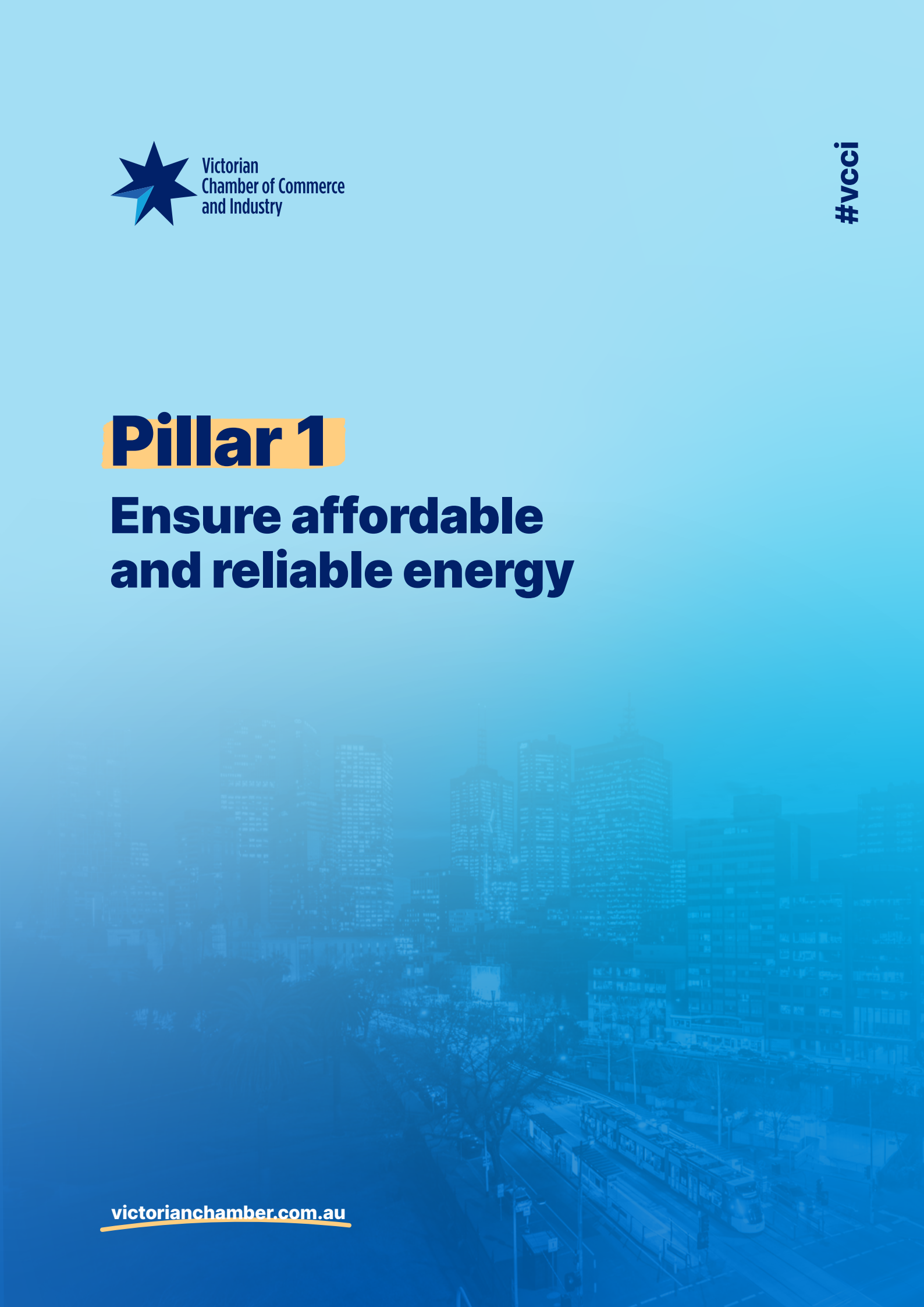
Victorian Chamber of Commerce and Industry

#vcci

Pillar 1

Ensure affordable and reliable energy



victorianchamber.com.au

Acknowledgement of Country

The Victorian Chamber of Commerce and Industry acknowledges the Aboriginal and Torres Strait Islander peoples of this nation. We acknowledge the Traditional Custodians, the Wurundjeri people of the Kulin Nation, of the lands on which the Victorian Chamber head office is located and extend this respect to all lands across the country.

We pay our respects to ancestors and elders, past and present, and support the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples. We endeavour to develop stronger and enduring partnerships with First Peoples and work together to achieve economic, social and cultural equity and prosperity across Victoria.

We are committed to honouring Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to the land, waters and seas and their rich contribution to society.

Victorian
Chamber of Commerce
and Industry

Pillar 1: Ensure affordable and reliable energy on the road to net zero



Our energy sector does not operate in an economic vacuum. It is integrated into the broader economy. Key challenges for the energy sector include balancing the need to reduce emissions while also providing secure, affordable and reliable energy to power business, industry and households.

Pillar 1: Ensure affordable and reliable energy on the road to net zero

A smooth energy transition will boost productivity and turbocharge our journey to a net zero economy. If we get it right it could also mean a cumulative increase of $890 billion in GDP and more than 195,000 new jobs by 2070.[1]

The Federal Government should be in the driver's seat ensuring that, as we move ahead with the ambitious plan to decarbonise in unison, we are well positioned to capitalise on the opportunities that will be unleashed. Where directions and ambitions differ, the Federal Government should intervene to provide certainty to business and investors.

