

THE ROLE OF GAS IN VICTORIA

Current Situation

There is currently high use of gas in Victoria – with over two million gas customers

- Victorian households have the highest natural gas use in Australia.
- In winter, gas demand is three times higher than summer – this is due to use for heating homes and premises.



Source: Australian Energy Statistics 2020



Natural gas is used in manufacturing, construction, agricultural and chemical industries for heat and processing. It supports many Victorian jobs.

Natural gas is a fossil fuel that, under the right conditions, occurs in geological basins. Most gas in Victoria has come from offshore fields in the Gippsland basin but these fields are declining. Offshore gas is also produced in south-west Victoria from the Otway basin.

Gas also plays a role in the national electricity market, providing gas-powered electricity generation (GPG). Since 2010, gas for GPG has varied between 7–35 PJ/ year. Total gas consumption in Victoria has been 200–220 PJ/ year over the past 10 years.



Source: Gas Statement Of Opportunities 2021



Where will more gas come from?

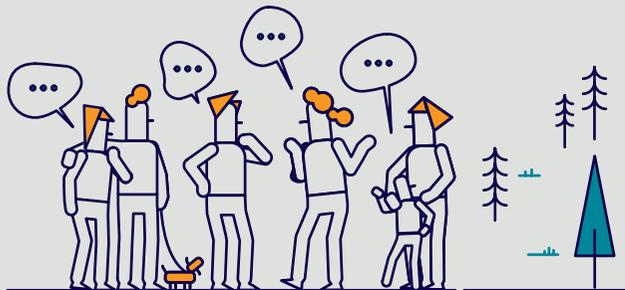
The Australian Energy Market Operator currently forecasts a shortfall in gas supply for southern Australia from 2026 onwards.

The three-year Victorian Gas Program identified that there may be between 120 and 830 PJ in commercial onshore conventional gas. Securing supply closer to demand in Victoria can reduce costs as well as providing better security of supply.

There is a ban on fracking in the Victorian Constitution.

In 2020 the Victorian Government passed legislation to allow the restart of onshore conventional gas exploration and development from 1 July 2021.

The Victorian Gas Program howed how community consultation is key to building trust and ensuring a successful industry into the future.



What about emissions?

Additional gas produced onshore in Victoria is unlikely to increase gas usage, as it will replace gas from declining fields and elsewhere. Consumer gas usage is more likely to reduce in the coming decades as the state works to lower emissions.

The Victorian Government is currently developing a Gas Substitution Roadmap which will investigate increasing gas efficiency, electrification and increased use of hydrogen and biogas.

What are the benefits of additional gas?

Producing more gas within Victoria, rather than importing it from other states, will provide economic benefits here rather than elsewhere.

The benefits of bringing more gas to the market include:

- Increased competition in the gas market is likely to put downward pressure on gas prices for households and industry.
- Improved energy supply, both for gas and electricity.
- Local jobs associated with the exploration and development activity. In addition to jobs, there will be broader economic benefits for Victoria in our regions and across the state.

What's next?

In June 2020, the Victorian Parliament passed the *Petroleum Legislation Amendment Act 2020* to allow for an orderly restart of conventional gas exploration and production in Victorian from 1 July 2021. Changes need to be made to the supporting Petroleum Regulations to reflect the amendments made to the legislation in 2020, and updating them also provides the opportunity to incorporate the findings of the Victorian Gas Program.

The new regulations are intended to:

- build community confidence in the onshore conventional gas resource sector.
- improve outcomes for the environment and public safety.
- encourage onshore conventional gas exploration and development in Victoria.