

Building Electrification for industrial and manufacturing buildings in Victoria



We are taking action to slash energy bills for Victorian families and businesses, while preserving gas for Victorian industry.

New Building Electrification Regulations and Minimum Energy Efficiency Standards for Rental Homes will be phased in over four years beginning from 1 January 2027.

With fossil gas no longer the cheap and plentiful option it once was, immediate action is required to electrify Victoria's residential and commercial sectors. These reforms will ease cost-of-living pressures on Victorian households and businesses, help alleviate gas shortfalls and preserve gas supply for the Victorian industries that need it most. This will help achieve Victoria's emissions reduction targets and limit the continued expansion of the reticulated gas network.

If you are an industrial, manufacturing or commercial business, here's what these changes mean for you.

What are the changes?

Existing industrial, manufacturing and commercial buildings can continue to replace all gas appliances and gas-fired plant like-for-like at end-of-life, with all industrial buildings and existing commercial buildings excluded from the Building Electrification Regulations.

From 1 January 2027, where a new building is being constructed on an industrial or manufacturing site that is not a Class 8 building (ie a factory), it will need to be constructed as all-electric.

The Building Electrification Regulations will prohibit:

- a relevant building surveyor from issuing a building permit for the construction of a building if there is a new gas connection proposed.
- the installation of a gas appliance (including cooking, space heating and water heating) during the construction of a new building.

- the installation or connection of gas downstream of a gas supply point (meter) during the construction of a new building or part of that new building
- the installation or connection of a gas connection to an existing building without a gas connection - meaning that if a building, wasn't already using gas, it cannot connect.

What are the exemptions?

All existing industrial and manufacturing buildings are exempt from the Building Electrification Regulations.

New industrial and manufacturing buildings are exempt from being built as all-electric if they classify as a Class 8 building.

Appliances that use Liquefied Petroleum Gas (LPG) or 'bottled' gas are not impacted by the Building Electrification Regulations. All LPG appliances, including industrial appliances, can continue to be installed where required, including in new buildings. This exemption supports a gradual transition for the industrial sector while avoiding further expansion of the gas network, helping reduce long-term costs for all gas users.

An exemption may apply where there is an existing building permit prior to the Building Electrification Regulations coming into effect, or the relevant building surveyor certifies that substantial progress on the design of the building was made prior to the regulations coming into effect (Section 10(1) or (2) of the Building Act 1993).

The Government is working closely with industry ahead of the Building Electrification Regulations being finalised and introduced

How much gas will be saved?

In total, Victoria's gradual demand reduction efforts cumulatively will save up to 19.2 petajoules (PJ) by 2029 (equal to around 9 per cent of Victoria's industrial demand), and 205 PJ by 2035, effectively representing a new source of the lowest cost gas in the country.

This is the equivalent of bringing on new gas production at today's cheaper gas price and reduces our exposure to higher gas prices in future, providing lower cost gas to the industrial and manufacturing sector for longer.

What supports are available?

Through a \$10 million Food Manufacturing electrification fund, grants of up to \$2 million per business will be available to help those that can switch from gas equipment and machinery to efficient electric alternatives. Learn more at www.energy.vic.gov.au/grants/energy-innovation-fund.

Eligible businesses may also be able to access support through the Victorian Energy Upgrades (VEU) program.

For industrial and commercial sites, this includes accessing project-based activities (PBAs). This covers tailored upgrades by measuring the energy savings achieved at a particular site.

There are two project-based activity methods:

- Measurement and Verification (M&V) method. Energy savings are determined using before and after measurements of actual energy consumption.
- Benchmark rating method. Energy savings are determined using before and after National Australian Built Environment Rating System (NABERS) ratings.

Learn more about project-based activities: energy.vic.gov.au/victorian-energy-upgrades/installers/industry-project-based-activities

Through the VEU, Victorian large businesses recently explored switching from gas to electricity using grants from the Large Energy User Electrification Support program.

Find out how six Victorian businesses looked for ways to save energy: energy.vic.gov.au/victorian-energy-upgrades/businesses/large-businesses-energy-case-studies

Securing gas for Victorian business and industry

Victoria's new **Gas Security Statement** outlines the actions we are taking to secure long-term gas supply for gas-powered generation and the businesses and industries that need it.

Reducing household gas usage through improved energy efficiency, electrification, and renewable gases has not only resulted in Victoria continuing to have the lowest wholesale gas prices in Australia but provided certainty that the State will avoid forecast structural gas shortfalls, permanently slashing energy bills for families while delivering long-term gas supply.

In addition, we've taken actions to increase supply locally, with 25 PJ of additional gas production in 2029 already committed, and nearly \$1.1 billion of exploration and production expenditure committed in Victoria and Commonwealth waters offshore.

By reducing the level of demand for gas in the market, the Government is putting significant downward pressure on gas prices for Victoria's industrial base. Our actions include:

- Supporting large businesses to improve their energy efficiency and explore electrification, shoring up supply for gas-reliant industries and developing green industry skills and jobs.
- Further reducing gas demand in homes by requiring Victorians to replace gas hot water systems with electric appliances and make the switch to energy efficient electric appliances to save on their energy bills.



Learn more at energy.vic.gov.au/households/electric-and-efficiency-standards-for-buildings

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