

REGULATORY IMPACT STATEMENT FOR THE BUILDING AND PLUMBING AMENDMENT REGULATION 2024

Australian Energy Producers | 7 March 2025

Australian Energy Producers welcomes the opportunity to make a submission on the Victorian Regulatory Impact Statement (RIS) for the *Building and Plumbing Amendment Regulation 2024*.

Natural gas is central to the Victorian energy system and to the Victorian economy. There are over 2.2 million connections to the Victorian gas network, from homes and businesses across the state. Three in four Victorian homes rely on gas every day for heating and cooking.¹ The natural gas industry employs over 40,000 Victorians and contributes \$22 billion to the Victorian economy each year.²

Natural gas is key pillar of energy security and emissions reductions to 2050 and beyond, particularly in Victoria. The Australian Energy Market Operator is clear that gas power generation needs to increase to phase out coal and back up the roll-out of renewables.³ This is particularly crucial in Victoria where brown coal represents 57 per cent of total electricity generation. Natural gas is also critical to industry across the state, as a vital feedstock and source of high-temperature heat.

Banning gas use in homes and new businesses will exacerbate cost-of-living pressures and increase demand on Victoria's fragile coal-based electricity network, risking blackouts and pushing up emissions. Electric appliances cost more to buy⁴ and run than gas appliances.⁵ A report, commissioned by Energy Networks Australia, finds that mandated electrification could cost Victorian households an extra \$22 billion over the next 20 years.⁶ Victorian homes that use both gas and electricity are also lower emissions than all-electric homes.⁷ At the same time, the Victorian power grid is already struggling to deliver reliable power to its current customer base.⁸

Victorians oppose the banning of gas in their homes. 59 per cent of Victorians oppose a mandated phase-out of gas in homes, with 82 per cent of Victorians agreeing that people should have the choice about what appliances they have in their own homes.⁹

Independent analysis finds¹⁰ the RIS disproportionately impacts low-income households, uses inflated or overly optimistic cost assumptions, omits infrastructure costs, and limits the ability of stakeholders to engage meaningfully in the process. This analysis suggests the RIS fails to fully analyse the relative effectiveness of the options presented.

Australian Energy Producers recommends the Victorian Government:

- Reject Option 3 of the RIS and allow Victorians the choice to install new gas appliances.
- Reverse the ban on new residential and commercial gas connections.
- Urgently act to restore investor confidence in the gas market and remove barriers to gas exploration and production to ensure Victoria's future energy security and emissions reductions.

Australian Energy Producers looks forward to providing further input to the Victorian RIS for the *Building and Plumbing Amendment Regulation 2024*. Further comments and recommendations follow.

¹ Australian Energy Regulator, Gas Disconnections Report, Q1 2024

² KPMG, Economic contribution of the gas industry, 2024

³ Australian Energy Market Operator, Integrated Systems Plan, 2024

⁴ Grattan Institute, Getting off gas: Why, how and who should pay?, 2023

⁵ BCG, The role of gas infrastructure in Australia's energy transition, 2023

⁶ www.energynetworks.com.au/news/media-releases/the-hidden-cost-of-forced-electrification-in-victoria, February 2025

⁷ <https://apga.org.au/media-releases/victorian-government-must-not-push-forward-with-any-gas-appliance-bans>

⁸ EnergyQuest, Victorian Electricity Outage – 13 February 2024

⁹ Redbridge, Victorian Has Phase-Out Survey, November 2024

¹⁰ Evaluate, A review of the Victorian Government's Building Electrification Regulatory Impact Statement, February 2025.

COMMENTS AND RECOMMENDATIONS

Natural gas is a critical energy source for Victoria as well as being a key contributor to the Victorian economy.

Natural gas is one of Australia's main sources of energy, providing 26 per cent¹¹ of Australia's primary energy. Around one-fifth of the electricity Australians use each year is generated by natural gas¹². Natural gas is also a key source of energy for heating and cooking for over 2.2 million homes in Victoria,¹³ with 76 per cent of households connected to gas¹⁴. There are almost 5,000,000 residential gas network-connected appliances¹⁵ and approximately 34,000 km of distribution gas mains in Victoria.¹⁶

The state consumed 215 Petajoules (PJ) of gas in 2022-23, of which 97 PJ was used for residential purposes (for space heating, hot water and cooking) and 22 PJ for commercial purposes.¹⁷ Natural gas is further used across a wide range of Victoria's industries, including manufacturing, mining, transport, postal & warehousing, construction and agriculture.¹⁸ The RIS directly impacts and increases costs for half of the gas used in Victoria (residential and commercial collectively use 119 PJ). Victoria is the largest user of gas for residential purposes in Australia.

