



25 January 2024

Submission: 2024-25 Federal Budget

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure, connecting natural and renewable gas production to demand centres in cities and other locations across Australia. Offering a wide range of services to gas users, retailers and producers, APGA members ensure the safe and reliable delivery of 28 per cent of the end-use energy consumed in Australia and are at the forefront of Australia's renewable gas industry, helping achieve net-zero as quickly and affordably as possible.

APGA supports a net zero emission future for Australia by 2050¹. Since the 2023-24 Federal Budget Submission process, the Australian energy market has experienced substantial change. Lower reliability and impacts to decarbonisation project deliverability means that governments need to consider a wider range of options to address the energy challenges of today and tomorrow. Renewable gases represent a real, technically viable approach to reliable, cost-competitive energy decarbonisation in Australia. APGA sees the use of hydrogen and biomethane playing a critical role in decarbonising gas use for both wholesale and retail customers as well as fuelling dispatchable renewable generation.²

According to the Australian Energy Market Operator (AEMO), gas will be key to Australia's transition to a net-zero economy.³ Gas will remain an important part of our energy mix in the future, and with it comes the opportunity to grow net-zero alternatives in green hydrogen and biomethane. National coordination and policy support is required to scale up the development of Australia's renewable gases industry.

APGA's submission to the 2024-25 Federal Budget builds on our submission to the Future Gas Strategy.⁴ APGA proposes that the Federal Government make several key regulatory changes to support the renewable gas transition.

¹ APGA Climate Statement, available at <https://www.apga.org.au/apga-climate-statement>

² APGA, 2020, *Gas Vision 2050: Delivering a clean energy future*, available at https://www.apga.org.au/sites/default/files/uploaded-content/website-content/gasinnovation_04.pdf

³ AEMO, 2023, *Draft 2024 Integrated Systems Plan*, https://aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2023/draft-2024-isp-consultation/draft-2024-isp.pdf?la=en

⁴ APGA, 2023, *Submission: Future Gas Strategy*, <https://39713956.fs1.hubspotusercontent-na1.net/hubfs/39713956/231124%20APGA%20Submission%20-%20Future%20Gas%20Strategy.pdf>

Support investment in gas power generation

Without inclusion in the CIS or some other form of investment support scheme, it is likely that GPG withdraws from the market before it is needed from 2035 and beyond.

Support development of a renewable gas industry

Australia's renewable gas market requires three key policy measures to deliver cost competitive decarbonisation for the nation, while additional measures could support even greater outcomes for customers and investment in decarbonisation.

APGA would be pleased to provide additional detail on any of the enclosed proposals. To discuss any of the above feedback further, please contact National Policy Manager, Jordan McCollum, on +61 422 057 856 or jmccollum@apga.org.au.

Yours sincerely,



STEVE DAVIES
Chief Executive Officer
Australian Pipelines and Gas Association

Support investment in gas power generation

AEMO's Draft 2024 Integrated Services Plan (ISP) recognises the critical importance of gas in reaching net zero. The Draft ISP forecasts that by 2050, the National Energy Market (NEM) will need a total of 16.2 GW of flexible gas-powered generation (GPG), with 8 GW existing capacity needing to be replaced and 5 GW added.

The Capacity Investment Scheme (CIS) was initially designed to underwrite the risk of investing in new dispatchable energy generation and storage. In late 2022, these parameters were amended to include 23 GW of new renewable generation capacity, without a direct requirement for it to be dispatchable, and an additional 9 GW of clean dispatchable capacity (in the former of batteries).

Without inclusion in the CIS or some other form of investment support scheme, we may not have the required investment signals to ensure ongoing investment in GPG, particularly in dispatchable capacity.⁵

Given the increasing need for dispatchable capacity, and a decreasing focus on this in the CIS, the Federal Government must now consider how best to establish an investment environment that supports the development of the dispatchable capacity necessary for the energy transition.

Gas power generation – including future renewable gas power generation – is specifically excluded from the CIS. Alongside the challenging existing regulatory environment for producers aiming to bring on new supply, this has disrupted the risk-return model for gas investment.

