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Gas Taskforce
Department of Industry, Science, Energy and Resources
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SUBMISSION ON THE INAUGURAL NATIONAL GAS INFRASTRUCTURE PLAN (NGIP)

The Australian Industry Group (Ai Group) welcomes the chance to make a submission on the NGIP.

Ai Group is a peak national employer organisation representing traditional, innovative and emerging industry sectors. We have been acting on behalf of businesses across Australia for nearly 150 years. Ai Group is genuinely representative of Australian industry. Together with partner organisations we represent the interests of more than 60,000 businesses employing more than 1 million staff. Our members are small and large businesses in sectors including manufacturing, construction, engineering, transport & logistics, labour hire, mining services, the defence industry, civil airlines and ICT.

Our members include many industrial users of natural gas – some whose competitiveness is heavily affected by the price of gas, directly or through its influence on electricity prices; and many more whose business continuity is impacted by the security and reliability of gas supply. Our members also include some of Australia's gas distributors and pipeliners.

We have both procedural and substantive thoughts to offer on the NGIP.

Process for developing and iterating the NGIP

A gas infrastructure assessment process comparable to the National Electricity Market's Integrated System Plan is a sensible development. Critical features of the ISP that should be replicated in the NGIP include:

- The product is developed with the agreement and involvement of all jurisdictions to ensure relevance and buy-in;
- The process is transparent and consultative, with key input assumptions critiqued before final adoption; and
- The product considers a spread of relevant scenarios for future demand, technological progress and the speed of local and global transition towards net zero emissions.

While an abbreviated process for a quick first NGIP may be understandable, we encourage the Government to adopt the above elements and to strengthen them in further iterations. Close coordination with the Australian Energy Market Operator's ISP work, including the adoption of common input assumptions and scenarios where relevant, would make great sense and speed up this first iteration of the NGIP.

Content of the NGIP

This cover letter is intended to be read with Ai Group's 2020 paper [Post Pandemic Policy: Climate and Energy](#), which offers comprehensive analysis of our interconnected gas, electricity and emissions challenges and a strategy for addressing them (the Department's consultation page did not allow for the upload of multiple attachments, so we encourage you to access the paper online). This joined-up approach should inform the development of the NGIP.

We would highlight two elements of our paper in particular.

Demand side considerations

Addressing our gas challenges requires action across supply, governance and demand. The Gas Fired Recovery Plan includes numerous elements aimed at supply and governance. However, demand needs attention too. “The energy services provided by gas are essential. Investments on the demand side in energy management, optimization of existing equipment and installation of new equipment can take pressure off energy users’ bills directly, and contribute along with supply and governance steps to a balanced and more affordable gas market.”

The NGIP should take full account of this potential via its demand scenarios, as well as incorporating the impacts of energy efficiency and equipment upgrade policies already announced by various jurisdictions.

With respect to demand for gas from the electricity sector, overall annual demand is likely to shrink and stay low as renewable generation grows. Flexible gas generation currently plays several vital roles in supporting security and reliability. Many of these roles, including managing daily and seasonal cycles of supply and demand, are coming under pressure from other flexible technologies. However gas may remain the most plausible solution to infrequent low-renewables-supply periods for a long time (perhaps fuel-switching to hydrogen or biogas in the long term). That makes it important to consider the flexibility and viability of infrastructure to guarantee and sustain high flow rates to gas generators for days or weeks while only needed on an infrequent basis. This is quite distinct from evaluating infrastructure based on steady demand and high utilisation of annual supply capacity.

Net zero emissions vision

Long lived infrastructure needs to be considered and judged against the clearest long-term vision available. Australia’s transition to net zero emissions by 2050 is a critical element of this long term vision, along with our pursuit of a new competitive advantage in energy in a net zero emissions world. These goals will provide helpful guidance for infrastructure development.

There is considerable uncertainty over the best long term solutions for the energy services today provided by fossil methane: the answers are likely to be different for different contexts, and likely involve some mix of electrification; substitution of fossil methane with hydrogen and/or biomethane; and residual use of fossil methane with carbon capture and storage.

Greater clarity over this mix will emerge over time. For now, infrastructure planning should consider how adaptable and viable new gas infrastructure would be to each technological scenario. A potential long lived asset that is physically suitable and geographically relevant for reassignment to hydrogen transport would have more option value than one which is only relevant to today’s market. An asset without promising and accessible sequestration options would be more brittle to variant scenarios.

For any questions in relation to this submission, please contact Ai Group adviser Tennant Reed (tennant.reed@aigroup.com.au, 0418 337 930).

Sincerely yours,

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