

Victoria's Renewable Gas Directions Paper

Submission to Department of Energy,
Environment and Climate Action
Directions Paper

Submitted by: Alice Gordon

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Residential and small business consumers should not pay for renewable gas projects

The Department of Energy, Environment and Climate Action is correct in its statement that there is no role for renewable gases to decarbonise the residential building sector. This is consistent with growing evidence that electrification is the clear alternative to fossil gas for residential consumers.

While we acknowledge DEECA has assessed the costs to residential and small businesses to be small, it is unreasonable they should pay for them at all given they are unlikely to benefit from new renewable gas projects. While there may be some small businesses where electrification is not currently feasible, more evidence is needed to support this. As the Institute for Energy Economics and Financial Analysis notes in their submission to the previous round of consultation, the number of small business unable to electrify is likely to be a small minority.¹ We therefore do not believe there is sufficient reason to charge households and small businesses the costs of renewable gas projects.

Households and small businesses are already facing the prospect of their gas bills rising exponentially in the coming decades. As consumers increasingly take up the opportunities electrification presents and leave the gas network, the costs related to maintaining the gas network will be shared by an increasingly small cohort of consumers. In a 2023 report for ECA, CSIRO undertook modelling that found by 2050, network prices on household gas bills would more than quadruple, from roughly \$280 a year to day to \$1,170 in 2050².

The consumers left paying higher network costs (and the costs of new renewable gas projects) are likely to be those who face the greatest barriers to electrification. Renters are reliant on their landlord to make the switch, while those living in apartments or multi-unit dwellings may face barriers navigating body corporate. The high upfront costs to electrification pose a significant barrier to many consumers, with our Consumer Energy Report Card finding lower income households say they are less likely to cancel their gas supply in the coming years.

A long-term plan for how we pay for a gas network in decline is long overdue. While this question is yet to be resolved, every step must be taken to ensure no additional costs are added to the risk consumers are already facing. This includes costs related to renewable gas projects.

Please contact Alice Gordon at alice.g@energyconsumersaustralia.com.au with any further questions.

Kind regards,

A handwritten signature in brown ink, appearing to read 'Alice Gordon'.

Alice Gordon

¹ Institute for Energy Economics and Financial Analysis, submission to Victoria's Renewable Gas Consultation Paper, October 2023.

² ECA and CSIRO. Stepping Up: A smoother pathway to decarbonising homes, August 2023.