

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

Infrastructure Capital Group (“**ICG**”) welcomes the opportunity to make a submission to the Infrastructure Victoria Interim Report titled **TOWARDS 2050: GAS INFRASTRUCTURE IN A ZERO EMISSIONS ECONOMY**.

About ICG

ICG is a leading Australian infrastructure investor with a 20-year investment track record and approximately \$3.0 billion of equity under management across a wide range of infrastructure sub-sectors, including energy, utilities, transport and renewables. Within its energy and renewables portfolios, ICG manages investments in 6 windfarms (total 575MW), three gas fired power stations (total 696MW) and over 1,420 km of gas transmission and distribution pipeline infrastructure.

One of the ICG managed assets is Tas Gas, the owner and operator of gas infrastructure and retail services in Tasmania and Victoria. In Victoria it operates a 211 km gas transmission pipeline and a gas network servicing 10 regional Victorian towns. Fronting over 12,000 premises, Tas Gas is also a regional retailer to over 1,000 Victorian customers.

Comments on the interim report

ICG welcomes the opportunity to comment on Infrastructure Victoria’s interim report and through it to the Victorian Government’s Gas Substitution Roadmap process.

We note the early findings in the interim report and the four scenarios it contains. While we have no strong views on the likelihood of any scenario, we have identified a number of key issues that should be considered in designing good policy in pursuit of a net zero emission future. The themes, which are explored further below are:

1. *Supporting investment with stable policy*
2. *Retaining future optionality and encouraging innovation*
3. *The essential role of gaseous fuels and feedstock*
4. *The importance of a coordinated, national approach*

Supporting investment with stable policy

Infrastructure investors like ICG have an important role to play in the energy transition. With access to a lower cost of capital, infrastructure investors reduce the hurdle for major capital projects and lower operating costs of these large assets, for the benefit of energy consumers.

Importantly however, access to lower cost of capital is only available where investors continue to regard the energy sector as a safe place for investment. With the long investment horizons necessary for such capital-intensive assets, investors must retain confidence that macro factors will not negatively impact investments 10 or 20 years from now. Sudden policy shifts and government decisions can shake this confidence and quickly result in higher financing costs and/or a reduction in available capital for this critical sector. Regular consultation on policy initiatives that will impact

market conditions decades ahead is essential to avoid unexpected and negative near-term impacts.

As a pioneer of renewable energy in Australia, ICG supports government initiatives that provide investment certainty in the pursuit of net zero emissions by 2050. Supporting the necessary investment to make this a reality requires a long-term view and steady hand on the tiller.

Retaining future optionality and encouraging innovation

As an investment manager in renewables, gas power generation as well as gas reticulation, ICG is both open to and excited by the many technology opportunities that will contribute to the goal of a zero-emission economy. Conceptualising a roadmap to address such a complex challenge is however not straight forward and can lead to the application of policy design shortcuts. At best these can oversimplify and at worst they can inadvertently impede technological development that would have aided or accelerated the end goal. ICG does not support mandated electrification over market-led outcomes. Rather, ICG supports a full system approach that encourages innovation through supportive policy positions. ICG supports the continued investment in research and development into renewable gas pathways, opportunities for repurposing existing infrastructure and the integration of electricity and gas sectors to leverage the uniquely superior aspects of each.

The essential role of gaseous fuels and feedstock

Many commercial and industrial processes in Australia have no alternative to gaseous fuels and feedstocks. Whether for heating load or as a direct process input, for many businesses electricity is not a substitute. It is essential for these businesses and the many thousands of Australians they employ, that sensible policy decisions are based on sound science and grounded in reality. Second order effects such as escalating feedstock costs arising from any underutilized gas transmission infrastructure should be considered upfront, such that a reliable and affordable pathway to renewable gas can be charted.

In power generation, gas has a critical role to play in the transition to higher levels of intermittent renewables in the energy mix. The ability of gaseous fuel to store large amounts of energy will underpin system security and reliability for many years to come. Longer term, while battery technology is exciting, long duration energy storage remains a key challenge and renewable gas storage combined with gas power generation presents an equally significant opportunity. Retaining optionality in this regard should be considered in policy recommendations.

The importance of a coordinated, national approach

The eastern Australia gas transmission network has been constructed to link supply and demand with little consideration to state boundaries. Unilateral action by any jurisdiction, may prove not only impractical but could also result in greater investor uncertainty, driving up costs that are ultimately borne by the consumer. Strong policy, and the reports that support them, should consider impacts beyond the extent of their geographical mandate and consult at a national level.

Next steps

In summary, while it is difficult to predict the future energy mix in 2050, it is important that planning the transition to a net zero future is done in such a way as to enhance investor certainty. It should set high level objectives and encourage innovation without impeding the many options that may contribute to that goal. A national approach that is grounded in science will provide both Victoria and the country with the best chance of rising to the challenge of climate change.

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

Yours sincerely

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