



**BCCAG**  
Bayside Climate Crisis Action Group

## Victoria's Gas Substitution Roadmap - Consultation Paper

Submission by

the Bayside Climate Crisis Action Group (BCCAG)

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*The [Bayside Climate Crisis Action Group](#) is a not for profit, community organisation based in Melbourne's Bayside suburbs, that works to reduce the impact of climate change and promote sustainability. Amongst us are professionals, business owners, parents, teachers, students and academics who are active in the community and share a vision of 'A Safe Climate for All'.*

### Introduction

The Victorian Government is developing a gas substitution roadmap 'to provide a strategic framework for decarbonising natural gas in Victoria'. The roadmap will detail the transition pathways and identify policy mechanisms to achieve Victoria's emissions reduction targets. Of the pathways discussed in the Consultation Paper, this submission will concentrate on electrification and energy efficiency measures. It will also discuss the best ways to maintain social acceptability and consumer confidence during the period of transition.

### Background

At the heart of Victoria's recently released [Climate Change Strategy](#) are relatively ambitious interim emissions reduction targets for 2025 and 2030. The Strategy specifies emissions reduction of 28 to 33 per cent by 2025 and 45 to 50 per cent by 2030.<sup>i</sup> These relatively ambitious targets are deemed necessary to contribute our fair share to the global endeavour to mitigate the worst impacts of climate change. To achieve them, Victoria will need a range of policies to decarbonise the economy and maintain community support. Amongst them must be measures to reduce Victoria's dependence on a dwindling supply of natural gas (a fossil fuel) as rapidly as possible.

### Why focus on gas

Although a fossil fuel, gas has been perceived by many to be less polluting and of less concern to the environment than other fossil fuels. But, two recent reports have highlighted the dangers of gas and the benefits to be derived from rapidly cutting back on its use. In addition to the CO<sub>2</sub> emissions, the leakage of (very climate active) methane during production, distribution and its end use is seen as an increasingly significant issue. A UN backed report released in May 2021 concludes, "*cutting methane is the strongest lever we have to slow climate change over the next 25 years and complements necessary efforts to reduce carbon dioxide. The benefits to society, economies, and the environment are numerous and far outweigh the cost*". The report, titled *Global Methane Assessment* was published by the UN

Development Program. <sup>ii</sup> Another report issued by the Climate Council shows how gas is harming our health, including increasing the risk of childhood asthma. <sup>iii</sup>

These reports help alert us to the importance of reducing our reliance on gas as quickly as possible and of **placing gas substitution at the centre of climate and energy policy**.

### Dealing with a forecast gas shortfall

In its [Victorian Gas Planning Report of March 2021](#), AEMO forecasts a 12.7% decrease in Victoria's annual total gas demand over the next five years. This decrease is due both to the forecast increase in connections to new solar and wind generation and to the existing Victorian Energy Upgrades Program. <sup>iv</sup>

The report finds nevertheless that the forecast winter supply shortfall from legacy gas fields could occur before the winter of 2023, but that the shortfall is expected to be addressed by gas pumped from NSW via the Eastern Gas Pipeline which is to be modified to allow reverse flow into Victoria from the proposed gas import terminal at Port Kembla. The respective construction companies have advised AEMO that these projects will be completed before the winter of 2023. AEMO says that, subject to the completion and commissioning of both projects on schedule plus shipping schedules that provide the necessary gas, the identified supply gaps will be covered. <sup>v</sup>

These forecasts do leave room for doubt however and highlight the potential for a short-term gas supply deficit in 2023. This risk can best be mitigated by banning gas connections for new housing developments and taking immediate steps to expand and promote the availability of assistance programs, including promoting building insulation retrofits and the uptake of heat pumps for domestic space and water heating. Such steps would be in line with the Gas Substitution Roadmap.

### The large potential for cost savings not recognised by consumers

As stated in the Consultation Paper, 61% of Victoria's gas use is by residential and commercial customers, with demand peaking in winter to provide gas for space and water heating. The historic availability of cheap gas led to the proliferation of its use, both for space and water heating. Today however, the use of reverse cycle air-conditioners can reduce heating costs by as much as 63% when compared to gas space heating costs. This estimate derives from an analysis carried out in 2015 by the Alternative Technology Association (ATA), now trading as Renew and quoted in a report by The Melbourne Energy Institute, page 24. <sup>vi</sup> The cost differential today is likely increasing due to a reduction in electricity costs.

