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To whom it may concern,

Climateworks Centre submission to *GRC0082 Gas networks in transition*

Climateworks Centre welcomes the opportunity to provide input on the AEMC consultation paper "**GRC0082 Gas networks in transition"**.

Climateworks bridges the gap between research and climate action, operating as an independent not-for-profit within Monash University. We develop specialist knowledge to accelerate emissions reduction and align with the global 1.5 degrees Celsius temperature goal, across Australia, Southeast Asia and the Pacific.

The rapid decarbonisation of the electricity and energy system is essential for Australia to meet its obligations under the Paris Agreement. The transition to renewable energy in electricity will reduce emissions by approximately one-third and enable decarbonisation of other sectors in the economy.

Since 2018, the Australian Energy Market Operator (AEMO) has engaged CSIRO, supported by Climateworks, to conduct multi-sector modelling to quantify the dynamic influences that shape electricity demand under different emissions reduction scenarios. That modelling continues to inform AEMO's planning and forecasting tools, including the 2026 Integrated System Plan (ISP).

In this submission, Climateworks recommends the AEMC pursue rule changes that instruct the Australian Energy Regulator (AER) to update gas distribution regulation to: support structured planning as gas demand declines; prioritise demand-side resources ahead of new gas investment; protect remaining customers from bearing an excessive cost burden; align gas planning with whole-of-system and least-cost transition pathways; and ensure the orderly response to the phase-out of gas use. To manage this transition, the coordination of state and federal government with appropriate management by energy market bodies can aim to stage a least-cost reduction in gas use and networks, only retain gas where essential (e.g., specific industrial feedstocks) and the alignment of national emissions and renewable energy goals.

Broadly, the recommendations in this submission seek to enhance the energy system's operation and ensure it delivers the rapid transformation needed to unlock the opportunities from a net zero economy. Climateworks welcomes the opportunity to provide further analysis through written material or meetings with the AEMC.

Submission summary

Climateworks recommends that the AEMC:

- Require gas network operators to publish long-term (10-20 year) utilisation forecasts, scenario analyses (including electrification and demand-side alternatives) and decommissioning/exit strategies.

- Embed a regulatory requirement that capex proposals for gas networks include consideration of non-network alternatives, before approval of new or replacement gas assets.
- Establish transparent cost-allocation frameworks that protect consumers who face barriers to electrification — especially low-income households and renters — from bearing excessive costs due to stranded assets or falling utilisation.
- Align the regulatory changes for gas networks with broader electricity market reforms and emissions objectives, ensuring gas network planning is integrated with ISPs, electrification roadmaps and national emissions trajectories.
- Establish a policy prioritisation framework and review mechanism that aligns gas planning with an orderly phaseout, which might include triggered reviews or "early exit points" when utilisation levels fall below pre-defined thresholds (e.g., < 50 % of forecast), enabling proactive decommissioning or network rightsizing and avoiding further lock-in of under-utilised assets.

This submission has been informed by the following Climateworks Centre research and submissions to government:

1. Submission to the Gas Market Review (2025)
2. Submission to the Draft Gas Infrastructure Options Report (2025)
3. Submission to the Select Committee on Energy Planning and Regulation (2024)
4. Submission on the Electricity and Energy Sector Plan (2024)
5. Decarbonisation Scenarios 2023 (2024)
6. Heat, Power and Flexibility to Future-Proof Gladstone (2025)
7. Enabling Australia's Home Renovation Wave (2024)

Recommendations

Recommendation 1: Require gas network operators to publish long-term (10-20 year) utilisation forecasts, scenario analyses (including electrification and demand-side alternatives) and decommissioning/exit strategies.

Unmanaged demand decline creates stranded network risk and rising per-customer costs. As electrification and renewables scale, demand for gas in buildings and some industry is declining; without planning, under-utilised networks risk stranded assets and rising per-customer costs. Gas remains a major transition issue and is responsible for ~21% of national emissions.

