

Economics Legislation
Answers to questions on notice
Climate Change, Energy, the Environment and Water Portfolio

Inquiry: Inquiry into the Competition and Consumer (Gas Market Code) Regulations 2023

Question No: IQ23-000259

Hearing Date: 21 September 2023

Division/Agency: Gas and Liquid Fuels Division

Topic: Energy efficiency and electrification - gas reduction

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Question Date: 21 September 2023

Question Type: Written

Senator McKim asked:

1. Can you quantify how much the \$1.7 billion in the May budget for energy efficiency and electrification will reduce gas use by?
2. What other policies federally are in place to directly reduce domestic gas use? (Noting in advance that the Safeguard Mechanism doesn't directly reduce gas use given the availability offsets)

Answer:

1. The Australian Government announced the \$1.7 billion Energy Savings Package as part of the 2023-24 Budget. The Package will allow households and businesses to access energy upgrades that improve their energy use and save on their energy costs and includes:
 - The \$1.3 billion Household Energy Upgrades Fund, which provides:
 - \$1.0 billion to the Clean Energy Finance Corporation (CEFC) to turbocharge financing options for household energy upgrades. This will help more than 110,000 households lower their energy bills.
 - \$300 million to support upgrades to social housing, co-funded and designed in partnership with the states and territories. Co-funding will target a range of high value energy upgrades to deliver energy and cost saving benefits to households in both public and community social housing.
 - \$36.7 million to expand and upgrade NatHERS to apply to existing homes, and expand and modernise Greenhouse and Energy Minimum Standards (GEMS).
 - The \$100 million Community Energy Upgrades Fund, which co-funds upgrades with local councils and has the potential to unlock over \$200 million in high-impact energy upgrades to save community facilities on bills over the medium and long-term.
 - The Small Business Energy Incentive, which will provide \$310 million to businesses with aggregated annual turnover of less than \$50 million with an additional 20 per cent tax deduction on the cost of eligible depreciating assets that support electrification and the more efficient use of energy. Up to 3.8 million small and medium-sized businesses can access the new tax incentive from 1 July 2023 to 30 June 2024.

While significant elements of these measures encourage and will provide funding for electrification of current gas use, the scope of these measures is broad and subject to demand. Accordingly, the potential gas reductions have not been quantified.

2. In 2022, the Government legislated Australia's greenhouse gas emissions reduction targets, to reach net zero by 2050 and 43 percent below 2005 levels by 2030. The Government has

committed to developing a net zero plan which will articulate how Australia will transition to a net zero economy, consistent with our international and domestic commitments. The net zero plan will be informed by six sectoral decarbonisation plans, covering all major sectors of the Australian Economy and will map out decarbonisation pathways and policies by 2050 for each sector. These plans cover the following sectors: electricity and energy; transport; industry; agriculture and land; resources; and the built environment.

To support these targets, the Commonwealth has a number of policies and programs which will reduce overall emissions and have the effect of reducing gas usage through improved energy efficiency and replacing natural gas appliances with electrification.

For example, the Powering the Regions Fund (PRF) provides \$1.4 billion in grant funding over multiple streams to support industrial decarbonisation and includes projects to reduce and replace natural gas. Two aspects of this are:

- \$600 million for the Safeguard Transformation Stream which supports trade-exposed facilities covered by the Safeguard Mechanism reduce scope 1 emissions.
- \$400 million for the Industry Transformation Stream to be delivered by the Australian Renewable Energy Agency (ARENA) which will support industrial facilities reporting under the National Greenhouse and Energy Reporting Scheme (NGERS) to reduce scope 1 and 2 emissions.

The reformed Safeguard Mechanism provides incentives, including Safeguard Mechanism Credits, for facilities to reduce their onsite emissions including electrification of gas equipment.

The States and Territories also have a range of policies and programs which contribute to the reduction of domestic gas usage through energy efficient upgrades, including replacing gas appliances with electric alternatives.