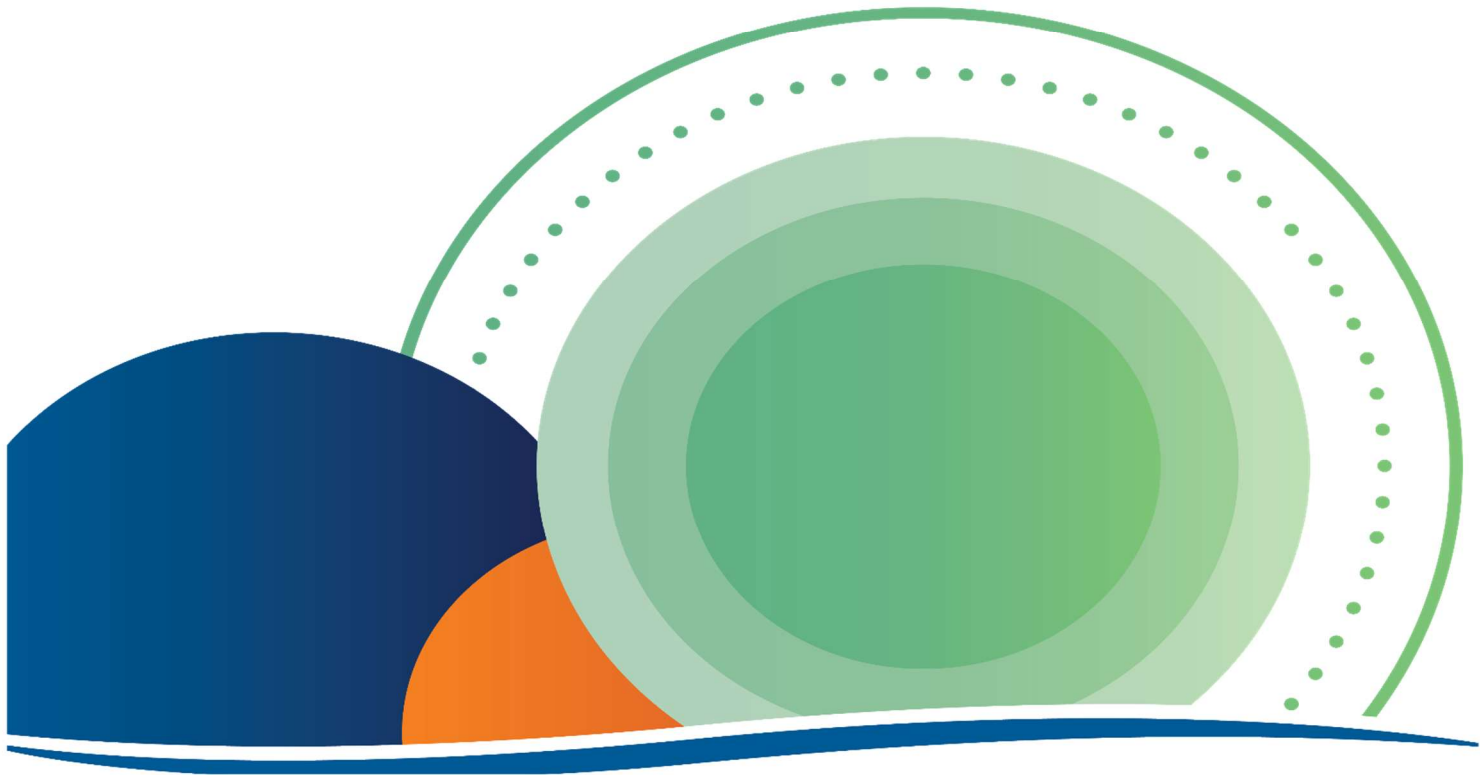


# DRAFT TASMANIAN FUTURE GAS STRATEGY

## SUMMARY OF FEEDBACK



# **SUBMISSIONS**

## **Climate and Environmental groups**

- Tasmanian Climate Collective (TCC)
- Green Building Council of Australia (GBCA)
- Climate Tasmania (CT)
- Clean Energy Council (CEC)
- Energy Efficiency Council (EFC)
- Environmental Defenders Office (EDO)

## **Gas consumers**

- Tasmanian Council of Social Services (TasCOSS)
- Tasmanian Minerals, Manufacturing & Energy Council (TMMEC)
- Tasmanian Small Business Council (TSBC)

## **Gas industry representatives and infrastructure providers**

- Energy Networks Australia (ENA)
- Australian Pipelines & Gas Association (APGA)
- APA
- Gas Energy Australia (GEA)
- Tas Gas

## **Investors in emerging renewable industries**

- Fortescue Future Industries Pty Ltd (FFI)
- LMS Energy Pty Ltd (LMS) (confidential)
- Bioenergy Australia (BA)
- 4C Energy Pty Ltd (4C)

## Summary

There was strong support for the Draft Future Gas Strategy (Draft Strategy) across stakeholders.

