SUBMISSION

EMISSIONS REDUCTION AND RESILIENCE PLANS - TASMANIA'S INDUSTRIAL PROCESSES AND PRODUCT USE SECTOR, AND TASMANIA'S ENERGY SECTOR

7 OCTOBER 2024

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. 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.

Thank you for the opportunity to make a submission to the Emissions Reduction and Resilience Plans - Tasmania's Industrial Processes and Product Use Sector, and Tasmania's Energy Sector. This submission responds to both sector plans.

We note that Tasmania has taken a different approach to other Australian jurisdictions to its emission reduction and resilience plan, mainly due to Tasmania reaching net zero emissions in 2014. However, Tasmania still has significant work to do to maintain this position and to meet its 200% renewable energy target.

It is pleasing to see that in developing the draft sector plan for both the industrial processes and product use (IPPU) sector, the Tasmanian Government has recognised the difficulty these businesses have in abating their emissions, due to either or both a lack of commercially available alternatives, or through a lack of available capital.

Hard-to-abate sectors face a difficult challenge to decarbonise and therefore we must recognise that maintaining a high degree of flexibility will be needed as these business adapt over time. We note the emphasis on hydrogen and believe that while there may be future use cases the use of traditional sources of methane will be required for many years to come as renewable gas builds scale and reduces in cost. For example, to convert to renewable fuels, our members in Tasmania would need tens to hundreds of GW equivalent of reliable and economic renewable fuels. It must also be recognised that in some cases, such as hydrogen, consumers will be required to invest heavily in new end use technology (assuming it is technically feasible). In many cases it is the consumer who may be the largest investor as part of a decarbonisation policy.

The types of scenarios our members are facing include:

- Large multinational corporate entities that have targets to decarbonise their global operations with limited annual budgets. With relatively small operations and large operational costs, Australian sites are well down the priority list for investment to replace or rebuild sites, thus budgets are only large enough to become incrementally cleaner.

- Companies that require a carbon atom for their process that will transition to natural gas (and eventually biomethane when available) to reduce their current scope 1 emissions.
- Companies that require the hydrogen atom in natural gas who cannot convert to 100% green hydrogen due to the global investment priorities of the parent but are planning to convert to a hydrogen blend.
- Companies that need the methane molecule for its chemical or physical properties who cannot transition their site to hydrogen.

ACCESS TO ENERGY

One of the major concerns of our members with plant in Tasmania, is the apparent lack of available additional electricity and gas in the state. This concern arises when our members approach the relevant authority to increase supply and are advised that the requested resource is not available. The "reasons" provided range from lack of additional resource (i.e. electricity or gas) in sufficient volumes, or infrastructure constraints (i.e. pipelines and powerlines).

The interesting conundrum for many of our members, is that they need to increase consumption of either electricity and/or gas in order to decarbonise, however this is not always possible in Tasmania.

We recommend that as part of the Sector Plans for both the energy sector and the IPPU sector, the Tasmanian Government audit the constraints of the infrastructure and the supply of energy resources to each of its major industrial hubs, and put in place actions to allow IPPU to decarbonise the site.

RENEWABLE FUELS AND GASES

The Tasmanian Government has appeared to "pick a winner" (green hydrogen) with the *Tasmanian Renewable Hydrogen Action Plan - March 2023* and the corresponding $50 million support package. Hydrogen is the highest cost renewable fuel available and as we have seen from recent announcements from Fortescue, Origin and Woodside, hydrogen still seems a long way off being a commercially viable alternative. Meanwhile the Tasmanian Government only has a "vision" for the bioenergy sector *(Bioenergy Vision for Tasmania – March 2023)* and not an action plan, and the *Tasmanian Future Gas Strategy - December 2021 (draft for consultation)* appears to have not progressed. Neither the *Bioenergy Vision* nor the *Future Gas Strategy* are mentioned in either action plan.

As described above, due to lack of available capital and/or lack of commercially available technology, Tasmania would benefit from a bioenergy industry, particularly a biomethane industry.

Given the relative scarcity of both biomethane and hydrogen over the next decade, the need for industry to decarbonise and remain competitive nationally and internationally, and the reliance on the methane molecule by many industrial heating loads or as a feedstock (i.e. a requirement for the hydrogen or carbon atom), the EUAA strongly recommends the Tasmanian Government target these hard to abate businesses with a specific policy of orchestration, facilitation and where appropriate to maintain competitiveness, financial support of the renewable fuel production facility and/or the consumer business.

EUAA considers that this combination of policy mechanisms is required to stimulate the deployment and uptake of renewable fuels (including electrification) in Australia. The first policy mechanism is orchestration and facilitation, where government identifies the consumer with the specific renewable fuel requirement, e.g. identifying industry

that requires biomethane and facilitating the co-location of biomethane production either onsite or nearby. Another example is for government to identify regions with co-located resource (biomass) from food harvesting with food processing located nearby. The second component of the policy would allow for grants to either or both the production facility (to reduce the cost of the renewable fuel) and the consumer (to reduce the cost of implementation, particularly where the business is transitioning to green hydrogen and/or competing internationally for finance).

Similar orchestration could also be performed for the green hydrogen industry (similar to the Bell Bay Hydrogen Hub). It is EUAA's opinion that any green hydrogen production facility built for export should have a domestic reservation applied to its production levels to avoid a repeat of the Queensland LNG export program's impact on domestic fossil gas prices.

Some members have reported that a range of regulatory barriers exist that make it difficult for those seeking alternate fuel sources such a biomethane. For example, when looking into biogas one of the challenges identified is that although the digestate can be used as a fertilizer it is not currently allowed under EPA regulations. It might be possible once turned into compost in some scenario's but that adds capex and opex. We suggest government seek to remove/improve any regulatory barriers that might affect businesses investing in biogas.

EUAA also urges the Tasmanian government to consider geographic barriers to emissions reductions by industry, noting that many industries located close to feedstocks, energy inputs and/or ports which now places them at a disadvantage for supply of appropriate renewable fuel volumes, larger electricity connections and/or space restrictions due to encroaching industry or residential zones.

CONCLUDING REMARKS

The EUAA considers that the Tasmanian approach to its sector plans is well placed to capitalise on the net-zero position that Tasmania currently holds.

However, we urge the Tasmanian Government to utilise existing tools in its decarbonisation mission, that is to remove impediments that large industry face when looking to decarbonise (i.e. infrastructure or energy resource supply), and to develop the action plan for the bioenergy sector, including the supporting policies (orchestration, facilitation and grants).

The EUAA welcomes further discussions with us and our members around the issues raised in this submission.

Do not hesitate to be in contact should you have any questions.

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