



15 September 2025

Submission: Productivity Commission Net Zero Interim Report

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure. APGA members ensure safe and reliable delivery of over 1,500 PJpa of gas consumed domestically and over 4,500 PJpa of gas for export.

APGA welcomes the opportunity to provide further comments on the Productivity Commission's Interim Report on *Investing in Cheaper, Cleaner Energy and the Net Zero Transformation*. Our June submission and responses to consultation questions provided an overview of our position, which we reiterate.

APGA supports the Commission's focus on technology neutrality, reducing duplication and ensuring cost-effectiveness in emissions reduction policy. These objectives align with gas infrastructure being a critical enabler of economic resilience, sovereign capability and industrial competitiveness – particularly in an increasingly protectionist global economy.

Yet the Interim Report applies these principles inconsistently.

Australia's \$50 billion in gas transmission, distribution and storage assets underpin domestic manufacturing, food and fertiliser production, data centres and other energy-intensive industries, while firming a renewable-dominated electricity system. Maintaining investor confidence in this infrastructure, and ensuring it is ready to transport renewable gases such as biomethane, is essential to achieving least-cost decarbonisation, preserving consumer choice and supporting regional development and value-added exports.

The Commission's final report should uphold this framework by recommending:

- Extending enduring, broad-based investment incentives beyond electricity to include renewable gases and other sustainable fuels
- Assessing electrification pathways alongside renewable gas options on a truly least cost, economy wide basis
- Explicitly recognising renewable gases as a pillar of Australia's net zero strategy rather than treating them as marginal or optional

Addressing these points will ensure the final report delivers a technology neutral, least cost pathway to net zero that supports households, sustains industry and strengthens the broader economy.

Inconsistencies in the Interim Report

APGA agrees with the Productivity Commission's core principles, particularly the emphasis on technology neutrality, reducing duplication and ensuring cost-effective emissions reduction across the economy. These are the right foundations for a credible and durable transition to net zero.

However, the Interim Report does not always apply these principles consistently. In particular:

Incentives asymmetry: The Interim Report calls for enduring, broad-based incentives for renewable electricity generation beyond 2030 but does not recommend equivalent measures for renewable gases or sustainable liquid fuels. This creates a structural imbalance that favours electricity while excluding other viable technologies, which is inconsistent with the Commission's own commitment to technology neutrality. It is also misaligned with current policy direction, with Ministers at the August 2025 Energy and Climate Change Ministerial Council (ECMC) agreeing to progress work on a National Renewable Gas Policy.

Electrification framing: The Report often assumes electrification as the default pathway, despite acknowledging that governments should not favour one technology over another. By citing Victorian and ACT electrification strategies while overlooking that most jurisdictions have retained technology-neutral policies supportive of renewable gas, the Interim Report risks signalling a preference that is inconsistent with its principles. For many households and businesses, electrification is not logistically or financially viable. For residential consumers, this is fundamentally an equity issue. For commercial and industrial users, the alternative may be to scale back operations or cease trading altogether, with significant implications for jobs, sovereign manufacturing capability and regional economies.

Renewable gases omission: Apart from a narrow reference to hydrogen in heavy vehicles, the report is largely silent on the role of renewable gases such as biomethane and hydrogen in least-cost, system-resilient decarbonisation. This omission is significant given that biomethane is commercially ready but still lacks dedicated policy or incentive framework to de-risk investment, unlike the Renewable Energy Target that supported renewable electricity. Federal programs such as Hydrogen Headstart and the Hydrogen Production Tax Incentive provide targeted support for green hydrogen, but there is no equivalent for biomethane. Both fuels are now recognised under the new Guarantee of Origin scheme and updated NGER framework for their emissions-reduction benefits, providing a credible platform to scale up investment and build on the success of renewable electricity certificates.

These gaps risk locking in a narrower and more expensive transition pathway. Gas infrastructure already underpins reliable energy for industry, households and power generation and is capable of transporting renewable gases at scale without costly duplication of infrastructure. Thousands of Australians are already receiving renewable gas blends in their existing networks, including projects in Sydney (Malabar Biomethane Plant), Perth (ATCO Clean Energy Innovation Hub), Adelaide (HyP SA) and Gladstone (HyP Gladstone), with Albury-Wodonga (HyP Murray Valley) soon to follow supplying 40,000 residential, commercial and industrial customers. Supportive policies that match those

available for renewable electricity are essential to expand these projects, attract investment and ensure all consumers have a realistic, least-cost alternative to electrification.

Electrification pathway is not binary

Complete electrification of household and commercial gas use would be expensive and potentially prohibitive. As the Commission notes, emissions from this sector account for only around three per cent of Australia's total emissions, yet full electrification would require significant investment in new appliances, local network upgrades, grid augmentation and additional generation capacity that may otherwise not have been needed. Electrification is an important and credible pathway, but gas networks can play a complementary role by continuing to meet part of this energy-intensive demand. This approach avoids unnecessary overinvestment in electricity infrastructure, helping to keep system costs lower and preventing additional charges that would ultimately be passed through to consumers.

A February 2025 report by Energy Networks Australia and LEK Consulting found that progressively electrifying commercial and residential gas use in Victoria would add around \$22 billion to total energy system costs over 20 years. This figure captures both the higher wholesale electricity costs faced by existing users and the extra costs created by new electrified demand. Importantly, the additional electricity demand would still need to be met by gas powered peaking generation and, in the near term, coal fired generation, which could delay coal plant retirements and result in slightly higher emissions.

APGA agrees with the Commission that cost effectiveness must be a central consideration in emissions reduction policy. That principle must also apply to electrification, which should be assessed on a least cost, economy wide basis relative to alternatives such as renewable gases. The very high cost of decarbonising this small share of emissions may not compare favourably with the lower cost of decarbonising other sectors or enabling renewable gases to progressively displace natural gas using existing infrastructure.

To discuss any of the above feedback further, please contact me on [REDACTED] or policy@apga.org.au.

Yours sincerely,

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