While all stakeholders supported in principle the decarbonisation of Tasmania's gas industry, there were differing views about the transition path to renewable alternatives and how urgent a priority this should be.

Gas users, industry and infrastructure providers were generally more supportive of the approach taken in the Draft Strategy than the climate and environmental groups and household energy consumers.

Industry generally supported the position that the continued availability of natural gas is important to both Tasmania's economic and emissions-reduction objectives, pending the further development of suitable and affordable alternative renewable fuel sources.

Climate and environmental groups and some investors in renewable energy however, supported an immediate transition away from natural gas arguing the Draft Strategy lacked urgency and did not go far enough to achieve our emission reduction goals.

### **Pathway to decarbonisation and the ongoing role of gas in our energy mix**

Industry stakeholders, gas users and network providers generally supported a steady phasing-out of fossil gas, to be shaped by the rate of technology development and improvements in the production and transport of alternative renewable fuels.

Concerns remain around the cost of the transition with gas users indicating that any significant costs worn by businesses would have to be passed on to customers, and if this was not possible, businesses would be forced to scale back operations or close down entirely.

These stakeholders agreed gas should remain as part of the energy mix until there is a viable alternative renewable fuel and saw gas playing an important role in supporting the transition to renewables.

TMMEC noted that this is particularly important as technology in renewable replacement fuels is realistically only in research and pilot phases with commercially viable alternatives being sometime off.

Stakeholders argued that any attempt to rapidly transition away from gas would achieve limited reductions in Tasmania's emissions but risked imposing significant costs on gas users and the economy which could in turn impact employment.

Climate and environmental groups and TasCOSS however argue that this approach lacks urgency and detail and the final Strategy should set out a clear plan with targets and timing for the phasing out of the use of fossil fuel gas and methane.

These stakeholders argued that gas should be phased out as soon as possible. The Clean Energy Council saw opportunities for Tasmania to leverage its existing position as a

renewable energy powerhouse to completely, or almost completely, phase out the use of fossil gas by 2030.

TasCOSS, while acknowledging that for some large commercial operations there is not yet a viable alternative fuel, supported an immediate transition away from fossil gas for households.

Almost all stakeholders saw the inclusion of timelines and targets as critical to providing certainty to the gas industry and would allow households and business to make better decisions on their fuel choice.

While industry stakeholders tended to be more supportive of a gradual transition aligned with the availability of renewable alternatives, they similarly saw the development of precise timings for the transition as being important. Stakeholders submitted that it would allow gas users and the industry more broadly to better plan and make informed decisions. Some stakeholders went further, arguing that without them, Tasmania would miss out on opportunities to attract new business.

### **Electrification vs renewables gases**

#### ***Electrification***

Some stakeholders argued that there was not a sufficient focus on electrification in the Draft Strategy and it should be pursued more strongly.

Climate and environmental groups and TasCOSS argue that while electrification may not be the right solution in some limited circumstances, it is the right solution for households and most businesses. Electrification provides a more efficient, cheaper and lower emissions alternative to fossil gas and is a solution that is available now for many users.

The CEC similarly submits that electrification remains the best fuel switching option and it should play the dominant role for homes and businesses, and can play a material role in the industrial sector, supported by emerging renewable fuels only where required (eg. high-temperature process heat).

In further support of this, stakeholders argued that hydrogen remains significantly more expensive than gas and cannot physically be more energy efficient or cost effective than direct electrification. With respect to bioenergy and biomethane the CEC observes that there remains substantial work to scale up to meet business needs and address environmental and social licence concerns.

It was submitted that for households the main issue is cost of conversion, rather than technical barriers. TasCOSS argued that the Government should provide some support in this regard, particularly to help low income consumers to convert to electricity.

#### ***Renewable gases***

Some stakeholders argued that renewable gases will be critical to achieving a decarbonised gas industry in Tasmania and the Government will have an important role in their development.

Stakeholders suggested that renewable gas industries are set to grow very quickly and the Government should work to capitalise on the range of benefits to Tasmania of producing and using renewable gases which would accelerate the transition.