In Victoria, the gas industry supports around 5,300 direct and 40,600 indirect jobs and contributes \$22 billion to the state's economy.¹⁹ It is an industry that has reliably supported Victoria's gas needs for over half-a-century from the Gippsland and Otway basins and can continue to do so for many decades with the proper regulatory and business environment.

Victorians strongly oppose bans on gas.

A poll by Redbridge²⁰ in late 2024 – commissioned by the Australian Gas Infrastructure Group – clearly demonstrates the strong support for natural gas among Victorians, the right to make a choice on appliances and their concerns around cost for any proposed transition to electrification. The RIS recommendations are at odds with Victorians' preferences. The poll found that:

- 59 per cent of Victorians oppose a mandated phase-out of gas in homes.
- 82 per cent of Victorians agree or strongly agree that people should have the choice about what appliances they have in their own homes.
- 76 per cent agree that phasing out gas imposes big costs on households, and is not a fair way to achieve change.
- 73 per cent agree that any costs associated with replacing gas appliances in rental properties will be passed on to renters.
- 88 per cent want a mix of energy sources used in Victoria, including solar, wind and gas.

¹¹ DCCEE, Australian Energy Update 2024

¹² DCCEE, Australian Energy Update 2024

¹³ AER, Gas Disconnections Report, Q1 2024

¹⁴ Energy Networks Australia, Reliable and clean gas for Australian homes, July 2021

¹⁵ Energy Networks Australia, Reliable and clean gas for Australian homes, July 2021

¹⁶ Energy Networks Australia, Reliable and clean gas for Australian homes, July 2021

¹⁷ www.energy.gov.au/publications/australian-energy-update-2024

¹⁸ www.energy.gov.au/publications/australian-energy-update-2024

¹⁹ Direct and Indirect contribution. KPMG, Economic contribution of the gas industry, 2024

²⁰ Redbridge, Victorian Gas Phase-Out Survey, November 2024

- 91 per cent think it is important that Victorian households don't have to carry the financial burden of the shift to more renewable energy.
- Only 28 per cent agree that switching from gas to electricity will lead to lower energy bills.

Analysis shows that the RIS disproportionately impacts low-income households, uses inflated or overly optimistic cost assumptions, and limits the ability of stakeholders to engage meaningfully in the process.

A review of the Victorian Government's Building Electrification RIS²¹ by Evaluate in February 2025, commissioned by the Gas Appliance Manufacturers Association of Australia, has raised concerns with how the RIS was conducted and its recommendations.

The report finds that many of assumptions that underpin the RIS are unrealistic, systematically overstating the benefits of electrification and understating the costs. These make the model overly optimistic and disconnected with real world experience and calls into question the results of the cost benefit analysis (CBA) across all options, including the Victorian Government's preferred Option 3.

The Evaluate report identifies a significant cost to consumers with the solutions proposed in the RIS disproportionately impacting low-income households and households in regional and remote areas. However, the RIS does not consider the impact on lower-social economic groups or provide alternatives to overcome the inequity this represents.

Further, no consideration has been given in the RIS to the impacts on industry and employment from the proposed market intervention. The natural gas industry supports more than 40,000 jobs in Victoria.²² The RIS has only limited recognition of the human and commercial impact of market intervention.

Banning replacement of end-of-life natural gas appliances will increase costs for consumers, exacerbating cost-of-living pressures on Victorians.

The proposed Option 3 (favoured by the Government in the RIS) will burden Victoria's tens of thousands of gas-reliant businesses with higher operating costs into the future.

Electric appliances cost more to buy than gas appliances²³ and will be more expensive to run, particularly in existing cold-climate homes.²⁴ Electrifying homes shifts the cost burden onto the shoulders of Victorian households and businesses who are already suffering under cost-of-living pressures.

A recent report commissioned by Energy Networks Australia finds that mandated electrification could cost Victorian households an extra \$22 billion over the next 20 years.²⁵

Banning gas use in existing homes and new businesses will increase demand on Victoria's fragile coal-based electricity network, risking blackouts and pushing up emissions.

