

Gas Security Statement

Certainty of gas supply for industry and the community



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Energy,
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Ministerial foreword

For decades, Victoria produced most of Eastern Australia's gas and was one of its most gas-intensive jurisdictions. However, gas is no longer the cheap and abundant resource it once was. Victoria's legacy fields in the Bass Strait are depleting rapidly and markets have not contracted for new supplies to fill the gap.

The Australian Energy Market Operator (AEMO) has warned that unless action is taken, there could be a structural gas shortfall by 2029 in the east coast gas market.¹² The Victorian Government's pragmatic and comprehensive response combines a gradual reduction in household demand with new gas supply and storage, with an emphasis on ensuring supply for businesses that require gas.

The Victorian Government has boosted the resilience of Victoria's gas system, conserving more Victorian gas to ensure secure and reliable supplies into the future. We are accelerating new storage facilities, making sure they're full when they're needed, meaning more low-cost Victorian gas will be free for our industrial sector. This approach is reinforced with over \$2 billion in new investment announced just this year. This approach will deliver reliable and secure supplies of gas well into the 2030s.

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

Since December, Energy Ministers have been considering options to expand powers for AEMO to address East Coast gas supply issues emerging by 2029. Any powers to be developed would direct AEMO to be technology and solution agnostic, providing the chosen solution or mix of solutions can be delivered within the required timeframes and the lowest cost to customers. A decision is expected later this year.³

The combination of the successful execution of the actions above will ensure that Victoria will avoid forecast structural gas shortfalls. In doing so, we will permanently slash energy bills for families while delivering long-term gas supply certainty for our industrial sector.

The Victorian Government is committed to the reliable, secure and affordable delivery of gas, even as consumption gradually declines. Current regulatory frameworks for gas distribution networks were designed for a context of network growth. The Government will carefully monitor the gas network, including for the fairness and efficiency of cost recovery. If regulatory changes prove necessary, we will work with energy users, network operators, energy suppliers, and other jurisdictions to consider and implement solutions that are fair and predictable.

The actions taken to date have not only resulted in downward pressure on gas prices - with Victoria continuing to have the lowest wholesale gas prices in Australia - but provided certainty in our gas supply outlook. Victoria has seen an underlying decline in gas demand across most sectors, resulting from the increased adoption of efficient, electric alternatives, preserving the State's cheaper gas supply for industry for longer. By heeding the warnings, and acting responsibly to avert any gap in supply, the Victorian Government is reducing costs for households, while safeguarding the needs of industry, and protecting jobs in our state.



The Hon Lily D'Ambrosio MP

Minister for Climate Action

Minister for Energy and Resources

Minister for the State Electricity Commission

Upstream Supply: Securing Gas for Today and Tomorrow

The Government's Gas Substitution Roadmap sets the strategic direction to support all Victorians to move away from gas in the long term, while recognising that gas will continue to provide essential services to Victorian households, businesses and industry for some time.

New transitional gas supply is needed to ensure industry continues to support Victorians with secure jobs and affordable products and services that depend on gas. But the reality is there's not enough

proven gas reserves onshore or offshore in Victoria to offset the structural decline. New gas that is more expensive to produce locally, combined with the linking of Australia's domestic gas prices to international markets by the Queensland Liquefied Natural Gas (LNG) export sector, mean that gas prices are expected to remain above historic levels.

The combination of actions the government has taken in the recent past, and those coming into effect in the near future, means gas users can be confident that everything that can be done to support ongoing reliability and put downward pressure on prices is being done.