Stakeholders such as 4C Energy argue that Tasmania is the only state that has the dispatchable renewable generation capacity available to be able to reliably deliver 100 per cent renewable energy and has high capacity factors which are critical to the economics of renewable gas production.

TMMEC and 4C further suggested that, renewable gases produced in Tasmania could be exported to the east coast gas market, noting that the majority of the required infrastructure to access the emerging markets for renewable gases is already established.

ENA and APGA noted that on-island generation of renewable gases will increase energy security and could create a buffer for Tasmania against price and supply fluctuations.

GEA argues that a technology-neutral approach is preferable and will enable new renewable gases to play a leading role in Tasmania's future energy mix, increasing diversification of Tasmania's energy supply.

Industry submissions were in general more supportive of the move towards alternative, renewable fuel sources than environmental and consumer groups.

### **Benefits of pursuing options that retain existing gas infrastructure**

While some stakeholders argued that we should electrify gas use in all appropriate cases, some stakeholders submitted that there are advantages in focussing on fuels that can utilise the existing gas infrastructure. APA submits that gas infrastructure plays a critical role in helping maintain system security and will help unlock low-cost renewable generation capacity.

APA argues that repurposing gas pipelines, or developing new pipelines, to transport hydrogen as energy has proven to be more cost-efficient in comparison to developing the necessary transmission.

Tas Gas submitted that its distribution pipeline provides an efficient and effective way to move energy in the form of gas no matter whether that gas is natural gas, hydrogen or biogas.

In contrast to industry submissions, environmental and consumer groups focussed more on the challenges inherent in repurposing existing gas pipelines.

The EEC, for example, sees a risk in looking to retain or expand the existing network to carry renewable gases. It argues that the current prospects for using gas networks to carry either 100 per cent biogas or hydrogen are extremely poor, based on the costs and availability of those fuels, and substantial upgrade costs if networks are intended to carry hydrogen.

Other submissions focussed on the potential financial impacts for Tasmania. The EDO, for example, argues that the existing gas pipeline network will soon become a stranded asset and should not be retained as part of the decarbonisation transition.

## Households vs commercial and industrial users?

A number of stakeholders including TasCOSS argued that the Government should adopt differentiated transition strategies for households and business.

Most stakeholders acknowledge that for some large commercial operations there is not yet a alternative fuel (including electrification) that can act as a viable substitute for natural gas. Consensus was not as strong regarding household or small business usage, but submissions generally acknowledged that electrification already provides a more efficient, cheaper and lower emissions alternative for them to fossil gas.

TCC were critical of the Strategy approaching the transition pathway in terms of gas consumers as a whole and considered it was an attempt to maintain customers to keep “a critical mass of customers (under the guise of “consumer choice”)” for the benefit of the few gas-reliant users.

As a result, stakeholders expressed the need for the Government to differentiate between the pathway, timeframes and targets for households and those for business and industry when outlining how it sees the future of natural gas in Tasmania,

TasCOSS and Climate and environmental groups submitted that this would allow for a more rapid transition for households from fossil gas and it would allow the Government to:

- more easily consider an immediate moratorium on household connections;
- set more specific targets and shorter timeframes for phasing out of fossil gas for residential use;
- provide more targeted government support; and
- achieve a better overall outcome for Tasmanians.

## Government Actions Supporting the Transition

Most stakeholders recognised the challenges for Government in implementing decarbonisation pathways while ensuring the measures do not adversely impact on economic growth and employment in their regions.

The majority of stakeholders suggested that some additional or extended government measures would improve the effectiveness of the Strategy.

### ***Action 1. No mandates or moratoriums against new natural gas connections***

The gas industry, gas users and investors in renewables all tended to support the Government’s position against the introduction of mandates or moratoriums.

Climate and environmental groups and TasCOSS however do not support this action and argue that there should be a moratorium on new gas connections.

It was submitted that allowing new consumers to connect to gas will unnecessarily prolong the transition to other renewable energy options and will ultimately increase transition costs (for example, by allowing additional investment in gas infrastructure or appliances which will have to be replaced or made redundant).

### ***Action 2. Continuing to support the development of green hydrogen***

Most stakeholders agree that the Government should continue to have an ongoing role in supporting the establishment of commercial hydrogen and renewable gas industries in Tasmania.

Some stakeholders did highlight that hydrogen may only end up being used in limited applications and some caution might be exercised in terms of how much support the Government provides to this nascent industry.

### ***Action 3. Supporting the development of Tasmania's domestic bioenergy and biogas industries***

There was strong support for the development of bioenergy and biogas particularly amongst investors but also across gas users and network providers.

