



Unaccounted for Gas Benchmarks Review

Introduction

The *Beyond Gas Network* is a network of volunteer citizen based climate action networks with links across Australia. It is committed to publicising the scale and impact of fossil gas on emissions both domestic and exported, on people and on country. On the precipice of climate calamity, it advocates the rapid replacement of a fossil fuel based economy with a renewably based future.

Response to the Draft Decision

First, we accept the six month roll-over of existing benchmarks on a financial year basis. That allows more time to consider and adopt a better set of benchmarks for the following 5 years.

Second, below, we consider the implications for benchmarks of including consideration of climate change legislation, international commitments, and policies absent from the draft decision document.

The *review of unaccounted for gas benchmarks draft decision* by the Essential Services Commission contains sections of the report called 'Considering relevant gas programs and policy' but in that section there is a failure to mention Victoria's [Climate Change Act](#) which requires net zero by 2050 with targets for emissions to reduce 28–33% below 2005 levels by the end of 2025 and for emissions to reduce 50% below 2005 levels by the end of 2030. Nor does it refer to the [Commonwealth Climate Change Bill](#), nor the fact that Australia has entered a global treaty and become a signatory to [the methane pledge](#). These are very relevant to 'gas programs and policy' because

- Under 8 a (d) of the Essential Services Commission Act, the Essential Services Commission must have regard to '*the relevant health, safety, environmental and social legislation applying to the industry;*' which of course crucially includes Victoria's Climate Change Act. Further, while the Victorian Government's [gas substitution roadmap](#) is yet to be legislated, it can be anticipated that in the next

parliament it will be. This essentially means that the Victorian gas network will be progressively, though not completely retired, over the period when the new benchmarks will apply.

- Under 8A (f) of the Essential Services Commission Act, the Commission *must have regard to (f) consistency in regulation between States and on a national basis;*

In other words, the Commission must also comply with Commonwealth law including treaties that the Australian government has entered. Australia has signed the methane pledge which aspirationally commits Australia to reduce methane emissions by 30% by 2030

However, none of these requirements and commitments are stipulated as background conditions in the gas benchmarks review. Nor critically, do the criteria which grow out of these requirements, reduction of greenhouse emissions, especially reduction in methane emissions, and the progressive retirement of fossil gas itself, are included as imperatives shaping principles for reconstituting the Essential Services Commissions methodology for evaluating fugitive gas emissions. If they were, as the above shows they are both federal and Victorian State directions, the methodology would include guidelines for companies to

- 1) Improve methods for identifying the scale of emissions including emissions from behind the meter.
- 2) Identify the climate impact of methane emissions over a 20 year period (83 times CO₂ e) rather than the traditional practice of methane measurement over a 100 year period.
- 3) Reconcile their GHG reporting required under NGERs to the Federal government with their UAFG accounting to the ESC. The Victorian government uses the national greenhouse gas inventory figures to track progress against the legislated emissions targets, so the Federally reported numbers need to be as accurate as possible.
- 4) Assess the environmental (GHG) and cost impacts of adding negligible amount of hydrogen gas to fossil gas
- 5) Evaluate the emissions and cost impact of using brown and blue hydrogen in the system
- 6) Assess the impact of fugitive hydrogen (itself a greenhouse gas) to emissions

However, none of these necessary considerations are included in the draft decision which states:

In our 2017 UAFG review, we substantively consulted on and reviewed the methodology used to settle UAFG benchmarks in Victoria. In that review, we decided to continue with the same methodology used in previous periods.⁴ This methodology was the ‘revealed cost’ methodology, which sets benchmarks based on past performance as a good indicator of future performance. *For our current review, we propose to continue applying the same methodology as in previous years, which involves:*

- applying a revealed cost approach
- using a multi-year average of UAFG historical performance by distributors, and
- using settled data reached between distributors and retailers.

In other words, despite legislated imperatives of both state and commonwealth governments (and of course the climate emergency which these are responses to) the approach taken to reducing unaccounted for emissions is one of 'business as usual'.

What should be recognised in the Draft Decision is that

- Fugitive methane emissions are 50% higher than if all the gas was burnt (see appendix to submission by John Godfrey to this review)
- The addition of hydrogen to the pipelines will be costly, itself has a negligible role in reducing ghg emissions, and, because of the requirement to increase pressure in the pipes, is likely to increase fugitive emissions and so increase methane emissions.

Recommendations

- existing UAFG targets are too weak, should be strengthened or new mandated targets established specifically for UAFG emissions
- active sampling of fugitive emissions based on statistical practice needs to be deployed
- the Gas Distribution System Code of Practice (GDSCoP) needs to be rewritten to incorporate greenhouse gas emission reduction imperatives and practices should be related to those imperatives. For example, the revealed cost method between gas retailers and distributors for UAFG is not designed with the imperative to reduce green gas emissions and a new practice designed to do that should be included in the code.
- Regarding hydrogen in the system, the ESC's legislated mission under 8 (2) of the Act 'to have regard to the price, quality and reliability of essential services' should provide the basis for fearless advice to the minister about the negative impact of adding hydrogen to the grid.
- Benchmarks, at the very least, should be aligned with the Victorian State governments emission targets and periodically reviewed to stay aligned with legislated changes to those targets.
- The relevant section of the Essential Service Commission should be adequately resourced to undertake these crucial additional functions.

Summary

Our recommendation is the *Draft Decision* should be redrafted to include the legislated climate heating mitigation imperatives. These should govern much decision making about unaccounted for gas and provide motive for the latters rapid reduction. The ESC or another relevant body should be resourced to undertake these crucial additional functions.