APGA recommends including gas power generation in the CIS, or considering a scheme that provides the long-term investment signals necessary to support investment in GPG.

Support development of a renewable gas industry

Australia's renewable gas market requires three key policy measures to deliver cost competitive decarbonisation for the nation:

- A Renewable Gas Target supported by practical policy levers to deliver the target
- Fit for purpose renewable gas certification
- Recognition of renewable gas certification under NGER

Beyond these measures, gas use decarbonisation could be enhanced through:

- High-efficiency gas appliance regulation
- A National Gas Law that protects brownfield and renewable gas pipeline investments
- Multi-vector energy modelling

⁵ AGL's Torrens B Power Station will close on 30 June 2026. <https://www.agl.com.au/about-agl/media-centre/asx-and-media-releases/2022/november/torrens-island-b-power-station-to-close-in-2026?zcf97o=vlx3ap>

Supercharge decarbonisation with a Renewable Gas Target

The Renewable Energy Target was arguably the single most successful policy intervention that saw a dramatic increase in investment in renewable electricity in Australia. A similar policy would dramatically and positively impact the current investment landscape for renewable gases. Renewable gases can be a cost-effective decarbonisation option alongside electrification, and for many commercial and industrial users would be the only viable decarbonisation option.

APGA recommends implementing a national Renewable Gas Target. This Target would provide signals for investment in this new industry and de-risk renewable gas projects for proponents.

KPMG undertook a study to examine the necessary policy settings to support a renewable gas industry in Australia, recommending options for the design of a Renewable Gas Target.⁶ APGA has engaged ACIL Allen to undertake macroeconomic analysis of a national renewable gas target; this modelling is underway and will be provided in due course.

Renewable Gas Target policy mechanisms

Once a Renewable Gas Target has been set, policy mechanisms are required to ensure that the target is met. APGA proposes two parallel mechanisms to ensure longevity of the scheme while also minimising cost of living impacts of the scheme in the immediate term.

Certificate Surrender Scheme

The Renewable Energy Target demonstrated the effectiveness of a certificate surrender scheme for driving renewable electricity uptake. Being the most economically efficient form of policy mechanism to deliver a target, this mechanism supports scheme longevity.

Expanded Hydrogen Headstart

Expansion of the highly successful Hydrogen Headstart scheme to also support biomethane projects could deliver upon a Renewable Gas Target with minimal on cost of living for consumers.

A renewable gas certification scheme that is fit for purpose

Renewable gas use must be backed by a robust national certification scheme. This is necessary to ensure that the emissions reduction benefits of renewable gases can be properly accounted and realised by customers, both nationally and internationally.

Current certification schemes under development in Australia – namely, the GreenPower Renewable Gas Pilot and the Guarantee of Origin (GO) Scheme – are not currently fit for purpose for a domestic Renewable Gas Target. The GreenPower Renewable Gas Pilot is the

⁶ KPMG, 2023, *Renewable Gas: Policy options to support Australia's decarbonisation journey*, Executive summary available at: <https://www.energynetworks.com.au/resources/reports/2023-report-and-publications/kpmg-report-policy-options-to-support-australias-decarbonisation-journey/>

closest scheme to enabling free and liquid trade of renewable gas in Australia's domestic gas markets⁷.

APGA recommends implementing a Renewable Gas Certification Scheme that includes all potential renewable gas customers.

The GreenPower Scheme could be made fit for purpose by expanding to include residential consumers which the scheme currently discriminates against. Alternatively, a separate certification scheme based on the GreenPower Scheme could be designed to meet the needs of industry.

Enable recognition of emissions reduction through renewable gas

National Greenhouse and Energy Reporting Scheme (NGERS) legislation does not currently recognise liable facilities to have renewable gas certificates considered in emission accounting. This can be addressed through amendments to NGERS.

APGA recommends developing a Market-Based Instrument for gas emissions based upon section 7.4 of the NGER Measurement Determination. This would ensure that surrendering renewable gas certificates conveys the emissions intensity of renewable gas in the customers emissions reporting. APGA would consider it reasonable for such an amendment to only consider State or Federal Government-issued certificates in the first instance to reduce reform complexity.

