

To Australian Energy Regulator

Distributor's gas access arrangement proposals 2023-2028 From Ausnet and AGIG (owners of AGN and Multinet)

About Us:

Friends of the Earth (FoE) Melbourne is a not-for-profit organisation that believes that social and environmental issues cannot be separated from each other. We work with communities throughout Victoria to build a sustainable and socially equitable future, and campaign for a world where environmental protection, social justice and economic welfare for all people go hand in hand.

FoE Melbourne is a member of the FoE Australia, which consists of eight local groups around the country as well as thirteen affiliate members. FoE Australia is, in turn, a member of FoE International, which is now active in more than 70 countries and is the largest federation of grassroots environment groups in the world.

Submission:

Thank you for the opportunity to make a submission.

Given our orientation to both social and environmental issues, FoE is as concerned about the short-term equity issues arising from the proposals of distributors as it is with the environmental impact of delays to the energy transition. Such delays are implicit in these proposals, as they are in the gas industry's overarching strategy *Gas Vision 2050*.

The networks are proposing accelerated depreciation to reduce their exposure to a wind-down of the gas network as customers electrify their energy source. However, moving the risk onto consumers and away from themselves is unacceptable. Lower-income people and businesses will be burdened most; whether renters or owners, they have little flexibility to change energy source or adopt energy efficiency measures. Cost of living stresses will continue due to rising prices for energy, fuel and food, along with rising rents and interest rates. The networks are not proposing any substantial measures to address this burden.

The bigger question is why the distributors are not proposing a joint plan with governments for the eventual wind-down of the distribution network. This would be a more socially acceptable and responsible way of resolving the issue of future risk. In the absence of such a framework, FoE Melbourne rejects proposals for yet more capital expenditure that involve creation of new assets, preparing for hydrogen readiness, or for dubious asset replacement expenditure.

FoE Melbourne also calls for a move away from declining block tariffs because they offer an incentive to use more gas than is necessary. We see similar problems with AGIG's proposed gas education fund and envisage that it will similarly be used to encourage greater than necessary use of gas.

The gas distributors are disingenuous in blaming the risk issues they face on the *Victorian Gas Substitution Roadmap*. Clearly the Victorian Government is responding to the climate crisis and the gains to be made by supporting rapid electrification and widespread adoption of energy efficiency measures.

FoE Melbourne welcomes the *Gas Substitution Roadmap* but argues that while it has significantly changed the debate on the future of gas, it does not go far enough and leaves too much wriggle room for an industry that wishes to continue producing CO₂e emissions at more or less current levels well into the 2030s, if not 2040s. This is the implication of a fuel mix of 10% hydrogen and 90% methane. FoE Melbourne is in the process of developing an alternative Roadmap - one that addresses the climate issue and focuses on a wind-down of the gas network in ways that benefit consumers and shields low-income households.



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We note that the Albanese Government intends to update Laws and Regulations governing the National Energy Markets so that environmental goals are an important consideration.

The gas distributors should be forced to confront the reality of a declining industry. 100% hydrogen in our gas pipelines is more hype than reality and involves ongoing methane emissions at high levels with uncertain but high cost for consumers. Charging exorbitant fees for abolishment of gas connections should be rejected as part of a gas industry strategy to maintain customers who would otherwise choose electrification.

In summary, we propose that AER:

1. Regulate the distributors in accordance with the intended goals of the Albanese Government for the National Gas Law, and make wind-down in use of fossil fuels as central to how they operate
2. Reject accelerated depreciation as an unacceptable burden on consumers and a diversion from addressing the very real problems with winding down the industry
3. Refuse new capital and recurrent expenditure that essentially is about attracting new customers and retaining existing ones in the gas network
4. Require a shift away from block tariffs that are an incentive to more gas use
5. Support publicly funded education campaigns around energy use, not ones funded by the gas industry
6. Explicitly address the cumulative emissions and cost burden arising from the delaying tactic of 10% hydrogen in the gas mix

We thank you for your consideration of our submission and welcome any questions or requests for clarifications that the Australian Energy Regulator may put to us.

Sincerely,

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