Coal accounts for around a quarter of Australia's primary energy consumption, and more than 46 per cent of electricity generation.²⁶ In Victoria, brown coal accounts for 57 per cent of electricity generation. With the roll-out of renewable energy, the priority should be first and foremost to reduce and replace

²¹ Evaluate, A review of the Victorian Government's Building Electrification Regulatory Impact Statement, February 2025.

²² KPMG, Economic contribution of the gas industry, 2024

²³ Grattan Institute, Getting off gas: Why, how and who should pay?, 2023

²⁴ BCG, The role of gas infrastructure in Australia's energy transition, 2023

²⁵ www.energynetworks.com.au/news/media-releases/the-hidden-cost-of-forced-electrification-in-victoria, February 2025

²⁶ DECCW, Australian Energy Update 2024,

coal use in the energy system, in particular brown coal use. In contrast, the banning of gas use in existing homes and new businesses is expected to extend the life of coal plants.

In Victoria, it is estimated that electrifying homes will result in an increase in overall CO₂ emissions today²⁷. Electrification of homes will also result in additional pressure on the electricity system which already has significantly increased risk of inadequate and unreliable electricity compared to 2022.^{28 29}

If the Government's focus is on reducing emissions at lowest cost to consumers, replacing natural gas with electricity in Victoria does not achieve this outcome.

Natural gas is critical to Victorian energy reliability, security and emissions reductions.

Gas and electricity networks have complimented each other in Victoria for decades with dual fuel homes able to cope better during electricity outages. This was demonstrated during severe storms in February 2024 that left much of the state without power. Most homes that had gas were able to cook and have hot showers. This highlighted the benefits of having a dual fuel energy system. Dual-fuel residences also have much lower emissions than all-electric homes, emitting 2.83 tCO₂-e per annum, compared to 3.43 tCO₂-e per annum for all-electric homes.³⁰

The Victorian Government should focus on the development of Victoria's significant natural gas reserves to help deliver reliable energy and reduce emissions.

Geoscience Australia estimates that Victoria has more than 6,000 PJ³¹ of conventional natural gas reserves and resources – over 25 years of Victoria's current gas demand. The Victorian Government's report³² on potential onshore gas in Otway and Gippsland basins identifies 830 PJ of gas. This is before considering potential unconventional gas resources and the potential of future exploration to expand current estimates.

The Victorian Government's approach to natural gas continues to place barriers in the way of gas project development as well as impacting investment confidence, which is translating to forecast gas shortfalls in the state at peak times from this year, and structurally from 2027.

A recent report commissioned by the Victorian Government³³ found that the state is facing a very high risk of peak and annual gas shortfalls that will hinder emissions reductions, including “through delays to coal retirements”, resulting in higher energy prices with “more peak price events with scarcity pricing”, exacerbating cost-of-living pressures for all Victorian households and businesses, and undermine energy security through an “increased likelihood of outages of gas plants”.

The Victorian government must urgently look to restore investor confidence in the gas market as well as remove barriers to gas exploration and production in order to deliver least-cost energy security and emissions reductions for the state.

²⁷ Grattan Institute, Getting off gas: Why, how, and who should pay?, 2023

²⁸ AEMO, 2023 Electricity Statement of Opportunities, 2023

²⁹ AEMO, 2022 Electricity Statement of Opportunities, 2022

³⁰ <https://apga.org.au/media-releases/victorian-government-must-not-push-forward-with-any-gas-appliance-bans>

³¹ Geoscience Australia, Australia's Energy Commodity Resources 2024

³² Department of Jobs, Precincts and Regions, Victorian Gas Program: Risks, Benefits and Impacts Assessment Final Report, 26 March 2020, https://earthresources.vic.gov.au/_data/assets/pdf_file/0010/550864/4-Risks-Benefits-and-Impacts-assessment-updated-26-March-2020-.pdf

³³ Infrastructure Victoria, [Victoria's energy transition risks and mitigation actions](#), August 2024

Policies should focus on ensuring reliable and affordable energy with lower emissions, not reducing demand for natural gas.

The outcomes of any well considered energy and climate policy should be access to secure and affordable energy that aligns the Victorian economy with net zero and other environmental and social ambitions and commitments.

Energy and climate policy should seek to encourage the optimal portfolio of fuels and technologies that can deliver these outcomes. Government policies and strategies that focus on pre-selecting the balance of fuels and technologies rather than on the desired outcomes, inject inefficiencies that will result in poorer outcomes for Victorians.

If you have any questions about any matters raised in this submission, please contact me on 0407 000 926 or pkos@energyproducers.au



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