Heating costs can be further reduced by as much as 45% by fully insulating the premises. <sup>vii</sup> Unfortunately, most home and business owners continue to wear their high heating costs, and we must ask why. Anecdotal evidence suggests that many existing owners of reverse cycle air conditioners use their appliances for summer cooling only, unaware they can save on winter heating costs simply by using those same appliances for heating, rather than gas.

### Enhancing and accelerating the uptake of Victoria's Energy Upgrades Programs

We believe there are three main impediments to speeding up the electrification of heating and the adoption of other energy savings measures in Victoria:

- The lack of trustworthy information about the savings that can be made,
- The lack of awareness in the public of the availability of assistance packages and confusion as to their applicability

- The difficulty facing (or reluctance of) many householders, landlords and businesses to finance the change.

Victoria currently has several different assistance packages designed to help Victorians save on energy bills and reduce their emissions. The *Victorian Energy Upgrades Program* gives access to discounted energy saving products and services. The *Victorian Environmental Upgrade Finance* offers a free finance facilitation service to invest in energy efficiency upgrades. Victoria's *Household Energy Savings Package* will provide assistance to low income and vulnerable households to make dwellings more energy efficient.

To some extent, these programs build on the *Residential Efficiency Scorecard Assessment* program. Also, whilst new minimum energy efficiency standards for rental properties have now been introduced, the implementation of the new standards may take time.

The range of programs cater for the different needs of different segments of the population. However, we think there may be room to make them all more recognisable and accessible, if they were all on one platform. For instance, many landlords would find it easier to comply with the new Standards, if they were aware of, and could access the Environmental Upgrade Finance facility and its potential to enhance tenant loyalty. Also, promotion of the programs would be more effective if local governments and community power hubs were participating as agents.

## Recommendations

1. Enlist the participation of all local government authorities (LGAs) in the *Environmental Upgrades Finance (EUF)* program (or Environmental Upgrades Agreement). Through participating councils and community power hubs, as well as state government promotion, make the facility more widely known and accessible.
2. Promote the *Residential Efficiency Scorecard Assessment* program either at a discounted rate for certain classes of housing or with delayed payment through the EUF.
3. Enhance the full implementation of the *Minimum energy efficiency standards for rented homes* program by linking it to the EUF. Implement oversight to ensure compliance according to specifications.
4. Accelerate the rollout of the new 7-star energy efficiency standard for new homes. Provide strict and comprehensive oversight to ensure full compliance.
5. Enlist councils to help promote the programs and the savings that can be made.
6. Introduce a moratorium on gas connections for new housing developments.

## References

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- <sup>i</sup> <https://www.abc.net.au/news/2021-05-02/victorian-government-targets-or-agriculture-transport-interim/100110140>
- <sup>ii</sup> <https://news.un.org/en/story/2021/05/1091402>
- <sup>iii</sup> <https://www.climatecouncil.org.au/wp-content/uploads/2021/05/Kicking-the-Gas-Habit-How-Gas-is-Harming-our-Health.pdf>
- <sup>iv</sup> [https://aemo.com.au/-/media/files/gas/national\\_planning\\_and\\_forecasting/vgpr/2021/2021-victorian-gas-planning-report.pdf?la=en](https://aemo.com.au/-/media/files/gas/national_planning_and_forecasting/vgpr/2021/2021-victorian-gas-planning-report.pdf?la=en)
- <sup>v</sup> [https://aemo.com.au/-/media/files/gas/national\\_planning\\_and\\_forecasting/vgpr/2021/2021-victorian-gas-planning-report.pdf?la=en](https://aemo.com.au/-/media/files/gas/national_planning_and_forecasting/vgpr/2021/2021-victorian-gas-planning-report.pdf?la=en)
- <sup>vi</sup> [https://energy.unimelb.edu.au/\\_data/assets/pdf\\_file/0007/1993309/switching-off-gas-an-examination-of-declining-gas-demand-in-eastern-australia.pdf](https://energy.unimelb.edu.au/_data/assets/pdf_file/0007/1993309/switching-off-gas-an-examination-of-declining-gas-demand-in-eastern-australia.pdf)
- <sup>vii</sup> <https://www.sustainability.vic.gov.au/energy-efficiency-and-reducing-emissions/building-or-renovating/insulation>