

Senate Standing Committees on Economics
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FUTURE MADE IN AUSTRALIA BILL 2024

Australian Energy Producers | 29 July 2024

Australian Energy Producers welcomes the opportunity to provide input on the [Future Made in Australia Bill](#) currently before the Committee.

The Australian oil and gas sector is committed to working with the Government and other stakeholders to achieve net zero emissions across the economy by 2050, including by implementing the Government's [Future Gas Strategy](#) (FGS).

Australian Energy Producers recommends the Future Made in Australia (FMIA) plan take a least-cost, technology neutral approach to low-carbon industry and manufacturing in Australia, that accommodates the direct and indirect use of natural gas and carbon capture, utilisation and storage (CCUS).

It is a missed opportunity that the FMIA plan fails to reaffirm the crucial role natural gas must play in Australia's transition to net zero emissions and in Australia's future manufacturing, critical minerals processing, and low-carbon liquid fuel sectors. A role the Government made clear in the FGS. In not considering the key role of natural gas, the FMIA bill runs counter to the Treasurer's view that a future made in Australia "...is all about realising our genuine advantages and recognising that our future growth prospects lie at the intersection of our industrial, resources, skills and energy bases."

Excluding natural gas and CCUS from the FMIA initiative risks increasing costs for Australian manufacturing, reducing our international competitiveness, while limiting the scale of emissions reductions to be achieved in the medium term.

All credible net zero scenarios include a critical role for natural gas through to 2050 and beyond. Organisations like the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change indicate that natural gas will see ongoing demand through to 2050 and beyond, in particular in the industrial sector, directly as an energy source, source of high temperature and controllable heat and as a feedstock, and indirectly as a source of low-carbon hydrogen and as part of a low-emissions electricity system. The Net Zero Australia [study](#) also confirms the necessity of natural gas in all net zero scenarios in Australia.

Natural gas underpins manufacturing and industrial production in Australia. Natural gas provides 42% of all the energy used by Australian manufacturing and industry. More than 1,100 industrial sites around Australia use gas as a source of high-temperature and controllable heat for firing of bricks and glass as well as smelting, refining (alumina) and mineral processing, including iron and steel production. It is used as a feedstock supporting production of ammonia for fertilisers (food security), thermoplastics (e.g. wind

turbine blades), pharmaceuticals and other manufactured products crucial for Australian economic resilience and success of the FMIA plan.

CCUS may be the least-cost, most technically viable emissions reduction pathway for many hard-to-abate industries, including cement, iron and steel, chemical and fertiliser production, and more. In many instances CCUS may be one of the few, and in some cases only, viable technology for decarbonising industrial processes, including cement production. Natural gas combined with CCUS is also the lowest cost and most technically advanced low-carbon hydrogen pathway today.

Critical mineral processing in Australia will rely on natural gas. Independent analysis from EY [found](#) (p26) that if Australia were to *“focus on onshore processing of critical minerals, it will be expected to increase the need for reliable, affordable, low-carbon power, heat, and chemical feedstocks in Australia from natural gas with and without carbon capture, utilisation, storage.”* The Government's FGS also highlighted the importance of natural gas for critical minerals processing, including hard rock lithium processing which requires temperatures of more than 1000°C. It is important the FMIA plan recognises and supports investment in new gas supply to secure the significant manufacturing opportunities associated with critical minerals processing.

The production and adoption of low-carbon liquid fuels (LCLF) is a realistic abatement option to reduce hard-to-abate emissions in aviation, heavy transport and off-road vehicles. Natural gas can assist the decarbonising of these activities, which are reliant on liquid fuels and do not imminently lend themselves to electrification, through providing low-carbon hydrogen, e-methane, methanol, Fischer-Tropsch diesel, Sustainable Aviation Fuels (SAF), bio-gasoline, and e-fuels production more broadly. Existing natural gas infrastructure, such as pipelines, storage facilities, and distribution networks, can also be further leveraged to transport and store renewable and blended LCLFs to reduce costs and to accelerate adoption.

The scope of the \$6.19 billion Innovation Fund should be broadened to support a wider range of low carbon innovations. Industry should be free to consider the most appropriate, least-cost, emissions reductions technologies for their operations, rather than only receiving support for renewable energies. Eligibility for example could be based on an emissions intensity threshold applied on a technology neutral basis or according to their stage of innovation. Further, noting that economic diversification is a key objective of the FMIA plan, relying too heavily on a limited number of energy or fuel sources, such as renewable-based hydrogen, presents a risk to industry if development of these technologies is slower than expected or supply chains are interrupted.

Australian Energy Producers supports the FMIA's national interest approach to allocating public funding. It is important that the scale of funding provided under the FMIA does not crowd out private sector investments and/or make it inherently more challenging for key sectors and technologies, such as natural gas or CCUS, to attract competitive financing or to compete on an equal footing. Further, the Productivity Commission [observes](#) in its *Trade and Assistance Review 2022-23* that *“it is important industry policy is ... subject to rigorous and public cost benefit analysis (CBA) ... focused on achieving clear goals at least cost to the Australian community, without inadvertently becoming a new form of trade protectionism.”* Australian Energy Producers recommends a CBA be applied to the FMIA's hypothecated subsidies to compare what might otherwise be achievable more efficiently.

Natural gas is essential to achieving a balanced and stable energy supply. Natural gas plays a critical role in Australia's current and future energy landscape. With adequate gas supply, storage, transportation and power generation infrastructure it serves as a reliable, dispatchable, and flexible energy source that complements renewable energies by providing firming power during periods of low renewable generation. It also remains essential for achieving immediate emissions reductions through switching out of higher emitting fuels.

In addition to supporting Australian manufacturing, the natural gas sector drives economic growth in Australia by creating jobs, generating export revenues, delivering tax revenues, and supporting national and regional communities. The sector supports over 80,000 Australian jobs and contributed an estimated \$17.1 billion in direct payments to state and federal governments in the 2023 financial year. Maintaining Australia's reputation as a reliable LNG trading partner with countries like Japan and South Korea is crucial not only for the significant trade benefits to Australia, but to help reduce regional emissions by reducing reliance on higher-emission energy alternatives.

Leveraging the comparative advantage of Australia's natural gas resources and CCUS technologies can positively support all of the FMIA's goals in a pragmatic and economically viable manner. .

Yours sincerely,

A handwritten signature in black ink that reads "S McCulloch". The signature is written in a cursive, slightly slanted style.

Samantha McCulloch

Chief Executive