a suitable alternative.

    b. Some current gas equipment may not be able to be modified to use the renewable alterative and the cost to replace equipment may not be a viable decision for the business.

15. *What is the role for the Tasmanian Government in a decarbonisation transition for the gas sector? What should the Government's priority measures be?*

    a. Acknowledge decarbonised gas could be a competitive advantage and have a clear strategy and direction for Tasmania.

    b. Work with users, suppliers and industry experts as has occurred with this working group.

    c. Priority one is to do what it can to ensure security of gas supply is maintained and what it can do to ensure users have some pricing certainty.

    d. Work at the Commonwealth level to gain an Australian alignment around domestic supply certainty and what a national transition looks like.

    e. Promote bringing new manufactures to the State that use gas, or the new replacement options, in their business.

In conclusion, TMEC remains committed to a viable and robust Gas Strategy for Tasmania that recognises the energy needs of industry and reflects the ongoing focus areas of government that includes a commitment to reducing carbon emissions and appropriate energy pricing and delivery.

We look forward to working with all key stakeholders to achieve these outcomes.

Yours sincerely,

Ray Mostogl
Chief Executive Officer