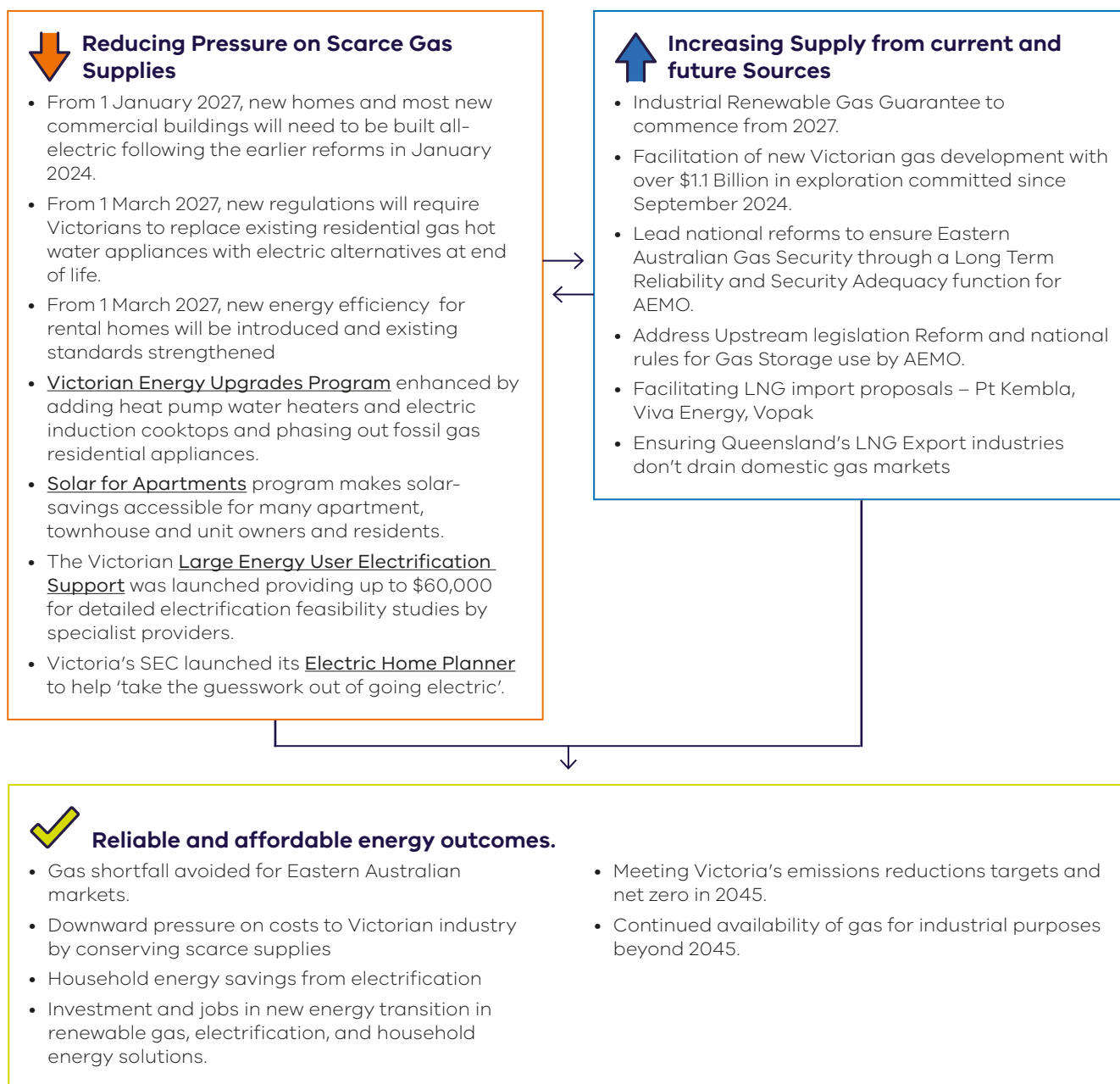


Figure 1: Victoria's supply and demand actions to address the supply gap

What We've Done

The government passed legislation in 2020 that compels Victorian offshore gas producers to offer their product to the domestic market on just terms before they can market their gas to the Queensland exporters. This is as close to a 'domestic reservation' of gas as Victoria alone can implement, which is why we continue to support calls for a national reservation scheme to cover the entire east coast gas market.

Undertaken from 2017 to 2020, the Victorian Gas Program provided a scientific basis for restarting the onshore conventional gas industry, following the former Government's 2012 blanket ban on onshore petroleum exploration and new production. In 2021, the Victorian Government restarted the program under improved environmental, consultation and market parameters. The restart of onshore gas exploration and production did not include coal seam gas or fracking, which are permanently banned in Victoria. The ban was added to Victoria's Constitution in March 2021.

