



Ms Anna Collyer
Chair
AEMC

By email: anna.collyer@aemc.gov.au

Dear Ms Collyer

I write to provide a submission in response to the Gas Networks in Transition consultation paper. I welcome the Australian Energy Market Commission's consideration of whether the current economic regulatory framework governing gas distributors remains fit for purpose.

To support this, I am pleased to provide the following information on policies, programs and ongoing work of the Government pertinent to the Commission's deliberations. I would welcome planning frameworks and regulatory decisions that take into account the policy objectives of the NSW Government.

The NSW Gas Decarbonisation Roadmap

The Department of Climate Change, Energy, the Environment and Water (DCCEEW) is progressing work to give clarity to households, businesses and industry on gas transition issues. These include consumer reforms to support electrification, setting electrification targets, and actions being undertaken to address potential gas supply shortages.

Through the NSW Consumer Energy Strategy released in 2024, the NSW Government has committed to develop a NSW Gas Decarbonisation Roadmap. DCCEEW is delivering this commitment in three stages to make sure the transition is managed in an orderly, fair, and affordable way.

The first stage will focus on ensuring households, businesses, and essential services have secure and reliable access to gas while the transition is underway. This will be set out in a NSW Gas Security Statement to be released in late 2025.

The second stage will focus on helping households and businesses reduce their reliance on gas through electrification and energy efficiency. This will include setting clear targets and reforms to support consumers with lower energy bills and cleaner options.

The third stage will look at the broader issues of the transition, such as how to manage a declining gas customer base and maintain safety and long-term reliability. The timing of this will be determined through the delivery of the first two stages.

Renewable fuels

The Government is committed to supporting the establishment of a strong renewable fuels sector. In August 2024, the Government announced that NSW was developing a Renewable Fuel Strategy that will play a key role in addressing climate change and strengthening domestic manufacturing.

Renewable fuels, such as biomethane and hydrogen, are a long-term alternative to fossil fuels in hard-to-electrify sectors and can provide a viable decarbonisation pathway in the short term. Establishing a domestic renewable fuels industry reduces exposure to international supply chain shocks and elevated fuel prices. Importantly, local production of renewable gases can contribute to addressing long-term gas shortfalls on the east coast of Australia.

The NSW Renewable Fuels Strategy will outline a range of actions to stimulate supply, distribution and use of renewable fuels across the state. It will also consider the expansion of the Renewable Fuel Scheme from hydrogen to additional fuels, such as biomethane. The Strategy is currently being finalised and I expect the Government to make an announcement in this space very shortly.

Emissions targets and the Net Zero Plan

The Government has made legislative commitments under the *Climate Change (Net Zero Future) Act 2023* (the Act) to reduce emissions and help the State adapt to climate change. The Act enshrines whole-of-government climate action to deliver net zero by 2050. It legislates emissions reduction targets for NSW of a 50% reduction on 2005 levels by 2030, a 70% reduction on 2005 levels by 2035, and net zero by 2050.

The NSW Net Zero Plan and NSW Climate Change Adaptation Action Plan are the foundations of the Government's action to meet these legislative commitments.

DCCEEW's latest emissions projections show that NSW needs to accelerate action to meet the 2030 and 2035 emissions reduction targets. In response, the NSW Government is developing a new, ambitious, whole-of-government Net Zero Plan focusing on the next 10 years, to be released in 2026 (the Plan).

The Plan will chart the path for NSW to achieve its 2030 and 2035 emissions reduction targets and stay on track for net zero by 2050. It will reflect the Government's policy that all sectors need to ratchet down their emissions to meet NSW's legislated targets, while acknowledging that each sector will decarbonise at different rates.

To discuss matters raised in this submission further, please contact Eleanor Wood, Director Networks and Pipelines Policy at eleanor.wood@dcceew.nsw.gov.au or 0409 218 789, or James Davis, Manager Infrastructure Economics at james.davis@dcceew.nsw.gov.au or 02 9228 6117.

Yours sincerely



Anthony Lean
Secretary

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