

15 August 2025

Department of Climate Change, Energy, the Environment and Water
Consultation Hub
via email gasmarket@dcceew.gov.au

DCCEEW – Gas Market Review - July 2025

Energy Networks Australia (ENA) welcomes the opportunity to make a submission to the Government's Gas Market Review as the Government considers future reform options.

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

Natural gas is a core pillar of Australia's energy system and contributes 27 per cent of total domestic energy use (1,600 PJ). It plays a critical role in the stability and resilience of the energy system. It is used by nearly all energy customer groups including industry, electricity generation and for residential and commercial heating. While residential and commercial is the smallest group by energy use, over 5 million households and businesses are connected to the gas distribution network. Natural gas is also one of Australia's most significant exports with export earning of \$92 billion in 2024. All these users depend on a reliable gas supply now and for many years to come, as well as pathways to decarbonising this gas use. ENA is supportive of effectively functioning markets and regulatory frameworks to help Australia achieve efficient investment in, and affordability and availability of, gas.

ENA would like to focus our feedback on consultation question number 4 from the supply, security and trade section of the Consultation paper.

4. Are there alternative policies that would secure gas for Australian consumers while maintaining a strong LNG export industry? If so, please provide detail regarding anticipated effects these policies would have, and how they should be applied, and how they should interact with existing instruments and policies?

Australia's east coast is potentially facing gas shortages in the near term and new supply options are needed. While the focus of new supply has been on new natural gas developments, renewable gas options should also be considered. Biomethane is a low emissions substitute for natural gas. By continuing to develop biomethane markets, there will be less demand for natural gas enabling Australia to maintain a strong LNG export industry. Renewable gas is critical in the energy transition. Renewable gases, like biomethane, will provide a way for the industrial sector to reduce emissions and operate in a way that continues to support the Australian economy. Currently, industries covered by the Safeguard Mechanism are required to reduce their emission in line with decreases to their baselines, which are declining by 4.9% pa over the next five years. Overall, this results in a reduction of emissions of nearly 30% from their baseline levels. The only options available to industry are electrification using renewable electricity – which may not be a practical solution for many businesses needing gas for high heat or as a feedstock - or purchasing Safeguard Credits. Biomethane is increasingly recognised as essential to decarbonising sectors where electrification is not practical or cost-effective. The existing gas infrastructure is a critical platform for the successful and reliable delivery of renewable gas at scale.

Australia's biomethane opportunities

A recent study by Blunomyⁱ (attached) reveals that approximately 400 PJ p.a of biomethane is recoverable from existing waste streams today, offering a new gas source for Australia's

decarbonisation targets. On the East Coast, there is a good match between the potential of biomethane production and gas demand for domestic use (excluding gas used in LNG production). Developing these biomethane resources reduces the impact of gas supply constraints.

Biomethane is a flexible and proven emissions-reduction solution, particularly where electrification is not practical, cost-effective, or desirable. With mature, commercially viable technologies already driving widespread global adoption, demand internationally is expected to grow by 15% annually over the next decade (based on today's policy settings). The Blunomey report and other recent studies confirm that Australia has significant untapped potential. With abundant bioresources and strong agricultural foundations, it is well placed to position biomethane as a key part of its broader decarbonisation strategy.

Australia has a diverse range of feedstocks well-suited to anaerobic digestion making biomethane a technically mature, low-risk solution. Additionally, biomethane can be distributed through the existing gas networks, utilising a central pillar of Australia's energy system. Technology allowing for the production of biomethane at scale has been demonstrated overseas. While demand is expected to grow and improvements in technology are expected to drive down production costs, the market for biomethane is limited by the current cost of production.

Some Australian jurisdictions are considering introducing biomethane targets, with Victoria planning a 1 PJ target by 2030 and a 4.5 PJ target by 2035. ENA supports the direction of this policy but recommends more ambitious and national targets be adopted to develop Australia's biomethane industry. The first 50 PJ p.a of biomethane can be brought to market at between \$10 and 27/GJ and this will inform the development of further biomethane resources to support Australia's emission reduction targets.

Targeted policy support

Targeted policy support for biomethane is essential to develop this market creating opportunities for Australia's industry to decarbonise while freeing up natural gas for LNG export. This policy support could include:

- Extend the Hydrogen Headstart program to include all renewable gases, ie biomethane.
 - There would be no cost to the Budget as funds have already been allocated to this program as part of the *Future Made in Australia* legislation. There was \$2 billion allocated to Hydrogen Headstart round 1, with \$1.3 billion allocated to the two selected projects. The unspent funding could be repurposed as a new funding round focused on developing the biomethane sector.
- Expand the Hydrogen Production Tax Incentive to include biomethane and rename it as the Renewable Gas Production Tax Incentive. This would provide an incentive for companies to commence medium to large scale production of biomethane in Australia at a time when the biomethane market is still developing. This would involve amending the *Income Tax Assessment Act 1997, Subdivision 421-A—Tax offset for hydrogen produced in Australia*.
 - This funding has already been provided in the Budget and there would be no additional costs to Government.
- Introduce a national Renewable Gas Target (RGT) for industry that will propel innovation, reduce costs, boost supply chains, enhance economies of scale and drive decarbonisation solutions that are critical to the long-term sustainability of Australian industry. ACIL Allenⁱⁱ analysis on an RGT showed that there was a clear need for renewable gases to be developed for widespread adoption through the later 2030s and 2040, and that this future pathway will not arrive without strategic policy and government support, which is needed to facilitate and scale up renewable gas supply in time for wide adoption. Government should commence consultations on establishing a credible but ambitious renewable gas target.

- Introducing an RGT could draw on many of the experiences and frameworks developed by the Clean Energy Regulator in its role with respect to the Renewable Energy Target. Expanding the functions of the CER to include an RGT may incur marginal additional cost increases.
- Considering introducing a priority for directing biomethane to Australia's domestic gas market. This would provide Australian industry with a first option to purchase any domestic biomethane to reduce their emissions prior to it being offered to international customers.
- Recognise the potential by-products from biomethane production such as biogenic CO₂ – which can be used in food processing or chemical manufacturing – and digestate – which could be used in the agricultural sector instead of fertilizer. The reduced use of fertilizer creates additional opportunities for reducing domestic natural gas demand for ammonia production.
- Accessing these markets can lower the cost of biomethane delivered to customers and reduce the need for biomethane supply incentives.

Exempting renewable gas producers from the Code

The Gas Market Code currently imposes a range of annual reporting obligations and procedural obligations relating to supply agreement negotiations on all gas producers, with significant penalties for non-compliance. While the Code includes exemption provisions from some of its provisions for 'small producers', this mechanism is subject to uncertainty (given the potential for conditions to be imposed etc.), making the Code essentially a 'one size fits all' mechanism.

The Code could capture smaller renewable gas producers. The Code places a disproportionate compliance and cost burden on very small gas producers. This outsized compliance burden poses a barrier to investment in new distributed renewable gas production, and the development of the renewable gas industry more broadly.

ENA recommends that the review consider whether small producers, including distributed renewable gas producers, should be exempted from the Code's provisions.

If you would like to discuss the contents of this submission, please contact Terese Weber, Gas Policy Manager at tweber@energynetworks.com.au.

Yours Sincerely



Dominic Adams

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ⁱ Blunomy (2025), *Biomethane opportunities to decarbonise Australian industry*, attached

ⁱⁱ ACIL Allen (2024), *Renewable gas target – Delivering lower cost decarbonisation for gas customers and the Australian economy*, available from <https://www.energynetworks.com.au/resources/reports/>