16 August 2021

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Infrastructure Victoria
Level 33, 140 William Street
MELBOURNE VIC 3000

Via email: enquiries@infrastructurevictoria.com.au

Dear Sir/Madam

TOWARDS 2050: GAS INFRASTRUCTURE IN A ZERO EMISSIONS ECONOMY

Tas Gas Networks ("**Tas Gas**") welcomes the opportunity to make a submission in response to the abovenamed interim report recently released by Infrastructure Victoria.

About Tas Gas and our infrastructure assets

Tas Gas is the owner and operator of gas infrastructure and retail services in Tasmania and Victoria. It is majority owned by Energy Infrastructure Trust ("EIT"), one of Australia's largest energy assets portfolios, which is overseen by independent funds manager Infrastructure Capital Group ("ICG").

In Victoria we own and operate a 211km gas transmission pipeline in Western Victoria. Tas Gas also has a 'virtual' gas network servicing 10 regional Victorian towns, fronting over 12,000 premises. Tas Gas is also a regional Victorian retailer to over 1,000 customers. We are dedicated to serving energy customers and shaping a cleaner energy future.

The Virtual Pipeline across the 10 regional towns is a cost-effective solution for small towns where it would be otherwise uneconomical to connect to the Victorian reticulated gas network via a typical transmission pipeline (due to costs and distance). This network of 10 regional towns can be scalable as the load increases, and provides the opportunity to connect large off network/remote customers.

The concept of the Virtual Pipeline sees gas supplied from a high pressure natural gas transmission pipeline to a "Mother Station" where it is further compressed and held in storage. Upon demand it is transferred into transportable high pressure cylinders, then delivered to a "Daughter Station" situated on the network at each town. Natural gas is then supplied on demand into the network. In turn the network then distributes natural gas and operates as per other conventional networks in Victoria. In its simplest explanation, the Virtual Pipeline (trucks) replace transmission pipelines.

Response to early findings in the interim report

Tas Gas welcomes the work being done by Infrastructure Victoria to contribute to the Victorian Government's Gas Substitution Roadmap process.

We have noted the early findings in the interim report published by Infrastructure Victoria and we agree that the key issues have been captured well. We have reviewed the four scenarios in the report, and while we have no strong views on the likelihood of any particular scenario being accurate by 2050, we consider key issues must be common across all scenarios as part of a net zero emission future.

Retention of future optionality

Addressing the challenge of net zero requires a full system approach and should not restrict potential solutions from their ability to assist. Tas Gas supports policy positions that facilitate a deeper understanding of the complex

considerations to be addressed through the energy transition. Tas Gas does not support mandated electrification over market-led outcomes. Today's policy decisions should not bias future outcomes prior to fundamental research findings. Indeed, an optimal future solution will involve greater integration between electricity and gas sectors to optimise operation of electrolysers, provide flexible mobility solutions and increased energy storage options. Tas Gas supports the continued investment in research and development into renewable gas pathways and the opportunities for repurposing existing infrastructure.

Investor certainty and stable policy

As mentioned above, Tas Gas ownership is managed by ICG, which invests in many different types of infrastructure in the energy sector as well as other sectors such as transport and aviation. Infrastructure investors like ICG play an important role in the energy transition, as they have a lower cost of capital than project finance. For Tas Gas and its customers, this lower cost of capital is ultimately reflected in lower gas prices for households and businesses.

It is important to note that this low cost of capital will only persist for as long as investors and analysts continue to regard the energy sector as being a safe place for infrastructure investment. Sudden policy shifts and government decisions can increase risks in the sector, so it is important that investors are consulted regularly by government on the energy transition before fuels such as natural gas are phased out.

This should not be taken as a criticism of moves by government to head towards net zero emissions by 2050. In fact it has been institutional investors both here and overseas that have led the calls for governments to introduce policies that address greenhouse emissions from the energy sector and to do so on a bipartisan basis. But the pace of change and the level of consultation on policy changes are highly important for infrastructure investors.

Gaseous fuels are essential in the energy mix

For many commercial and industrial processes, there is no alternative to gaseous fuels to provide the required heating load. Electricity is not a substitute. These are customers who employ many thousands of staff and rely on gas for business continuity. It is essential these businesses, and employees, are given the appropriate support and confidence that there will be a reliable and affordable pathway to renewable gas so they may continue to invest in their organisations.

Additionally, gas has a critical role to play in the transition to higher levels of intermittent renewables in the energy mix. Gas' ability to provide flexible energy storage and dispatch services is necessary for system security and reliability through the transition towards net zero targets. In a future net zero world, gas will be an essential carrier of zero emissions energy.

Customer affordability and choice

The Infrastructure Victoria interim report has already identified affordability issues for consumers as part of a transition away from natural gas and Tas Gas agrees that these should be factored into any considerations of the pace of change and who pays for the transitional costs.

Deep consideration must be given to the costs of any transition away from gas. In Victoria, gas has established infrastructure that reliably delivers an essential winter fuel for residential heating. Analysis in the Gas Vision 2050 – Delivering a Clean Energy Future suggests net zero emissions can be achieved by repurposing the gas network for hydrogen at half the cost of electrification.

As a retailer of natural gas in both Victoria and Tasmania, Tas Gas understands its customers and their preferences. Our customers value choice, with many choosing gas for the benefits it brings to cooking and heating. Moving towards a lower emission future, customers are looking for renewable gas options they can trust. Additionally, the role of carbon offsets will be important to enable customer choice. A focus on guidelines and certification schemes will help bring confidence and credibility to the clean energy transition.

Importance of a national approach

As has been noted in Infrastructure Victoria's interim report, the gas industry is a national one. On the east coast of Australia there are gas transmission pipelines linking Queensland in the north right down to Tasmania in the south. Many billions of dollars are invested in these assets and many policies and regulations are applied at a national level.

For Victoria, this means that a transition away from natural gas on a unilateral basis may be impractical and could increase costs for both consumers and investors under such a scenario. The *National Hydrogen Strategy* is a good example of state and federal jurisdictions working together on a clear policy that will help Australia reach net zero greenhouse emissions by the year 2050, and we would support the gas substitution roadmap being developed in a similar way.

Next steps

In summary, it is important that the transition to a net zero future is done in a way that is achieved with respect for consumers, workers and investors. While it is difficult to predict the future energy mix in 2050 with much certainty in 2021, the disruption to the Victorian economy if the transition towards low and zero carbon energy sources is not well-handled could be immense. Similarly, the opportunities that come with the transition must be captured, and a lot of thought given to how best to make the most of existing gas industry infrastructure to avoid needless costs for consumers.

We would welcome further discussions with Infrastructure Victoria as this process continues. For any questions, please contact myself or [redacted].

Yours sincerely

Phaedra Deckart
Chief Executive Officer

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