



7 February 2025

Submission: Victorian Industrial Renewable Gas Guarantee

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure. APGA members ensure safe and reliable delivery of over 1,500 PJpa of gas consumed in Australia alongside over 4,500 PJpa of gas for export. We are at the forefront of Australia's renewable gas industry, helping achieve net-zero more quickly and affordably.

APGA welcomes the opportunity to comment on the Victorian Industrial Renewable Gas Guarantee Directions Paper. While we support developing a renewable gas target in Victoria, the current design requires modification to achieve its intended outcomes. The low scale of the target, its restriction to industrial end users, and the cost recovery arrangements will all act to undermine the intent of the proposal.

The proposal also does not consider the likely network impacts of Victorian Government's proposed residential and commercial gas bans under the Building Electrification Regulatory Impact Statement (RIS). This will have far-reaching consequences in terms of cost for industrial gas users who remain on the network.

APGA recommends that

- The Victorian Government implement a more ambitious target of at least of 14.5 PJ by 2035.
- The Renewable Gas Guarantee be extended to all current gas users.
- Costs only recovered from user groups that who benefit from the scheme.

To discuss any of the above feedback further, please contact me on +61 409 489 814 or crafael@apga.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Catriona Rafael", written over a horizontal line.

CATRIONA RAFAEL
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The target should be equal to the scale of the renewable gas opportunity

Victoria has considerable potential renewable gas resources

Biomethane will be important in early renewable gas industry development and in 2021, the Bioenergy Roadmap¹ outlined a theoretical resource potential of up to 371PJ in Victoria.²

In 2024, Blunomy analysed the biomethane potential in Australian Gas and Infrastructure Group's (AGIG) distribution network catchment area.³ Victoria has approximately 18.8 PJ per annum under a 'business as usual' scenario, and up to 37.9 PJ per annum under a 'policy enabled' scenario. This assessment does not include the extensive biomethane potential *outside* AGIG's networks, accessible through other pipelines and feedstock aggregation.

Bigger is better for a renewable gas target

The Victorian Government's proposed 1 PJ per annum and 4.5 PJ by 2035 Industrial Renewable Gas Guarantee target is unambitious given Victoria's potential. ACIL Allen's analysis shows that the least cost decarbonisation pathway combines electrification, hydrogen and biomethane uptake.

In 2024 APGA commissioned ACIL Allen to explore policy solutions to decarbonise gas consumption, including through a national Renewable Gas Target (RGT).⁴ ACIL Allen's analysis shows that the least cost decarbonisation pathway combines electrification, hydrogen and biomethane uptake. APGA anticipates that once the renewable gas market is enabled through an RGT, it will develop to multiple times its current size.

APGA has pursued a national aspirational RGT of 5-10 per cent of current gas demand by 2030 and 15-25 per cent by 2035. Applied to Victoria, this would be approximately 9-18 PJ by 2030 and 27-46 PJ by 2035. Other jurisdictions are considering sizeable targets.

Economic opportunities for regional Victoria

A renewable gas industry presents a significant economic opportunity for regional communities, with biomethane production well positioned to generate thousands of new jobs, passive revenue streams for landholders, diversify the economy and provide opportunities to expand government revenue. However, the proposed Industrial Renewable Gas Guarantee of 4.5PJ by 2035 is insufficient to lock in these benefits at scale.

Blunomy's research indicated Victoria's biomethane industry has the potential to create up to 4,300 jobs, including approximately 1,700 direct long-term, full-time jobs in regional areas under a policy-enabled scenario. Hume, Gippsland, and Western Victoria would be the greatest beneficiaries due to their high feedstock availability and proximity to gas networks.

