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Submission: ERF method development priorities for 2022

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure, with a focus on high-pressure gas transmission. APGA's members build, own and operate the gas transmission infrastructure connecting the disparate gas supply basins and demand centres of Australia, offering a wide range of services to gas producers, retailers and users.

APGA welcomes the opportunity to contribute to the *ERF method development priorities for 2022* consultation (the **Consultation**).

APGA encourages DISER to prioritise the modification of Emissions Reduction Framework (ERF) methods for Biomethane and Oil and Gas Fugitives. In particular, APGA encourages DISER to prioritise the expansion of the feedstocks recognised under the Biomethane method to include agricultural crop residues, and the expansion of the Oil and Gas Fugitives method to include absolute reduction in fugitive emissions above and beyond flaring of methane. APGA also encourages the development of methods to enable the production and use of hydrogen to avoid emissions.

As set out in Gas Vision 2050, APGA sees renewable gases such as biomethane playing a critical role in decarbonising Australian domestic energy use[1]. APGA supports this future as the largest industry contributor to the $30M, 80+ research project strong Future Fuels CRC, as well as through the facilitation of industry-based research and analysis of the decarbonisation of gas demand[2].

Biomethane is currently the subject of an ERF method development process, with a draft method delivered in 2021[3]. This draft method did not include agricultural crop residue feedstocks which represent 86% of immediately available biomethane feedstocks in

[1] Gas Vision 2050, Australian Pipelines and Gas Association 2020
https://www.apga.org.au/sites/default/files/uploaded-content/website-content/gasinnovation_04.pdf
[2] Future Fuels CRC Website, Future Fuels CRC 2021
https://www.futurefuelscrc.com/
[3] Biomethane, The Australian Government Clean Energy Regulator 2021
http://www.cleanenergyregulator.gov.au/ERF/Pages/Method%20development%20tracker/Biomethane.aspx

Australia[4]. Agricultural crop residues appear to comply with ERF restrictions seen within the Carbon Credits (Carbon Farming Initiative) Regulations 2011 under regulation 3.36 in Division 3.12. Considering the ease of end user uptake and possible negative scope 2 emissions of biomethane from crop residues, APGA sees value in the positive social, economic and environmental impacts of the ERF supporting uptake of biomethane from sustainably managed agricultural crop residue feedstocks[5].

The ERF method for Oil and gas fugitive emissions reduction only considers emissions reduction through flaring of otherwise vented methane. An ERF method which incentivises methane flaring but not the absolute avoidance of methane emission seems counterintuitive. Fugitive emissions reduction has been identified in the Victorian Gas Substitution Roadmap Consultation Paper as a pathway to gas use decarbonisation, especially where gas demand is decarbonised through the uptake of renewable gases.

Incentivisation of a measurable reduction in absolute regular fugitive emissions through an ERF method could have a substantial impact on fugitive emissions reduction nationally. This is especially the case for regulated assets where the choice to reduce fugitive emissions is pitted against the obligation to minimise customer costs. An ACCU price of $16.55 represents $6.75 - $7.23 per gigajoule of fugitive emission abatement. This could be enough to recover the costs of fugitive emission abatement, negating the impact to customer cost.

APGA are on the front foot about fugitive emissions from the gas pipeline industry, facilitating an Emissions Reduction Working Group with fugitive emissions as a key focal point. APGA offer DISER engagement with this working group in support of the modification of the ERF Oil and Gas Fugitives method to include absolute emissions reduction.

In addition, APGA notes that progress made in developing technologies for hydrogen production and use mean that ERF methods for the use and blending of renewable hydrogen in gas pipelines and networks should be prioritised for ERF method development. As hydrogen production costs decline rapidly, an ERF method is likely to prove a valuable means of helping to commercialise a technology with significant emissions reduction potential.

APGA is not the appropriate source of expertise on the development of ERF methods for renewable gases such as hydrogen and biomethane, nor is it the appropriate source of expertise on the supply of agricultural crop residues. As such, APGA defers to the expertise of the Australian Hydrogen Council and Bioenergy Australian in relation to modifying the Biomethane ERF method and creating a Hydrogen ERF Method.

APGA calls for the modification and creation of these ERF methods noting the potential positive impact of fugitive emissions reduction and renewable gas uptake on energy decarbonisation in Australia. Enabling renewable gas uptake will provide Australia with a second complimentary pathway for decarbonised energy alongside Australia's renewable electricity pathways, and fugitive emission reduction can help minimise Scope 2 emissions of

[4] Decarbonising Australia's gas distribution networks, Deloitte 2017 https://www2.deloitte.com/au/en/pages/economics/articles/decarbonising-australias-gas-distribution-networks.html

[5] Biomethane potential and sustainability in Europe, 2030 and 2050, The International Council on Clean Transportation 2021 https://theicct.org/publications/biomethane-potential-europe-FS-jun2021

doing so. Australia's gas infrastructure delivers more energy, at higher peak demand, than Australia's electricity infrastructure today[6].

This makes existing gas infrastructure a greater opportunity than existing electricity infrastructure to deliver lower cost renewable energy to Australian households and businesses across the coming decades – an end which APGA contends should be supported by the Emissions Reduction Framework.

To discuss any of the above feedback further, please contact APGA's National Policy Manager, Jordan McCollum, on +61 422 057 856 or jmccollum@apga.org.au.

Yours Sincerely,

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[6] Australian Energy Update 2020, , Australian Department of Industry, Science, Energy and Resources 2020
https://www.energy.gov.au/publications/australian-energy-update-2020