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To the Department of Environment, Land, Water and Planning, Victoria

Re: Victoria's Gas Substitution Roadmap Consultation Paper

The World Wide Fund for Nature-Australia (WWF-Australia) welcomes the opportunity to comment on the Victorian Government Gas Substitution Roadmap Consultation Paper.

WWF-Australia is part of the WWF International Network, the world's largest independent conservation organisation. WWF's global mission is to 'stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature'. WWF-Australia has been at the forefront of supporting the transition to zero-carbon technologies in Australia and globally for decades. In 2019, WWF-Australia launched its Renewable Nation program that seeks to accelerate Australia to become the world's leading renewable exporter by 2030 and in the process move Australia to a renewable and low-carbon future.

WWF-Australia welcomes the Victorian Government engaging in a consultation process in developing a roadmap to substitute gas. It is a step in the right direction, and we urge the Government to ensure this consultation is translated into substantive policy reform and funding commitments to accelerate towards a net-zero emissions economy.

Earlier this year, WWF-Australia released a Renewable Superpower Scorecard which assessed how Australia's states, territories and Federal Government are performing in the race to become a renewable superpower.¹ Specifically, the scorecard analysed progress in transitioning domestic energy systems to renewables as well as how quickly each jurisdiction was working to establish new renewable export industries. Victoria came in tied third place with New South Wales, following Tasmania and South Australia.

WWF-Australia believes that through the Gas Substitution Roadmap process, Victoria can progress its standing in this race – particularly in relation to the area of action - implementing effective policy mechanisms to encourage fuel-switching from oil and gas to clean electricity.

Gas Substitution Pathways:

WWF-Australia believes that energy efficiency, electrification and substituting gas with renewable hydrogen should be the focus for the Victorian Government in the policy response to this consultation. We are supportive of these three pathways being immediately scaled up and applied to the areas where they can most efficiently reduce carbon pollution and provide the energy services Victorians rely on.

Energy efficiency is essential for both long- and short-term energy security and will play a particularly critical role in reducing energy consumption and transitioning the energy grid from fossil fuels to renewables. The Victorian Government should prioritise energy efficiency measures applied to housing, appliances, commercial buildings and industry. We also commend the Government for its funding

¹ <https://www.wwf.org.au/what-we-do/climate/renewables/renewable-superpower-scorecard>

commitment in the last Budget to improve the energy efficiency of homes for low income and vulnerable Victorians and encourage policies that take a similar, socially holistic approach to energy use.

Renewable-powered electrification should be targeted at households, commercial buildings and light industry. Heat pumps are one example of an energy efficiency and electrification technology that can be applied to these consumer areas, as Japan has successfully done to achieve the highest energy conservation standards in the world.²

WWF-Australia supports the role renewable hydrogen can play in decarbonising “hard to decarbonise” sectors – such as manufacturing of steel, aluminum and cement; chemical industry; shipping and other heavy transport. We recommend a targeted approach is taken to ensure a smooth transition from gas to renewable hydrogen use for heavy industry in Renewable Energy Industrial Precincts.³ Renewable hydrogen also presents exciting potential for exports as the world shifts toward a net-zero economy, specifically exporting renewable hydrogen through chemicals like ammonia and renewable-powered green steel and cement. Please find attached WWF-Australia's Hydrogen Position Paper “Energising the economy with Renewable Hydrogen” and the “Renewable Energy Industrial Precincts” briefing paper by WWF-Australia and Beyond Zero Emissions for further detail on these opportunities.

Our recommendations:

As noted by the Consultation Paper, Victoria has the highest domestic gas consumption in the East Coast Gas Market, with industry accounting for approximately 30 percent of use. Given Victoria’s gas supply is dwindling⁴, the Victorian Government must rapidly reduce gas consumption whilst simultaneously increasing renewable energy supply to meet energy demand. WWF-Australia believes that the Victorian Government should not take measures to increase gas supplies, as doing so would be incompatible with climate action and distract from securing greater investment in renewable alternatives, such as renewable hydrogen. We note the recent IEA report which stated that no new natural gas fields are needed in the net zero pathway.⁵ To continue a reliance on gas would place Victorian industry in a vulnerable position given the world’s major economies are signaling that they are accelerating to net-zero economies.⁶

Therefore, WWF-Australia recommends that the Victorian Government adopt the following actions through the next phase of the gas substitution road map process:

1. Policies and programs are put in place aimed at quickly rolling out energy efficiency and electrification measures (such as, but not limited to, heat pumps) in residential buildings, commercial buildings and for light industry. This should include but not be limited to:
 - a. Extending and expanding the Home Heating & Cooling Upgrade program,

² <https://www.mitsubishicomfort.com/articles/electric-heat-pumps-bring-eco-friendly-efficiency>

³ <https://www.wwf.org.au/ArticleDocuments/843/WWF-BZE%20Renewable%20Energy%20Industrial%20Precincts.pdf.aspx?OverrideExpiry=Y>

⁴ <https://www.afr.com/companies/energy/industry-in-shock-as-vic-gas-hits-unheard-of-58-gj-20210709-p5889c>

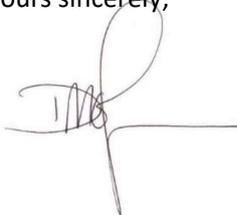
⁵ <https://www.iea.org/news/pathway-to-critical-and-formidable-goal-of-net-zero-emissions-by-2050-is-narrow-but-brings-huge-benefits>

⁶ See recent announcements regarding a Carbon Border Adjustment Mechanisms (European Union) and an Importer Pollution Fee (United States), as well as the net-zero commitments by some of Australia’s largest trading partners including China, Japan and South Korea.

- b. Reviewing and upgrading the Victorian Energy Efficiency Target and associated program,
 - c. Urgently upgrading Victorian Planning Provisions and Plumbing regulations so new developments are not required to be connected to the gas network,
 - d. Developing targeted pilot programs, and using case study examples to help light industry move away from gas, targeting low temperature gas use (below 150 –200 degrees) where the process of heating is most easily able to be electrified.⁷
2. A Renewable Energy Industrial Precincts program is established, with a focus on supporting large gas consumers, heavy industry and the existing hydrogen industry in key locations to move to renewable hydrogen. We suggest these precincts be targeted to existing heavy industrial areas, such as the Latrobe Valley, Geelong and Portland. We further suggest supporting existing hydrogen users to start to substitute fossil hydrogen with renewable hydrogen with programs similar to the successful VRET target.
3. Targeted measures and support programs are put in place to ensure that gas substitution and reduced consumption leave consumers better off and protect the workers affected by a transition away from gas use. This could include:
 - a. Programs to support redeployment, create new jobs, provide income support and training or re-training for affected workers.
 - b. Support households to transition away from the gas network entirely, which would have the added benefit of removing the need for households paying two separate bills,
 - c. Support vulnerable households in the transition away from gas and towards electrification alternatives, so they aren't left paying the increased costs of an under-utilised gas network,
 - d. Development of a gas network exit strategy that does not put the burden of stranded assets on consumers.
4. Commit to explicitly ruling out the opening of any new gas fields and ban new gas grid connections for new suburbs and development.

WWF-Australia would be pleased to discuss these recommendations in further detail and we look forward to working together in the implementation of the next steps for Victoria. If you require further

Yours sincerely,



Dermot O'Gorman
CEO, WWF-Australia

⁷ <https://arena.gov.au/assets/2017/05/ITP-RE-options-for-industrial-gas-users-Summary.pdf>