Amend National Gas Law to support new gas supply infrastructure

Under the National Gas Law, the Australian Energy Regulator can choose to apply price setting regulation to any existing gas pipeline, at any time. This introduces regulatory risk on revenue and in turn, impedes the ability to reach Final Investment Decision on investments for new capacity for both new (greenfield) and augmented (brownfield) pipelines.

The Greenfield Incentive and associated Price Protection provision provides protection against regulators setting prices and protection for foundation prices if an arbitration case is brought against the pipeline. While this protection can be applied for, it is not guaranteed, nor is it available to brownfield pipeline capacity expansion investments.

APGA recommends amending the National Gas Law to ensure all investments in new pipeline capacity can access to the Greenfield Incentive and Price Protection provisions, including brownfield investments. This could help reduce FID risk and lower the cost of critical pipeline capacity investments.

High-efficiency gas appliance regulation

Gas appliances largely have been excluded from energy appliance efficiency reforms, including under the National Energy Performance Strategy. Efficiency and hydrogen-

⁷ Certificates from the Federal Product GO Scheme for hydrogen will be impossible to trade within domestic gas markets, hence is not endorsed for domestic renewable gas certification. Please see APGA's submission for more details: APGA, 2023, *Submission: Guarantee of Origin Scheme Accounting*, <https://39713956.fs1.hubspotusercontent-na1.net/hubfs/39713956/231114%20APGA%20Submission%20-%20GO%20Emissions%20Accounting.pdf>

readiness reforms would provide a strong market signal for the gas appliance industry to develop and commercialise these appliances. While APGA does not support blanket efficiency targets, there is benefit in appliance efficiency targets relative to a “type”, as is done today. While 100 per cent efficiency gas appliances are not possible, a 90 per cent efficiency target for gas appliances is achievable.

APGA recommends committing to reform gas appliance regulation. This would include a step change to mandate all gas appliances sold in Australia meet a 5 Star energy rating and are hydrogen-ready by 2028.

Multi-vector energy modelling for the future

Current modelling apparatus available to the government through AEMO and the CSIRO is predominantly single-vector, focused on the electricity sector and only including minor gas modelling as so far as it impact gas power generation fuel. These models are not able to effectively consider customers of other energy vectors, such as gas customers, and so cannot provide an accurate picture of least cost options across the whole of the Australian energy market. This ultimately affects the usability and reliability of all energy modelling and forecasting, negatively impacting all energy customers.

APGA recommends commissioning CSIRO to move towards multi-vector energy modelling. This would complement the existing electricity model, considering future gas supply and network economics with the introduction of renewable gases at a minimum.

This model could be developed in one of two ways:

- **Separate interacting single-vector models**
ACIL Allen have designed a concept which has been used to model the impacts of a renewable gas target on Australian gas customers and the economy (GDP). This will be the subject of a study released by APGA in due course.
- **A single multi-vector model**
The University of Melbourne has designed a concept as part of a Future Fuels CRC project considering optimisation across integrated gas and electricity systems considering electrolyser and gas power generation technologies. For more information, please visit the Future Fuels CRC website.

Budget impact

	Total (\$m)
Include gas in the CIS	0*
Renewable Gas Target design	10.0
NGERS reform	1.0**
National Gas Law reform	1.0**
CSIRO gas model	50.0
Gas appliance regulation reform	1.0**
Total	63.0

* funds already committed

** nominal Departmental operational cost

Costings

Project costs are estimated from the following:

- Federal Government “Future Gas Strategy” - \$6.7 million in the 2023-24 Federal Budget to develop a Future Gas Strategy.
- Federal Government “Enabling a Low Emissions Future and Supporting Green Energy” - \$9.7 million for development of the Australian Hydrogen Guarantee of Origin scheme – see <https://www.dcceew.gov.au/about/news/trials-start-for-hydrogen-guarantee-of-origin-scheme>