Victorian and Commonwealth waters in Bass Strait have a range of recent, committed and potential projects that could provide additional gas supply and storage over the next five years. These include new production from Esso and Woodside's Gippsland Basin Joint Venture and Beach Energy; exploration campaigns from ConocoPhillips, 3D Energi, Amplitude Energy, ADZ Energy and Lakes Blue Energy; as well as continued progress in storage and large infrastructure plays through Golden Beach, Lochard Energy, Viva Energy, and Vopak. The Government has recently made a positive assessment on Viva Energy's proposed LNG import terminal in Corio Bay.

While the Government is acting to bring on new supply, both prospective and committed projects will not deliver enough new gas to offset depletion from Bass Strait. This means that in any scenario, a bulk source of new supply will be required, imported either via pipeline, regasification terminal or via a combination of the two.

What We're Doing

As outlined in the Economic Growth Statement⁴, all new potential Victorian gas projects will be able to access the Development Facilitation Program, Victoria's accelerated assessment pathway for new planning permits. This will deliver faster decision-making and approvals for gas extraction, storage, transmission or importation projects, getting critical projects online sooner.

Since December, Energy Ministers have been considering options to expand powers for AEMO to address East Coast gas supply issues emerging by 2029. Any powers to be developed would direct AEMO to be technology and solution agnostic, providing the chosen solution or mix of solutions can be delivered within the required timeframes and the lowest cost to customers. A decision is expected later this year.

What Comes Next

While gas supply and infrastructure are critical, the Government is listening to industry's calls for a Victorian Industrial Renewable Gas Guarantee (IRGG).⁵ This will provide Victoria's industrial and gas peaking sectors with a new source of gas that is both disconnected from the export price of gas and compatible with Victoria's net-zero ambitions. This, along with supporting large businesses to improve their energy efficiency and explore electrification, will retain cost competitiveness for our local industries.

Networks and Storage: Building a Flexible, Resilient System

As the way Victorians consume energy evolves and gas supply sources change, the way Victoria uses its gas networks and storage will evolve too.

While electrification will gradually reduce long-term consumption, we are seeing sharper demand spikes as coal-fired generation exits the system and renewable energy requires gas-powered firming, particularly in winter. Victoria's pipeline and storage network must respond to maintain resilience through the transition. As a result, investment is required in storage facilities, while the existing pipeline infrastructure must be managed effectively, to maximise its efficiency while minimising stranded asset risk and the associated costs.

What We've Done

In the transmission system, the Government has supported key pipeline investments to strengthen supply paths. These include facilitating the Western Outer Ring Main⁶ – a major expansion of the Victorian Transmission System (VTS) completed in 2023 – and supporting compression upgrades to increase the capacity of the South West Pipeline.⁷ These have contributed to an increase in the capacity of the system to serve Victoria's peak demand from 1,500 TJ/d in 2017 to around 1,670 TJ/d in 2025⁸.

Over the same period, Victoria has expanded underground gas storage infrastructure to boost system resilience while managing seasonal demand spikes. Since 2015, we've facilitated timely approvals to increase Iona's storage capacity from 22 PJ⁹ to 24.4 PJ. We continue to facilitate further expansions, such as the planned Heytesbury Underground Gas Storage project which will expand Iona's supply capacity by a further 3.5 PJ¹⁰. We also successfully initiated changes to the National Gas Rules that has guaranteed the Dandenong LNG storage facility is full at the start of winter each year – providing certainty for industry and essential backup generation power for Victorian households – and we're in the process of extending this requirement.^{11,12}

Late last year, we cleared the way for additional gas storage by passing legislation¹³ permitting underground storage in depleted offshore gas fields. The government is working productively with proponents like GB Energy to develop these facilities, which will be crucial to maintaining peak day capacity in Victoria. Taken together, these facilities will boost Victoria's gas storage capacity over 90 per cent.¹⁴

In distribution networks, we worked with the Australian Energy Regulator (AER) to strike a fair balance between existing and former customers of the gas networks by limiting abolition fees when customers convert their homes to all-electric and disconnect from gas.

