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Kristy Graham
Chief Executive Officer
Australian Sustainable Finance Institute

Via email to: Kristy.Graham@asfi.org.au

Australian Sustainable Finance Taxonomy Vol 0.1

Energy Networks Australia (ENA) welcomes the opportunity to make a submission to the ASFI's proposed *Australian Sustainable Finance Taxonomy – second consultation paper* released in October 2024.

ENA represents Australia's electricity transmission and distribution and gas distribution networks. Our members provide over 16 million electricity and gas connections to almost every home and business across Australia.

ENA is supportive of the concept of the taxonomy to assist investors making decisions regarding their investments.

There is one area in the Electricity Generation and Supply section in relation to energy networks that may require additional clarification or justification. ENA would welcome the opportunity to work with ASFI to update the proposed taxonomy.

D11. Transmission and distribution of renewable and low-carbon gases

The renewable gas pathway starts with blending renewable gas in networks and progressing to 100 per cent renewable gas over time as additional sources of renewable gas supply are commissioned. This pathway is similar to that taken by the electricity sector where an initial target of 2 per cent renewable was set for 2010, and this was subsequently increased to 20 per cent for 2020. In 2023, 38.6 per cent of electricity in the NEM was supplied from renewable sources. This renewable electricity transition has been supported by government policies and financial incentives to grow the supply of renewable electricity. Similar levels of support will be needed for the renewable gas transition.

ENA's members have been leading Australia in delivering renewable gas to customers. Australia already has renewable gas projects in WA, SA, NSW and QLD with an additional project coming online in Victoria in 2025. These projects demonstrate how renewable gas can be produced and used within networks and are supported by ARENA and State governments. These projects are increasingly providing higher blends of renewable gas to customers. For example, AGIG's Hydrogen Park South Australia commenced with blending 5 per cent hydrogen and this was increased to 10 per cent in March 2024[1]. Work is currently underway to increase that to 20 per cent hydrogen. In addition to this, 100 per cent hydrogen is also being supplied to industrial customers from this project.

[1] https://www.agig.com.au/hydrogen-park-south-australia

The technical screening criteria only seems to apply to infrastructure transporting 100 per cent renewable gas (referred to in the taxonomy as "100% hydrogen and/or its derivatives and/or other low-carbon gases"). This criteria is overly conservative as it implies a direct connection between renewable gas producers and users. For hydrogen, this is challenging in the near term as using 100 per cent hydrogen will require modifications to industrial manufacturing processes. For biomethane, this is challenging as the biomethane industry is in its infancy and connecting into existing parts of the network will be the key enabler to grow the biomethane supply.

It is also unclear why a distinction has been made between gas transmission pipelines and gas distribution networks. These systems are connected with transmission pipelines providing gas to power generators, large industrial users and distribution networks. The networks then provide gas to smaller industrial customers and commercial and residential users. The main difference between those networks is the materials used and the operating pressure.

Indeed, the current project delivering renewable gas to customers are all on the gas distribution network and the near-term opportunities for biomethane are to connect to the distribution network and provide blends to end customers.

Figure 1: Renewable gas projects connected to Australia's gas distribution networks (Source: ENA (2024), Renewable gas for a future made in Australia).

Gas transmission pipelines and distribution networks are essential to decarbonise Australia's gas supply and Australian industry. This transition will require building up

renewable gas supplies and increasing blends to customers over time. For the technical screening criteria for D11, ENA proposes that:

1. The reference to "gas transmission pipelines" is broadened to "gas transmission pipelines and gas distribution networks".
2. The reference to "100% hydrogen and/or its derivatives and/or other low-carbon gases" is broadened to "blends of hydrogen and/or its derivatives and/or other low-carbon gases, with plans to increase these blends to 100% in line with Australia's national emission targets".
3. The ineligibility for gas distribution networks is removed.

ENA notes that the members of the advisory group did not include any representation from the energy networks sector and would welcome the opportunity to nominate a representative for further development of the Taxonomy. If you wish to discuss any of the matters raised in this response further, please contact Dennis Van Puyvelde, Head of Renewable Gas, via: dvanpuyvelde@energynetworks.com.au.

Yours sincerely,

Dominic Adams

General Manager, Networks