The Victorian Chamber welcomes current work by the Federal Government on its Future Gas Strategy. The Federal Government has a key role here to provide a stable and commercially dependable policy environment to signal to investors and trading partners what the role of gas is in the context of a successful transition.

The Victorian Chamber's publication *Achieving a Net Zero Economy: Roadmap for Victorian Businesses*[2] noted the urgent need for energy security and certainty for Victorian businesses. Victoria urgently needs clarity over how it will transition to renewables without increasing costs for users or interrupting energy supply.

While the economics of all-electric new homes appear favourable, there can be barriers to fully electrifying existing buildings. For some sectors in the economy, they will continue to depend on natural gas until substitute technologies are deployed. However, a recent announcement by the Victorian Essential Services Commission suggests Victorian businesses should be slugged $31,000 to connect to the gas network from 2025.[3]

Decisions for the energy transition need to be made considering the commercial realities. Continued investment in the gas sector will be a critical enabler to move towards a net zero emissions future while new technology emerges. Unprecedented levels of investment and adjustment are required to support the necessary renewable generation to achieve our net zero goals.

It is essential that the Federal Government's Gas Strategy addresses these considerations along with a strategy and long-term plan for gas production, consumption and substitution that marries with our competitive advantage and economic interests as well as our climate objectives. We encourage Government to be open-minded to the utility of multiple energy sources. All types of renewable energies are required in the transition to net zero – wind, solar, biomethane and hydrogen.

Federal and State Governments support the concept of Australia becoming a renewable energy superpower with hydrogen being the likely source. Achieving this requires the costs associated with wind and solar to drop by two thirds in this decade according to the Australian Renewable Energy Agency. Further, failure to achieve this will cause the price of electricity to surge and become too expensive.[4]

Currently, there is little demand for hydrogen as a renewable energy source, making it expensive to produce. And yet it is the future of long-haul freight, chemical production, low-emissions metals, high-temperature process heating, and marine and aviation transport. The Government needs to step in and set hydrogen production targets and incentives to kick start the commercialisation of low carbon hydrogen and the decarbonisation of supply chains.

---

1 *'All Systems Go, Transforming Australia's Economy to Grow'*, Page 1, Deloitte Access Economics 2022.

2 Victorian Chamber (2023). *Achieving a Net-Zero Economy: Roadmap for Victorian Businesses.* https://www.victorianchamber.com.au/policy-and-advocacy/initiatives/netzero

3 Plan to charge $31k for gas connections in Victoria, Australian Financial review, Dec 28, 2023, Media article. Website: Victoria gas: Plan to charge up to $31k for connections (afr.com)

4 "Australian, a hydrogen superpower? Only if solar costs plummet. Australian Financial Review. Website: https://www.afr.com/companies/energy/australia-a-hydrogen-superpower-only-if-solar-costs-plummet-20240125-p5ezvr

Pillar 1: Ensure affordable and reliable energy on the road to net zero

Victoria has recently confronted some major setbacks in the development of offshore wind. Such setbacks are common due to the environmental, social license and planning requirements, which all need approval for projects to proceed.

The Victorian Chamber notes the imminent report by Australian Photovoltaics Institute regarding the opportunity for supply chains and manufacturing of solar panels in Australia. Once released, the Federal Government should action opportunities for manufacturing of solar panels to occur in Australia to minimise sovereign risk.

In the race to net zero, the production of renewable electricity options should be at the forefront of policy decision-making. To achieve this, collaboration and cohesion is needed among all stakeholders and tiers of government involved.

Relatedly, Victorian businesses in particular are acutely aware of the Victorian Government's ambitious net zero targets. The likely legislative requirements to upgrade inefficient technologies, appliances and buildings to meet energy efficiency targets will require standing up grant programs to assist business with the significant costs of complying to legislation.

The Victorian Chamber commends the Federal Government's program of Energy Efficiency Grants for Small and Medium Enterprises, which provided grants of between $10,000 to $25,000 to SMEs to upgrade to more efficient energy. This popular program needs to be funded on a recurrent basis, particularly to support Victorian businesses.

For businesses with a larger turnover of up to $50 million, the Federal Government has legislation pending to introduce a Small Business Energy Incentive. This program will also need to become recurrent.







Victorian Chamber of Commerce and Industry

The Victorian Chamber of Commerce and Industry (VCCI) is the largest and most influential not-for-profit business organisation in Victoria, informing and servicing more than 85,000 members and clients across the State.

Through our policy and advocacy work, professional development courses, workplace relations and consulting services, we help thousands of businesses every year to improve workplace performance and achieve business growth and success.

Victorian Chamber of Commerce and Industry
150 Collins Street,
Melbourne VIC 3000
Phone 03 8662 5333

Victorian Chamber of Commerce and Industry

#vcci

© The Victorian Chamber of Commerce and Industry 2024.

This paper was prepared by the Victorian Chamber of Commerce and Industry. While the Victorian Chamber has endeavoured to provide accurate and reliable research and analysis, it will not be held liable for any claim by any party utilising this information.

The Victorian Chamber of Commerce and Industry,
150 Collins Street, Melbourne, Victoria 3000
Phone: (03) 8662 5333 victorianchamber.com.au March 2024

victorianchamber.com.au