Through Energy Safe Victoria, our work with the Energy and Climate Ministerial Council¹⁵ and new legislation passed in 2021¹⁶, we have removed regulatory hurdles to renewable gas production.

What We're Doing

Further investment will be needed to boost the gas system's resilience throughout the transition. This will involve engaging with infrastructure proponents and the AER to facilitate justified upgrades to pipelines and storage both within and beyond state borders.

To this end, we are working with pipeline operators Jemena and APA Group to ensure that critical enabling projects, such as reversal of the Eastern Gas Pipeline to New South Wales or possible augmentation of the South West Pipeline in Victoria, can happen as and when needed to get gas from new sources to central Victoria where most gas is consumed.

To support this, we're implementing new powers to direct the owner of the Victorian Transmission System to augment the system when necessary.

What Comes Next

The future will require more targeted investments, delivering capacity in the right places and at the right times in an environment of gradually falling consumption. In the past, the system was built to move large volumes of gas from Gippsland to Melbourne, then to other states. In the future, gas may increasingly flow south to Victoria, and storage capacity will become even more critical to meeting our winter peak and renewable firming needs. The Government will act to ensure these happen in a timely and responsive manner.

Together, these measures will help ensure that while Victoria reduces its dependence on gas over time, our infrastructure remains fit-for-purpose.

The Victorian Government is committed to the reliable, secure and affordable delivery of gas, even as consumption gradually declines. Current regulatory frameworks for gas distribution networks were designed for a context of network growth. The Government will carefully monitor the gas network, including for the fairness and efficiency of cost recovery. If regulatory changes prove necessary, we will work with energy users, network operators, energy suppliers, and other jurisdictions to consider and implement solutions that are fair and predictable.

End-Use Policy: Reducing Gas Demand and Saving Victorians Money on their Energy Bills

The Victorian Government is focused on what matters most – real help for families to ease the cost-of-living. Gradually reducing household gas usage will cut bills for families each and every year. The Gas Substitution Roadmap and its subsequent updates lays out the government’s pragmatic and sensible approach to delivering this through improved energy efficiency, electrification, and renewable gases.

These actions will deliver bill savings from families while unlocking new supply for industry. In total, Victoria’s gradual demand reduction efforts cumulatively will save up to 19.2 PJ by 2029 (equal to around 9% of Victoria’s industrial demand), and 205 PJ by 2035, effectively representing a new source of the lowest cost gas in the country. This will save a typical existing home \$330 every year, or \$520 when combined with rooftop solar.

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.

What We’ve Done

This long-term process began by ensuring all new homes requiring a planning permit to be all-electric¹⁷. New all-electric homes are cheaper to heat, cool and run – and can save households \$880 per year – or \$1,820 per year on their energy bills when combined with solar panels.

We’ve regularly added efficient electric appliances to Australia’s largest energy efficiency program, Victorian Energy Upgrades (VEU)¹⁸ and consolidated our support for Solar Homes,¹⁹ providing rebates and incentives for solar PV and hot water heat pumps. In May, the Government legislated to extend the VEU program to 2045. This means that Victorian families and businesses can be certain that discounts on efficient electric appliances will be available for decades to come²⁰. This legislation followed our announcement that ceiling insulation would be introduced as a new activity in the program²¹. We’ve also begun the roll-out of the SEC’s Home Electric Planner²², to take the guesswork out of electrification.

New homes are also required to meet stronger energy efficiency standards including a 7-star energy rating and whole-of-home energy budget, ensuring Victorians can enjoy their all-electric, energy efficient and comfortable homes all year round. In parallel, we’ve banned gas distribution businesses from offering incentives to connect residential buildings to gas or to purchase and install gas appliances to protect consumers from being locked into more costly and higher emission appliances²³.

These government actions are already yielding major benefits. Average residential gas consumption has dropped from about 54 GJ in 2020 to about 41 GJ in 2024²⁴ – thanks to a growing shift to efficient electric appliances supported by government policies and programs and other factors. The Government’s interventions have played an important role in keeping Victorian gas the cheapest in the country.

