

8 November 2019

Mr David Parker
Member

Expert Panel Examining Opportunities for Further Abatement

Via email: David.Parker@cleanenergyregulator.gov.au

GEA RESPONSE TO THE EXPERT PANEL EXAMINING OPPORTUNITIES FOR FURTHER ABATEMENT DISCUSSION PAPER

Dear David

Gas Energy Australia (GEA) welcomes the opportunity to respond to the *Expert Panel Examining Opportunities for Further Abatement* Discussion Paper, October 2019.

By way of background, GEA is the national peak body which represents the bulk of the downstream alternative gaseous fuels industry, which covers Liquefied Petroleum Gas (LPG), Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG). The industry comprises major companies and small to medium businesses in the gas fuels supply chain including producers, refiners, distributors, transporters, retailers, vehicle manufacturers, equipment manufacturers and suppliers, installers, educators and consultants.

GEA members and associates are committed to working with all Australian governments to support efforts to reduce greenhouse gas (GHG) emissions, combat climate change and meet our Paris Agreement Commitments, including through greater use of clean energy sources. GEA considers there are significant opportunities for gas to play a larger role in meeting Australia's emission targets now and into the future.

Given the reluctance of governments to increase fuel taxes, GEA considers incentives to reduce GHG emissions such as those provided by the Emissions Reduction Fund (ERF) and its successor the Climate Solutions Fund (CSF), to be vital if Australia's industrial and transport sectors are to play a greater role in helping to meet our international commitments to reduce GHG emissions. But before the ERF or CSF can successfully do this, they need to be able to cost effectively target GHG abatement in sectors other than agriculture. The Discussion Paper acknowledges that to date the ERF has not delivered significant volumes of abatement in the industrial and transport sectors and around 88 per cent of currently contracted abatement is being delivered under five methods, while there are six methods that have no registered projects.

For example, GEA sees significant conceptual and practical problems with the current ERF Land and Sea Transport Methodology's measurement of GHG abatement. For marine applications, this method uses the International Maritime Organisation's (IMO) Energy Efficiency Design Index (EEDI) as a baseline for measuring abatement. But by comparing this theoretical measure of optimal emissions performance with actual real world operating performance using a lower emission fuel, this methodology makes it virtually impossible for the vast majority of vessel owners to identify any significant abatement from fuel switching.

Consequently, with no prospect of claiming Australian Carbon Credit Units (ACCUs) under the ERF, many abatement opportunities are missed. This is despite both Australian and overseas experience demonstrating that fuel switching can deliver significant real emissions abatement.

Overall, the current ERF methodology effectively prevents many marine vessels from claiming Australian Carbon Credit Units (ACCUs). And this is despite the enormous potential such vessels have to deliver significant transport emissions abatement through the use of lower emission fuels such as LNG, CNG or LPG, instead of bunker oil or diesel. Not only does this disadvantage an industry that is seeking to lower carbon emissions through the use of alternate fuels, but it places more of the abatement burden on the electricity sector and in turn household budgets and business competitiveness.

GEA considers there to be significant scope to drive the take up of low emission fuels by improving the current methodologies to better credit emission reductions from fuel switching and drive investment in low emission technologies. GEA's response to the Department of the Environment and Energy's review of the Carbon Credits (Carbon farming initiative - land and sea transport) methodology determination 2015 consultation paper, outlines ways these methodologies could be improved. These included comparing like operating conditions to correctly measure actual abatement, making use of deeming to measure abatement as used in other government policies and programs that reward emissions abatement, such as the Small-scale Renewable Energy Scheme, allowing separate claiming of abatement from on-board operations and measuring CNG and LNG by mass instead of volume.

GEA considers revising the methodologies, particularly under the Land and Sea Transport method and Small Energy Users method to credit abatement from switching to lower emissions fuels would encourage increase abatement in the transport and industrial sectors. With domestic shipping and railways expected to contribute the bulk of the growth in transport emissions to 2030, revising the Land and Sea Transport methodology to make it more accessible and promote greater take up of the method would encourage ship owners to look at low emissions fuels as a way of abating CO2.

GEA considers that there is significant scope to increase abatement through effective reviews of the different methodologies under the ERF and CSF, to target abatement in sectors other agriculture, particularly transport and industrial. And continuing and increasing the use of gas in Australia for transport and stationary energy applications through the ERF and CSF, can significantly contribute to reduced carbon emissions today using existing technology while continuing to support an Australian workforce.

GEA would welcome the opportunity to discuss these issues in greater detail. If you have any questions regarding this submission please do not hesitate to contact me at jgriffiths@gasenergyaustralia.asn.au or 0439 344622.

For your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read "J Griffiths", with a horizontal line drawn through it.

Mr John Griffiths
Chief Executive Officer
Gas Energy Australia