It was submitted that biogas and biomethane are a strong option for early uptake, due to the significant existing biogas sources in Tasmania and the significant cost advantages in its production over hydrogen.

In addition to the Government's current work in this space, stakeholders such as Bioenergy Australia suggest that the Government:

- align any additional funding to the Bioenergy Vision with the release of the Strategy;
- identify opportunities to increase the range and capacity of organic collection services and the introduction of new processing technologies; and
- reference the Waste and Resource Recovery Board's draft Tasmanian Waste and Resource Recover Strategy 2022-2025.

Climate and environmental groups however highlighted that there are environmental and social concerns around biogas and biomethane.

Combustion of biogas or biomethane can produce substantial GHG emissions and the source of these fuels is critical in determining whether they are appropriately considered renewable. It is argued that bioenergy or biogas derived from the digestion or combustion of native forests in any form is not renewable.

The EDO suggests that the terms "bioenergy" and "biogas" need to be clearly defined in the Final Strategy to ensure that they only cover options that deliver a net reduction in greenhouse gas emissions, that are economically efficient, and that they do not otherwise cause environmental or social harms.

### ***Action 4. National gas reform agenda***

There was limited feedback provided on this action.

It was suggested that given Tasmania's size, the Tasmanian Government should focus its efforts more on domestic issues.

### ***Action 5. Tasmania's hydrogen regulatory review***

There was limited feedback provided on this action.

The EDO submitted that any reforms to the regulatory framework should ensure that all statutory processes and approvals are subject to clear and strict environmental protections, are open and transparent and allow for public participation and appeal rights.

#### ***Action 6. Supporting energy efficiency***

There was broad support for the Government's focus on supports energy efficiency measures.

Stakeholders agreed it was an important step and there was general agreement that the Government should scale up its efforts which could include:

- a major program in efficiently electrifying homes in Tasmania, in particular upgrading public and community housing;
- expand its existing programs (NILS, Energy Saver Loan Scheme);
- introduce mandatory minimum energy efficiency standards in rental properties.

#### ***Action 7. Helping vulnerable and low-income users to adjust***

Broadly supported.

#### ***Action 8. Emissions Reduction and Resilience Plans***

Broadly supported.

#### ***Action 9. The adoption of renewable gases by Government***

Mostly supported, noting the environmental concerns outlined above with respect to bioenergy.

#### ***Action 10. Working with industry***

Broadly supported.

It was submitted that this could include working with the 16 large industrial gas users directly to understand and support the implementation of their own decarbonisation plans.

The EDO submitted that the Government should not limit itself to working with industry and instead also engage with energy experts, climate scientists and other gas consumers (including domestic consumers and the general public).

#### ***Action 11. Reviewing the Future Gas Strategy within five years***

Reviewing the Final Strategy in five years was broadly supported by the majority of stakeholders. There was a small number of stakeholders who held the view it should be done within a shorter timeframe.

### **Proposed additional Government Actions**

- The Government should explore the opportunity to set clear targets and timeframes for the phasing out of the use of fossil fuel gas and methane.



- The Government should set a Renewable Gas Target.
- The Government should provide support for renewable gas demonstration projects which will demonstrate the commercial viability of these technologies and help to reduce the cost curve
- The Government should expand the Energy Saver Loans Scheme to include high efficiency gas appliances.
- The Government should consider expanding NILS and provide incentives to switch from gas to electric appliances.
- The Government should outline in the final Strategy the negative health impacts of using gas in a domestic setting and the Government should educate Tasmanians on the future of gas and that it will inevitably be phased out.
- The Government should conduct a feasibility study into accelerating the production of renewable gases for local use and export (starting with an update of the OGW modelling previously completed for the Working Group).
- The Government should seek Federal and State Energy Ministers support for the inclusion of net-zero gas-fired generation with regard the capacity mechanism.
- The Government should develop a gas substitution program for households on low incomes that removes barriers for fossil gas users converting appliances and switching to efficient, renewable electrification.
- The Government should review the regulatory tools available to the Tasmanian EPA to ensure it is properly equipped to control methane emissions from all sources other than livestock.
- The Government should purchase additional equipment and hire additional scientific and technical staff to the EPA so that it can measure methane emissions.
- The Government should support the transition to bioLNG for the Spirit of Tasmania vessels and the proposed bioLNG production facility at Westbury.
- The Government should advocate for biomethane to be included in the Commonwealth Guarantee of Origin Scheme.
- The Government should lift the moratorium on gas exploration in Tasmania.