What We're Doing

The government is acting to slash household bills and preserve lower-cost supply security for industry as we finalise new electrification requirements for residential and commercial buildings.

From January 2027, all new residential buildings and many new commercial buildings will be required to be fully electric.

From March 2027, households will be required to replace gas hot water systems with electric systems when they reach the end of their life - a measure that will avoid costly repairs and lock-ins, and ensure efficient electrification happens at a natural decision point.

From the same date, new minimum energy efficiency standards for rental properties will be gradually phased in, making rentals more comfortable and cheaper to live in. These new standards will cover ceiling insulation, draught-proofing, hot water, shower heads, cooling and a revised heating standard, as well as end-of-life electrification requirements for gas heating and hot water.

The government is also continuing to deliver the Energy Efficiency in Social Housing program, which is modernising Victoria's social housing stock while slashing energy bills for renters. Approximately 19,000 energy efficiency upgrades have already been delivered under the first phase of the program, most of them replacing inefficient gas systems with efficient electric alternatives. Upgrades in an additional 11,000 homes are already underway, including 5,000 homes that will be fully electrified.²⁵

For industrial and commercial businesses, we are supporting development of electrification and energy efficiency feasibility studies through the Large Energy User Electrification Support²⁶ program. These studies are supporting businesses to look at opportunities to replace existing systems that use gas for heating, ventilation, and air-conditioning, as well as to replace industrial boilers and other systems with modern, efficient electric alternatives.

Industry will also be boosted by the establishment of the IRGG, which will deliver renewable gas into the system, ensuring the availability of high heat gas and methane feedstock to industries that need it in a renewable energy future. A target of 4.5 PJ by 2035 has recently been consulted on for this scheme.

Taken together, this extensive program of electrification and energy efficiency will materially cut Victoria's residential and commercial building gas usage. 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.

What Comes Next

This round of building electrification and minimum energy efficiency standards will be the final gas appliance reform in this term of government. The Government recognises that households, businesses, and wider industry need time to adjust to the new settings. That's why we will have an 18 to 20-month transition period, during which the Government will consult key stakeholders to collaboratively implement the new regulations and assess their effectiveness after a year in operation.

Annual updates to the Gas Substitution Roadmap will be critical to keeping industry and the community informed. These documents will provide a clear insight into the Government's policy development process, provide a channel for review and opportunities for improvement, present avenues for feedback and consultation.

How our actions secure Victoria's gas supplies

AEMO's Gas Statement of Opportunities in 2025 noted that without action, peak-day gas shortfalls are forecast for Victoria, NSW, SA and Tasmania as early as 2028, with structural shortfalls forecast by 2029. Such a scenario places an unacceptable risk before the Victorian economy and must be avoided.

To achieve this, Victoria, through the Government's policies and the community action they enable, will:

- Reduce *demand* by up to 11.9 PJ per year by 2029 beyond the demand reductions that have already been set in train by government policy and consumers making their own choices to be more energy efficient and use more sustainable fuels.
- 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.
 - Adding to this, the IRGG will bring on sustainable renewable gas, with the government considering the appropriate target level for this scheme.
 - To insure against shortfalls, Victoria will work with other jurisdictions to empower AEMO with a new

national role to fill any residual gap through a new bulk supply source such as an LNG regasification terminal or domestic supplies available through pipeline infrastructure. The proposed capacities of most of the proposals in the market address south-eastern Australia's needs into the 2030s.