The AEMC proposal to improve planning and provide transparency of network utilisation is consistent with Climateworks' view that gas networks need a structured and managed pathway for decline, not disorderly or piecemeal contraction. We welcome the AEMC's recognition that gas network demand is uncertain and declining and the proposed reforms to enable planning for transition. Ensuring that regulation requires network operators to model and disclose utilisation trajectories and to plan for downsizing of network assets will lead to a more transparent and effective planning and pricing system.

Recommendation 2: Embed a regulatory requirement that capex proposals for gas networks include consideration of non-network alternatives, before approval of new or replacement gas assets.

Climateworks recommends that market and regulatory frameworks for gas networks explicitly consider non-network alternatives such as electrification. The impact of electrification can be amplified by integrating demand-side energy management. Demand-side energy management can coordinate energy efficiency, electrification, electricity demand response and load shifting, optimise existing network assets, reduce new gas infrastructure investment and support a low-cost transition to

renewables. If regulation embeds demand-side solutions as substitutes for gas infrastructure it will lead to lower costs and greater alignment with emission reduction targets.

Recommendation 3: Establish transparent cost-allocation frameworks that protect consumers who face barriers to electrification — especially low-income households and renters — from bearing excessive costs due to stranded assets or falling utilisation.

As gas network customer-numbers decline, remaining customers risk carrying a disproportionate cost burden. Regulatory reforms could ensure cost-allocation frameworks protect vulnerable customers, ensure transparency of exit/connection/abolishment costs and avoid inappropriate cost shifting.

Many low-income households and renters face barriers to electrification. To deliver fair and equitable support for priority households, particularly low-income households and renters, policy should aim to avoid them bearing increased costs that could occur as fewer customers use gas infrastructure.

Some industries also face barriers to electrification due to available technologies or are dependent on gas as a feedstock. Cost-allocation frameworks therefore also need to consider how networks can supply to the highest value uses while meeting energy market objectives as part of an orderly transition.

This could be achieved by placing cost allocation and consumer equity at the centre of network planning while taking appropriate account of a shrinking customer base.

Climateworks therefore supports measures for:

- Improved forward planning of utilisation trends,
- Transparent assessment of alternatives to avoid stranded investment and
- Protection of remaining customers carrying legacy network costs.

Recommendation 4: Align the regulatory changes for gas networks with broader electricity market reforms and emissions objectives, ensuring gas network planning is integrated with ISPs, electrification roadmaps and national emissions trajectories.

Climateworks has advocated that gas system planning aligns tightly with electrification, regional ISP planning and emissions objectives. This would include a refocus on how gas policy can enable the energy transition and update energy market rules and regulations to reflect the requirements of the future energy system, including alignment with the emissions reduction objective of the National Energy Law. This might include an assessment of both the impact of flexible demand on requirements for gas generation as well as the timing of network upgrades and a consideration of how gas market reforms could be part of a broader effort to design an energy system that enables Australia to become a renewable energy superpower, including analysis that forecasts and plans energy supply, storage and transmission solutions.

The AEMC's proposals to improve planning and information disclosure support the principle that networks plan for orderly decline while coordinating with electricity system expansion.

Recommendation 5: Establish a policy prioritisation framework and review mechanism that aligns gas planning with an orderly phaseout, which might include triggered reviews or "early exit points" when utilisation levels fall below pre-defined thresholds (e.g., < 50 % of forecast), enabling proactive decommissioning or network rightsizing and avoiding further lock-in of under-utilised assets.

A policy prioritisation framework could enable specific rules for resolving policy conflicts to ensure that across multiple policy arenas, a well-managed phase-out includes:

- Staged and least-cost reduction in gas use and networks.

- Gas retained only where essential (e.g., specific industrial feedstocks).
- Alignment with national emissions and renewable energy goals.

These outcomes are consistent with the objectives of GRC0082 and related rule change proposals.

Thank you for taking the time to consider our submission. We welcome an opportunity to brief your team to provide further insights from our work.

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