¹ ENEA Consulting and Deloitte, 2021, *Australia's Bioenergy Roadmap*, <https://arena.gov.au/assets/2021/11/australia-bioenergy-roadmap-report.pdf>

² ENEA Consulting and Deloitte, 2021, *Australia's Bioenergy Roadmap Appendix – Resource Availability*, <https://arena.gov.au/assets/2021/11/appendix-resource-availability-australias-bioenergy-roadmap.pdf>

³ Blunomy, 2024, *Biomethane potential in AGIG's network catchment and associated co-benefits*, https://theblunomy.com/static/0b57f58eddebfe7d73ceaeaa41b846ab/blunomy_agig_biomethane_potential_and_co-benefits.pdf

⁴ ACIL Allen, 2024, *Renewable Gas Target - Delivering lower cost decarbonisation for gas customers and the Australian economy*, <https://apga.org.au/renewable-gas-target>

In contrast, under a less ambitious scenario, fewer than 900 direct jobs would be created, limiting the impact on regional communities. Expanding the renewable gas target beyond 4.5PJ by 2035 is critical to ensuring the economic potential of biomethane is realised.

Beyond direct employment, the policy-supported renewable gas industry creates passive income streams for Victorian farmers through feedstock supply. Additionally, digestate from biomethane production can offer a low-cost alternative to synthetic fertilisers.

An expanded and ambitious biomethane target would also expand Victorian Government revenue, through payroll and business tax collections and reduced landfill management costs. However, the current proposal restricts biomethane for industrial users, artificially limiting market growth, infrastructure investment and regional economic expansion.

The Renewable Gas Consultation Paper proposed an aspirational target of 14.5 PJ by 2035, ensuring regional Victoria maximises job creation, economic resilience and energy security. **APGA recommends the Victorian Government retain the option of an aspirational target of 14.5 PJ** in the event the 4.5 PJ target is exceeded.

Expand demand beyond industrial customers

The Victorian Government has proposed to restrict the target to industrial users, which limits market growth potential. While this reflects the VGSR policy position to reserve renewable gases for users who cannot electrify, it creates artificial scarcity.

Achieving sufficient scale to provide an abundant supply of renewable gases is difficult to achieve with a single end customer. Producers need access to sufficient customers to leverage common user transmission infrastructure – and this may mean residential and commercial customers as well as industrial.

Policies should be aimed at scaling development of renewable bases towards abundance, rather than an assumption of scarcity. This will ensure that producers are always competing for customers, and that prices are set by the next highest cost producer rather than the next highest paying customer.

In artificially limiting the size of the end user market, the Victorian Government has effectively put a ceiling on renewable gas market growth. This will result in a product which is much more expensive than it should be.

APGA recommends the Victorian Government expand the Guarantee to all gas users.

Users who pay should be users who benefit

The proposed cost recovery from all gas users is inequitable if benefits are restricted to industrial users. While the Directions Paper suggests negligible cost impacts due to the small target, this impact would increase with a larger target.

Users who pay for a scheme should be able to benefit from that scheme. The large cohort of residential gas users already effectively subsidise gas network charges for commercial and industrial users, which indeed is why the Victorian Government has selected this model.

APGA supports spreading costs across all gas users only if all users can benefit.

Gas networks are key to the success of a renewable gas industry

Most industrial gas users access gas through transmission or more commonly distribution pipelines. Victoria's distribution networks serve over 2 million users, with costs spread across all users. Residential consumers shoulder most of the burden as the largest customer cohort – albeit at a much lower rate individually than commercial or industrial users.

Current renewable gas projects are viable because they can inject into existing networks.⁵ Producers will require access to large and varied offtake markets to be viable, and this will start through blending into existing networks.

The Building Electrification RIS's proposed residential exit will impact both industrial users and renewable gas industry development by reducing network subsidisation and making networks potentially unaffordable for remaining users.

APGA will consider this in more detail in its submission to the Building Electrification RIS.

⁵ Including Jemena's biomethane product in Malabar NSW, injecting into the Sydney distribution network, and AGIG's hydrogen project in Tonsley SA, injecting into the Adelaide distribution network. AGIG is developing similar projects in Wodonga VIC and Gladstone QLD.



