

Australian Government
Department of Climate Change, Energy, Environment and Water

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National Renewable Gas Policy

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the Department of Climate Change, Energy, Environment and Water's (the 'Department' or 'DCCEEW') consultation on the *National Renewable Gas Policy*.

The Australian Energy Council is the peak body for energy retailers and generators operating in competitive markets. Our members generate and sell energy to over 10 million homes and businesses and are committed to delivering a reliable, affordable and decarbonised energy system for consumers. The AEC supports net zero by 2050 and recognises the electricity sector's role in reducing Australia's emissions. Our members are major investors in renewables, firming and storage technologies that are critical to ensuring customers continue to receive reliable and sustainable energy supply as we navigate the energy transition.

As Australia's emissions decline, decarbonisation opportunities in sectors other than electricity are gaining more focus. For activities like space heating and light transport, electrification is a cost-effective and readily available low-carbon substitute. For heavy industry, large transport and other hard-to-abate sectors, the technology pathway to net-zero is either not there or still maturing.

Alongside low carbon liquid fuels (LCLF), renewable gases are one technology option that can support hard-to-abate sectors decarbonise. Promisingly, some renewable gases like biomethane have already proven their abatement potential and deserve policy support to encourage their uptake. Others, like bioLPG, are still at the proof-of-concept stage but may accelerate with appropriate technology-neutral, market-based policy support.

The AEC believes a National Renewable Gas Policy represents the least-cost policy pathway to support renewable gas development. While the exact policy levers are still to be determined, they will be most effective without duplication or inconsistencies to state-based renewable gas schemes. These policy levers must also provide targeted, complementary mechanisms to support the "greenness" or emissions value of renewable gas separate to the underlying commodity to avoid introducing further complexity that may undermine the parallel gas market reforms.

The Department should work with jurisdictions to encourage use of a national scheme and could adopt a similar approach to the National Electricity Market Wholesale Market Settings Review (NEM Review) where jurisdictions recognised the benefits of coordinated reforms via a national framework.¹ This framework could coordinate supply-side support, such as Commonwealth and jurisdiction funded technology-neutral competitive grants and tax concessions, to help more renewable gas projects reach commercial status.

Depending on how the policy is designed, the Department may need to consider liability arrangements which should be proportionate and balance incentivising uptake with the need to manage the cumulative burden of the transition on consumers. It is also important to observe

¹ See NEM Review [Implementation Pathways](#), recommendation 11.

precedent to date, such as the complexity and challenges associated with New South Wales' attempts to impose liabilities on gas retailers and large users only in the distribution network via its Renewable Fuel Scheme ('RFS'). The NSW RFS is expected to commence on 1 January 2027 but has been deferred many times in recent years due to insufficient hydrogen production. There is legislation currently before NSW Government to introduce further changes, which has created ongoing compliance uncertainty for retailers and introduced challenges quantifying and communicating the expected cost impact to their customers.

To that end, the AEC prefers any liability arrangements to reflect a beneficiary pays principle – i.e. those that benefit from renewable gas should pay for it. This will include some large gas customers and should extend to large self-contracting users and mining operators. It may also be appropriate to consider the approach taken in Denmark where the non-energy benefits, such as development of circular waste strategies, are incorporated into the policy framework.

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Yours sincerely,

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