

**Statement - David Davis, Shadow Minister for Energy, Affordability and Security:
The Griffith University paper by Paul Simshauser and Joel Gilmore - Centre for
Applied Energy Economics & Policy Research: Working Paper Series 2024-10,
entitled “*Policy sequencing: on the electrification of gas loads in Australia’s
National Electricity Market*”.**

This seminal paper drops a bombshell on Victorian Labors mismanagement of Victoria’s energy markets.

Victoria has sought to electrify gas loads simultaneously with pursuing power system decarbonization. The paper uses 40 years of weather data with parallel electricity and gas market models to identify risks and investment challenges.

The paper warns that as Victoria’s 5 GW brown coal fleet retires by the late 2030’s, the State will move from having the lowest electricity prices in the NEM to the highest.

Projected electricity prices are expected to exceed \$180/MWh. The paper states “*Victoria’s prices shift from lowest to highest – a not unexpected result given the absence of a price on carbon and the dominance of Victoria’s ~5GW brown coal fleet.*”

The impact on consumers will be severe with higher electricity prices disproportionately affecting Victorian households and business as they bear the cost of system wide upgrades and the increased use of firming capacity. Gas users will also face rising costs. As electrification reduces gas consumption the fixed cost of gas fixtures will be spread across fewer users leading to higher tariffs.

The paper highlight’s massive reliability risks as Victoria’s electrification policies expose the mismatch between renewable supply and electrification driven demand. Renewables alone cannot bridge the seasonal variability in wind and solar output combined with surging winter demand.

Victoria faces the risk of persistent energy shortfalls in winter (between May and August). The gaps are most pronounced on critical event winter days where low wind and solar output meets high electricity demand driven by heating needs. There is a potential risk of blackouts during these periods, gas turbines become critical.

It is clear from the paper that renewables alone cannot meet winter demand and that there is a paradox where electrification reduces overall gas use but paradoxically increases the importance of gas infrastructure to stabilise the grid during critical periods.

The abstract states *“The outstanding renewable investment task is very material, and accelerating electrification may have the unintended effect of entrenching coal plant for longer.”* It states further, *“a larger fleet of gas turbines is required to deal with intermittency during winter months when renewables experience annual output nadirs. Yet a larger gas turbine fleet produces an acute peak (gas) load problem during critical event winter days.”*

Comments attributable to David Davis Shadow Minister for Energy, Affordability and Security.

“This paper written by first line recognised experts from Griffith University in December 2024 blows the whistle on Labor’s botched energy management and its ideological war on gas.”

“Victorians are already doing it tough with surging electricity and gas costs worsening during a cost-of-living crisis. Now it’s clear, much worse is to come, Victorians will, under Labor pay more, much more, on their energy bills, in fact, the most in Australia. Victorians, households and businesses, will also face insecure gas and electricity supply which is directly the result of Labor’s 10 years of ideological mismanagement of energy policy.”

“Victorian households will be left with a terrible legacy of Labor’s 10 years, higher prices, insecure power supplies and businesses fleeing the state because of uncertain and expensive energy supplies.”

“It’s particularly clear that Victoria’s ill-considered electrification push will worsen the energy position of the State. Victorian Labor’s electrification policy sends a perverse signal that risks seeing less gas investment and higher gas tariffs. This will, under the researcher’s conclusions, be problematic for both the gas market and the power system. They conclude, “Unserved gas demand essentially translated to unserved electricity demand.”

“Victorian families are paying the price for Labor’s mismanagement, they will pay the highest prices in the land and yet, face potential cold on those days when renewables fail and there is insufficient gas backup.”