SUBMISSION

AEMO DRAFT 2025 GAS INFRASTRUCTURE OPTIONS REPORT CONSULTATION

23 JUNE 2025

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the NEO so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a submission under the Draft 2025 Gas Infrastructure Options Report (Options Report). We commend AEMO on the work undertaken in previous Integrated System Plans that identifies the critical role Gas Power Generation (GPG) will play in a National Electricity Market (NEM) dominated by Variable Renewable Energy (VRE) firmed by gas.

We welcome the publication of the Options Report as the first stage of getting a better understanding of the issues associated with ensuring there is sufficient gas transport and storage infrastructure available for peak gas demand to service the 15GW of GPG the 2024 ISP concluded is needed between now and 2050.

We were concerned that the original intent of Ministers pointed to AEMO developing an optimal development path for gas infrastructure as they do for electricity. This was always going to be a difficult task given gas infrastructure is not developed like electricity with the former driven by negotiations between producer and consumer while the latter through the rules' framework of RIT-T/State jurisdictional schemes.

Concerns have been raised that this approach could have resulted in unintended consequences where claims could be made that certain infrastructure should be built because AEMO says it is the best option e.g. to justify LNG imports or jurisdictional policy. We have seen a similar "back-casting" approach in the current ISP which diminishes the least cost approach to the ISP.

We note that AEMO have stated in the Options Paper that *"the ISP will not identify an optimal development path for gas investment[1]".*

[1] Options Paper, Page 5

In addition to the critical role of GPG in the NEM, many EUAA members are highly reliant on the ongoing, reliable supply of sufficient quantities of affordable gas, used for both heat and feedstock (methane and ethane). Most of these members run operations that are hard to electrify for a number of reasons that include:

- Electrification technologies do not provide the unique services and/or output they require that is currently met by natural gas.
- Cost of electrification within the site boundary requires significant re-investment and allocation of capital that may not be readily available.
- Capital cycles with the business do not readily align with the desired rate of electrification indicated by government policy.
- Cost of electrification outside the site boundary, such as significant network upgrades, are costly and would be borne by the customer. This external cost acts as a "dead weight" on the electrification business case.
- Methane and ethane are unique feedstock elements in both fertiliser and explosive manufacture that cannot be replaced or replicated.

For these reasons rapid electrification of industry is unlikely to occur, meaning our reliance on a fit for purpose gas market and associated infrastructure will remain for decades to come. We are also observing that significant structural and financial barriers exist to the rapid electrification of households meaning the existing gas infrastructure is likely to be in use for many decades to come. However, it should be acknowledged that electrification of households and small business will occur over time. There is some early evidence to suggest that some households are switching to electric appliances, but this is occurring slowly. Based on current evidence, rapid electrification faces significant barriers, so our expectation is that it will be slower than many expect.

A number of member companies are also investigating the potential of green gas, especially bio-methane, to play a meaningful role in helping to gradually decarbonise gas over the coming years. While it is highly unlikely that sufficient feedstock exists to replace traditional methane in large gas markets like Victoria, we believe it can play a meaningful role as part of a holistic decarbonisation journey for many member companies.

OPTIONS PAPER QUESTIONS

Gas infrastructure costs

The costs presented are AACE Class 5 (accuracy range of -50% to +100%) which does not provide a sound basis for assessing what should or should not be built. Even if costs were more accurate, we are not sure how it helps because there has to be sufficient gas to fill the pipes. Therefore, we need to form a view on where new gas supply is going to come from before implementing any capex programme beyond simply moving existing gas from one region to another, which is important but is only part of the equation.

While we don't have any special expertise in gas infrastructure costs, we have seen the large rises for electricity network costs in recent years; earlier ISPs recommended building projects on the basis of Class 5 estimates and the actual costs have been significantly above those estimates – Figure 3 on p. 16 shows a combination of small real rises and larger real falls in infrastructure component indices over the next 10 years. This is not consistent with the

experience we have had in our gas network engagements in the last 12 months where networks have been telling us of large increases in costs into the future.

We strongly recommend that AEMO test these cost forecasts with gas networks to see how realistic they are and develop a range of cost scenarios based on that uncertainty.

Gas development projections

While it is not unreasonable for AEMO to limit sources of new gas supply to known contingent (2C) resources, we note that state and federal governments are quickly turning their mind to future gas supply. Recent gas supply related announcements by the Federal Government[2] (North West Shelf), Queensland[3] (new acreage including 2 domestic reserved tenements) and Victoria[4] (Port Campbell) all point to an increased focus on developing more domestic gas reserves.

We also note recent announcements by APA regarding their East Coast Gas Expansion Plan[5], Origin Energy's Golden Beach storage proposal[6] and expansion of the Iona storage facility in Victoria,[7] all pointing to a degree of urgency and activity to ensure gas security in southern gas markets.

All of this points to a renewed effort to ensure sufficient gas supplies which may negate the need for LNG imports. We note that EUAA members are universal in their concern about the price impacts of imported LNG and the likelihood that it would further entrench international price volatility while discouraging domestic supply and storage activity.

Application of gas development projections for fuel limitations in the ISP

We have no further insights beyond what is publicly available. However, large industrial gas users have voiced concerns about the potential of curtailment of their operations. While we understand that maintaining sufficient supplies of gas to households is important we urge AEMO to gain a complete understanding of the consequences of curtailment on different customer groups.

For instance, curtailment of gas supplies to food processing could result in significant financial loss, wasted food resource and lost production time, potentially resulting in breach of contract. Similar impacts would be felt across other gas dependant industries, especially those with a continuous process such as bricks, steel, paper and glass.

CONCLUDING REMARKS

We are encouraged by the work undertaken by AEMO in identifying the critical, ongoing need for GPG and gas supply in general. We urge a degree of caution on rapid electrification assumptions (while recognising some

[2] https://www.afr.com/policy/energy-and-climate/labor-poised-to-approve-nw-shelf-gas-project-20250526-p5m2ak
[3] https://statements.qld.gov.au/statements/102626
[4] https://www.abc.net.au/news/2024-06-06/victoria-gas-port-campbell-great-ocean-road/103942762
[5] https://www.apa.com.au/operations-and-projects/gas/gas-transmission/east-coast-grid-expansion-ecge
[6] https://www.afr.com/companies/energy/vic-gas-squeeze-opens-up-1b-storage-opportunity-20250117-p5l55v
[7] https://www.snowyhydro.com.au/news/snowy-hydro-signs-lochard-gas-storage-agreement/

electrification is occurring albeit slowly) and ask that AEMO stay vigilant, via the GSOO, to increased market activity in transport, storage and supply initiatives.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.

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