Consultation questions

DEECA question	APGA response
<p>Industry capacity</p> <p>Q1. How do you assess the feasibility of the 4.5 PJ target by 2035?</p> <ul style="list-style-type: none"> Do you think 1 PJ of biomethane production annually is possible within the first three years of the scheme? If so, why? If not, why not? 	<p>The proposed scheme target of 1PJ annually/4.5PJ by 2035 is unambitious. APGA supported the aspirational target of 14.5 PJ by 2035 originally proposed in Victoria's Renewable Gas Consultation Paper.⁶</p> <p>The 1 PJ annual target is sufficiently low to risk limiting broader industry participation in the scheme, which hampers meeting the goals of promoting renewable gas industry development in Victoria.</p> <p>A single new wastewater biogas capture and biomethane upgrading project could produce in excess of 1PJ per year alone. There are 3-4 PJs worth of existing wastewater biogas currently being flared that could be readily upgraded to biomethane. As noted in Melbourne Water's submission to the Renewable Gas Consultation Paper, Melbourne Water generates 620TJ biogas at its Eastern Treatment Plants and 1000 TJ at its Western Treatment Plant. While some of this is used for onsite renewable energy generation, up to 30% is unutilised and flared.⁷ A project to recover and convert these gases to biomethane would 'take up' the entirety of the scheme.</p> <p>The scheme target should be sufficiently large to prompt broad industry development, both for large scale projects (like wastewater) and smaller scale projects typical in agriculture and municipal waste.</p>
<p>Q2: Could industry potentially deliver volumes greater than 4.5 PJ by 2035?</p> <ul style="list-style-type: none"> If so, what degree of confidence is there, and what evidence is that confidence based on? 	<p>4.5 PJ by 2035 is a considerable underestimate of the capability and capacity of industry to deliver renewable gas, assuming the right policy settings are in place.</p>

⁶ APGA sub

⁷ Melbourne Water, 2023, *Melbourne Water Submission to Victoria's Renewable Gas Consultation Paper*, <https://engage.vic.gov.au/download/document/33307>

<p>Is there likely to be demand for renewable gases that exceeds 4.5 PJ by 2035? If there is, what evidence is this based on?</p>	<p>Australia’s Bioenergy Roadmap 2021 indicates Victoria has a theoretical resource potential of up to 371PJ. More recent estimates indicate a much higher bioenergy resource potential, much of which is suitable for biomethane production.</p> <p>When considering potential demand, all current commercial and industrial gas users have considerable incentive to decarbonise through renewable gas, where they cannot electrify or it is an uneconomic choice.</p>
<p>Q3: How should the dual ambitions of scaling up a renewable gas sector while directing renewable gases to their highest-value use cases to drive additional decarbonisation be managed?</p>	<p>APGA disagrees with the perspective that renewable gases should be reserved for the ‘highest value uses’. The Victorian Government should be approaching policy in a similar way as renewable electricity – targeting resource abundance, not limiting its end uses.</p> <p>This ‘scarcity’ perspective limits potential market and growth opportunities and will ultimately act to keep renewable gases scarce. It also ignores the fact that the levelised cost of production of renewable gases reduces with scale.</p> <p>APGA has advocated for governments to instead take an ‘abundance’ rather than a ‘scarcity’ mindset to renewable gases, which considers the interlinked economics of production, consumption and transport. However achieving sufficient scale to provide an abundant supply of renewable gases is difficult to achieve with a single end customer. Producers need access to sufficient customers to leverage common user transmission infrastructure – and this may mean residential customers as well as commercial and industrial.</p>
<p>Cost recovery</p>	
<p>Q4: Should the costs of a renewable gas certificate scheme be recovered from all gas users, including residential and small commercial (i.e. Tariff V) users? OR Should the costs of a renewable gas certificate scheme be recovered from industrial gas (i.e. Tariff D) users only?</p>	<p>The costs of a renewable gas certificate scheme be recovered from gas users who are able to benefit from the scheme. That is, if all gas users are required to pay for the scheme, all gas users should be able to access it. Tariff V users should not be required to subsidise the decarbonisation of Tariff D users.</p>
<p>Liable entity</p>	

<p>Q5: Should the liable entity (i.e. the organisation that must procure and surrender certificates in line with annual targets) under any Victorian renewable gas certificate scheme be:</p> <ul style="list-style-type: none">• Licensed gas retailers along with wholesale energy purchasers who do not procure gas through a licensed retailer? OR• Are there other actors that could potentially be liable entities? <p>Please state your reasons in support of one option or the other.</p>	<p>The proposal to assign liability of the scheme resting with licensed gas retailers and wholesale energy purchases is sensible and accords with similar schemes in other jurisdictions (such as the Renewable Fuels Scheme).</p>
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