

UAGF Benchmark review



I would like to thank the Essential Services Commission for this opportunity to submit to the 2022 Review of Unaccounted for Gas Benchmarks. Friends of the Earth Melbourne have a series of concerns about continuing with the current benchmarks over the coming five years, which occur in what climate scientists and energy experts tell us is a critical decade for stabilising the climate if we wish to have any option to avoid catastrophic consequences. In our submission we will also address cost of living considerations and social licence around gas use in Victoria's energy economy.

About us

Friends of the Earth Melbourne is an environmental and social not-for-profit advocacy group with 50 years' experience campaigning for a healthy climate and community. We believe in a just transition for Victoria as we move from climate polluting fuel sources through a rapid take up of renewable energy. This requires rethinking existing energy systems while taking a pragmatic, whole-of-community approach to our commitment to the delivery of clean, affordable energy and ensuring that no worker is left behind.

This submission is written on behalf of Friends of the Earth Melbourne by Freja Leonard, the No More Gas campaign coordinator for Friends of the Earth Melbourne. I have worked as an advocate against gas for the past two and a half years and am the primary author of the [Community Gas Retirement Roadmap](#), a discussion paper to counter the Victorian Gas Substitution Roadmap. In my role I have written submissions to Victorian and Commonwealth consultations and presented at Parliamentary hearings, and engaged extensively with the community on the issues of gas use and its impacts.

Primary concerns

Review period

Friends of the Earth Melbourne accepts the proposal to extend the current review period by six months to achieve consistency with the national financial year reporting period. We question whether, as our energy systems destabilise with the unprecedented uptake of renewables and increasing abandonment of coal and gas as energy sources, maintaining a five year review period allows the flexibility to respond to the changing nature of the energy matrix in Victoria.

Climate considerations

We note with concern that the draft review document fails to consider the impact of methane as a climate accelerant. Over the critical 20 year period in which we are told by climate scientists that we must arrest and reverse greenhouse gas emissions in order to maintain a liveable planet, methane has 84 times the warming impact of carbon dioxide. Bearing this in mind we argue strenuously that the current targets are unacceptably high.



While outside of the scope of this review, we acknowledge that methane leakage occurs prior to, and post, delivery through the distribution network. Leakage at point of production and processing is inevitable, although unmonitored and therefore unquantified in real terms.

Behind the meter leakage is also unknown although we know with equal confidence that it happens – with associated health, economic and climate impacts. This is in some way acknowledged through the different benchmarks established for Class A compared to Class B transmission systems. Behind the meter leakage is a resource, climate and cost of living consideration. While we understand that this is outside of the scope of this review, it does not exist in isolation from distribution leakage and must therefore be included in all fugitive methane reporting, with penalties that appropriately reflect on the range of impacts of Class B post meter leakage.

Therefore, although this review does not seek to set benchmarks, and cannot account for leakage outside of the distribution system we argue that allowable UAFG benchmarks should be lower than the current thresholds with a view to reducing methane leakage across the lifetime of this climate intensive fuel source.

We acknowledge the attractiveness of maintaining the current benchmarks for continuity. However, the release of the Victorian Gas Substitution Roadmap and the passing of the *Climate Change Act 2017* coupled with the increased emissions reduction targets for Victoria to 75-80% on 2005 levels by 2030 demonstrate a changing political environment. In the week that this submission is due Australia signed on to the Global Methane Pledge of 122 countries committing to reducing methane emissions by 30% on 2020 levels by 2030. Here is an emissions source urgently in need of reform.

Similarly, we understand the desirability of harmonising with the national framework. With this very recent policy commitment at the federal level it is reasonable to imagine that the national framework may itself be in for reform in order to meet emissions targets. Victoria stands apart as the heaviest domestic user of methane gas nationally. As such we have a burden of responsibility to establish best practice. We recommend adopting the most stringent measures in recognising, mitigating and where this is not possible, penalising all leakage to incentivise keeping emissions to an absolute minimum.

Planning for the retirement of the gas distribution system

In our experience, householders and business owners increasingly express interest in shutting off gas connections. The reasons they give can be cost, health concerns about burning gas where they live and work, increasing appreciation of the climate impacts of methane release or any mix of the three. The gas transmission network is at risk of developing pockets of abandonment. This is already starting to happen in those areas where people can afford to fuel switch to renewably powered all-electric buildings, incentivised by Victorian Government programs such as the Victorian Energy Upgrades and Solar Homes & Businesses subsidies.

In light of this, the sensible approach would be to prepare distribution companies to plan for an orderly, rapid shrinkage of the existing network starting at the furthest points of distribution and working towards the central areas where the connections are at highest density – and greatest likelihood of network abandonment.

Recognising the need to retire the low pressure Class B distribution system and expedite planning for this eventuality creates better certainty for homes and businesses, for town planners and for the distribution companies themselves.



Recommendations

1. Review the benchmark for UAFG every three years, rather than five years to allow for a more agile response to the rapid rate of change in our energy matrix statewide, nationally and internationally.
2. Reduce the allowable UAFG benchmark towards a 3% threshold over the coming three years, with a 10 penalty unit charge for every 0.5% of UAFG levied against responsible distributors.
3. Decouple the retailer penalties from below-benchmark leakage and index retailer penalties to leakage at or behind the meter, based on averages from ongoing random testing at point of household and small business distribution.
4. Resource randomised testing, by ESC or an appropriate State Government agency, of fugitive emissions from gas production and processing facilities and class B customers behind the meter to better appreciate the likely extent of leakage from cradle to grave, in order to better contextualise UAFG across the distribution network.
5. Resource independent auditing and verification of distributors reporting of UAFG to be undertaken by the Essential Services Commission.
6. Mandate GHG reporting against leakage reporting to better inform the Victorian Government on emissions management in order to meet state-based emissions reduction targets.

I thank you for your consideration and am happy to be contacted to discuss this submission.

Sincerely,

Freja Leonard

No More Gas campaign coordinator

Friends of the Earth Melbourne