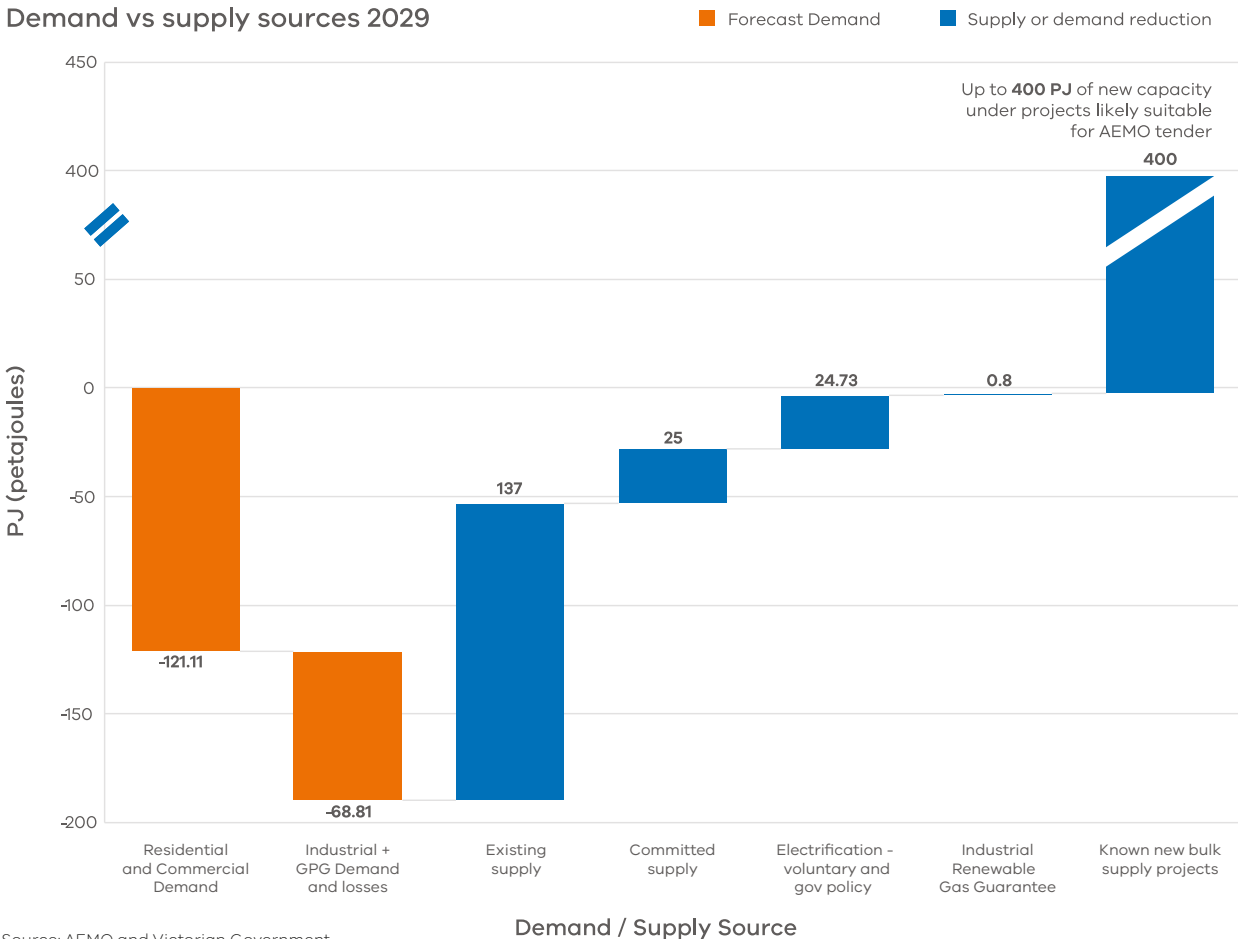
- Save consumers up to \$1,820 per household by supporting conversion to all-electric homes, and energy efficient home design and appliances.

In total, Victoria's gradual demand reduction efforts cumulatively will save up to 19.2 PJ by 2029, and 205 PJ by 2035, effectively representing a new source of the lowest cost gas in the country.

The pragmatic and comprehensive actions listed above will reduce demand and increase supply fast enough to overcome the east coast gas market's forecast shortfalls.

The Victorian Government will continue working in partnership with households, industry, and other jurisdictions to ensure reliable and secure supplies of energy throughout the transition.

Demand vs supply sources 2029



Source: AEMO and Victorian Government

Figure 2: How the supply and demand measures will work to close the supply gap

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