ESIA Submission:

Victorian Government
Industrial Renewable Gas Directions Paper Consultation

Due 7 February 2025

Submitted to Victorian Government, Department of Energy, Environment & Climate Action (DEECA), gas.roadmap@deeca.vic.gov.au

Energy Savings Industry Association
Suite 2, Ground Floor, 109 Burwood Rd, Hawthorn 3122
www.esia.asn.au
ABN 52 166 026 766

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1. Introduction

The Energy Savings Industry Association (ESIA) welcomes the opportunity to provide this submission to the **Victorian Government's Industrial Renewable Gas Directions Paper Consultation** which commenced on 9 December 2024. This consultation is being managed by the Department of Energy, Environment and Climate Action (DEECA).

About ESIA

The Energy Savings Industry Association (ESIA) is the peak national, independent association representing and self-regulating businesses that are accredited to create and trade in energy efficiency certificates in market-based energy savings schemes in Australia. These activities underpin the energy savings schemes which facilitate the installation of energy efficient products and services to households and businesses. Members represent most of the energy efficiency certificate creation market in Australia. Schemes are established in Vic, NSW, SA and ACT. Members also include product and service suppliers to accredited providers under the schemes. As well, the ESIA represents member interests in national and state initiatives that include energy efficiency and demand reduction, such as the Federal Government's Carbon Farming Initiative energy efficiency methods and National Energy Performance Strategy, and the NSW Peak Demand Reduction Scheme.

Further engagement

We welcome the opportunity to discuss this submission further, please contact the ESIA Executive Director at comns@esia.asn.au.

The consultation

The ESIA referred to the documentation at https://engage.vic.gov.au/victorias-renewable-gas-future: The Directions Paper outlines that the Victorian Government's policy approach for consultation is to establish an Industrial Renewable Gas Guarantee, a renewable gas target and mechanism, as well as related policy details. This model is for consultation only, with final scheme design subject to stakeholder consultation and government decision-making processes. DEECA hosted an online forum on 15 January 2025.

Timeline

The webpage states:

- Consultation Paper open for feedback – 11 September 2023 - 6 October 2023
- Review Consultation Paper feedback – October 2023 – Early 2024
- Report back on Consultation Paper feedback – October 2023 – 14 May 2024
- Directions Paper open for feedback – **9 December 2024 - 7 February 2025**
- Review Directions Paper feedback – **Early 2025**
- Publish summary of responses – **Early 2025**

This submission can be made public.

2. ESIA Position

The ESIA acknowledges and supports the Victorian Governments' ambition on climate action including the 75%- 80% emission reduction targets by 2035.

Progress on reducing emissions from sectors other than electricity has been especially difficult.

The ESIA supports the government's approach to introduce a market-based scheme to support the expansion of the renewable fuels industry. Proven market-based schemes such as the Victorian Energy Upgrades (VEU) program and Commonwealth government's Renewable Energy Target (RET) have been very successful in driving industry development at lowest cost and provide an effective model to develop the proposed Victorian Industrial Renewable Gas Guarantee. This initiative will reduce greenhouse gas emissions and customer energy bills and provide improved gas supply security.

3. Response to Consultation Questions (5)

3.1 Industry Capacity

1. How do you assess the feasibility of the 4.5 PJ target by 2035?

- Do you think 1 PJ of biomethane production annually is possible within the first three years of the scheme?

  Yes

- If so, why?

  There is considerable interest from industry in providing this level of supply in the near term.

- If not, why not?

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2. Could industry potentially deliver volumes greater than 4.5 PJ by 2035?

   Yes

- If so, what degree of confidence is there, and what evidence is that confidence based on?

Reasonable to high confidence.

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?

Likely demand for renewable gas will exceed 4.5PJ by 2025.

This is based on anecdotal evidence from potential providers of renewable gas. For example, hypothetically 2PJ could be generated from a single landfill site. These projects could be mobilised in the short term.

Therefore, the ESIA anticipates that the 4.5PJ proposed target by 2025 is modest and may be too low.

Given the proposed target is predicted to deliver only 0.25MT per annum of emissions reduction by 2035, greater ambition would drive more emissions reductions sooner and at lower cost.

There is a risk that the 4.5PJ target could be swamped by a few projects, potentially leading to a collapse in the certificate price and a stall in investment. This situation occurred in the early years of the RET where the supply of certificates was dominated by pre-existing large hydro power stations and the Renewable Energy Certificate (REC) price collapsed.

3. 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?

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3.2 Cost Recovery

4. 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?

- Please state your reasons in support of one option or the other.

The ESIA considers that in principle it would be reasonable for **all** gas users, including residential and small commercial (i.e. Tariff V) users and industrial gas (i.e. Tariff D) users. However, there could be reasonable carve outs for those customers that evidence indicates are least able to engage in getting off gas or gas efficiency and that are the most vulnerable and least able to access financial incentives such as available under the VEU. Therefore, the Victorian government could consider carving out Victorian households that are on some form of concession (not necessarily all concession card holders) or gas retailer hardship programs and renters. (Renters will pose a challenge given some renters receive and pay for their gas bill and others have it bundled into their rental agreement.)

Further, there are a few other proven measures the Victorian government could implement that would minimise the cost increase to customers including:

- setting a penalty level for non-compliance;
- a flexibility mechanism for liable parties in meeting the target; and
- use of any penalties received to fund the removal of barriers and development of the industry.

3.3 Liable Entity

5. 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:

- 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?

- Please state your reasons in support of one option or the other.

  The ESIA suggests that gas retailers and other wholesale gas purchasers should be the liable entities as these businesses are reasonably placed to pass through costs to the energy consumer. This proven framework would provide a straightforward, transparent and cost-effective approach.

For more information regarding this submission, please email ESIA Executive Director, comns@esia.asn.au