Future Gas Strategy

Climate Analytics submission to the Department of Industry, Science and Resources

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We appreciate the chance to provide feedback on the Future Gas Strategy. Below are our concise comments on the topics presented in the consultation paper.

**Question 02** The Paris Agreement is clear, we must pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change. Any demand forecasts used to inform policy decisions must align with the Paris Agreement long term temperature goal of 1.5°C.

To fulfill its fair share in global efforts, Australia needs to set and pursue targets that are in line with the ambition needed to keep warming below 1.5°C.

To align with 1.5°C pathways, Australia needs to decrease its share of fossil gas in electricity generation from 19% in 2022 to between 3-5% by 2030, and completely phase it out by 2035. This is further supported by the International Energy Agency’s updated Net Zero scenario, which indicates that global fossil gas-fired power generation should peak around the mid-decade.

Clean energy sources are mature and increasingly deployed worldwide. In Australia, renewables already represent the most cost-effective option for new electricity generation. By 2030, solar and wind energy, including integration costs, are projected to be up to twice as cheap as gas. Even with substantial renewable penetration, variable renewable energy sources remain more affordable than gas. Firming technologies, such as battery storage, are witnessing rapid cost reductions, and more prospective technologies like green hydrogen are generating increasing interest and investments. Far from playing a supporting role in achieving Australia’s climate targets, gas is more likely to be pushed out.

**Question 05** Implementing policies that encourage the electrification and development of solar and wind capacity, green hydrogen, and energy storage systems, coupled with the elimination of obstacles impeding these projects, can expedite the removal of gas from the power sector.

**Question 08** The establishment of policies promoting electrification and fuel switching is essential, especially for small businesses and communities, to stop their gas consumption.

While phasing out domestic gas usage is key in aligning Australia with its climate responsibilities, 80% of the gas production currently goes towards LNG plants.

**Question 09** There is no net zero fossil fuel. Solutions to render LNG and gas supply chain emissions "net zero" rest on distractions with shaky track records. Despite concerns regarding the integrity of Australia’s offsetting scheme, it is being used to greenlight shale gas extraction in the Northern Territory. Current CCS projects proposals in Australia focus on abating emissions from gas operations. Reducing emissions from such facilities

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1 "What role do you see gas-fired generators playing in supporting Australia’s 82% renewable energy targets and beyond?"

2 How feasible, and at what scale, are alternatives to natural gas for the electricity sector? You may wish to consider renewable gas alternatives for peaking generation, for example, biomethane and low-emissions hydrogen and other forms of grid-firming technologies like batteries and pumped hydroelectricity. What barriers exist to using these alternatives?

3 What factor/s influence your willingness to adopt electric appliances or processes? How could governments support small businesses to decrease gas consumption?

4 What role might carbon capture, utilisation and storage (CCUS) and negative emissions technologies (NETs) (for example direct air capture and CO2 removal) play in decarbonising industrial processes that are hard to abate in your business or industry?
allows them to proceed by meeting their domestic obligations, while enabling the consumption of more fossil fuels abroad, at odds with global climate objectives.

**Question 12** The consultation paper’s framing of LNG as instrumental for global decarbonization, focusing on low and net-zero emissions LNG production and the role of gas in the transition, is contradictory. Despite assuming extensive deployment of mitigation technologies, a 1.5°C compatible pathway for the LNG sector in Australia built in collaboration with the industry and based on the IEA’s Net-Zero pathway, still shows a decrease in production by close to 40% between 2020 and 2030. Locking in new fossil fuel production capacity will also not relieve the inertia towards repurposing the Australian economy, which hinders its ability to benefit from the growth of sectors essential for the transition. The funds, time and focus invested in fossil fuel projects with a bleak outlook are a missed opportunity to develop much-needed projects compatible with the Paris Agreement’s 1.5°C warming limit.

**Question 14** The consultation paper, which refers to the IEA Net-Zero scenario, fails to mention that the same documents states there should be “no investment in new fossil fuel supply projects” in order to align with the 1.5°C goal. Gas is not a “bridging fuel”, and to reach the Paris Agreement’s 1.5°C warming limit, governments, investors, and multilateral finance institutions must treat it the same way they do coal and target for a swift phase-out. In this context, gas hinders Australia’s net-zero transformation and global decarbonisation. The contrast in framing between questions 1 to 11 – discussing of reducing consumption and finding alternative to gas domestically – and questions 12 to 20 to exporters and international consumers, discussing the potential of gas to decarbonize foreign energy system and spur energy transition, is notable.

**Question 19** New gas and LNG infrastructure are locking in significant investment and risk becoming stranded assets. The industry’s claim that natural gas is a less harmful alternative to coal is being increasingly scrutinised in light of recent research on methane leakage in the natural gas supply chain, while renewables should be the benchmark when assessing climate impact of power generation technologies. Individual gas projects in Australia, such as the Woodside Scarborough-Pluto expansion, are inconsistent with the Paris Agreement’s goal.

**Question 28** The outlook for CCS capture in the IEA Net-Zero has been significantly revised downwards between the original report’s publication in 2021 and its update in 2023. The IPCC notes that “implementation of CCS currently faces technological, economic, institutional, ecological-environmental and socio-cultural barriers”. Existing CCS projects, including the Gorgon facility in Western Australia, have consistently failed to:

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5 What do you see as the role of gas in Australia’s net-zero transformation?
6 How can Australian LNG accelerate global decarbonisation without compromising energy security or affordability?
7 What options should the Australian Government consider to ensure international investment in Australian LNG projects remains competitive?
8 How can Australia support the potential for cost-effective, safe and verifiable CCS projects, including for the gas sector, other industries and our region?
meet their targets. Reliance on prospective technologies enabling practices with fully known, harmful impact should not be encouraged.