



rewiringaustralia.org | electrify@rewiringaustralia.org

ABN: 18 664 239 196 | ACN: 664 239 196

Submission on Victoria's *Building Electrification Regulatory Impact Statement*

Thankyou for the opportunity to provide feedback on the Victoria's Building Electrification Regulatory Impact Statement (RIS).

Rewiring Australia strongly supports the Victorian Government's leadership in the transition away from gas and towards a cleaner, affordable electric future. The Government's clear and assertive direction-setting has created a shared understanding of the destination and provided the confidence for investment. This leadership is invaluable within Victoria and, due to the state's standing and its historically high gas consumption, extends nationally and internationally as a leading example of ambitious climate policy.

Rewiring Australia welcomes and supports the proposed regulatory approach to phasing out gas appliances in residential and commercial buildings. We strongly recommend adopting **Option 2**, which mandates electrification upon appliance replacement across all new and existing residential and commercial properties. This option will deliver the most savings to Victorians and the fastest carbon reductions, maintaining the clear signal to market, whilst making the kitchens in both our homes and businesses healthier, safer and more comfortable.

We would be pleased to continue engaging with the Victorian Government on this transition and on the issues raised below.

Regards,

Francis Vierboom, CEO
francis@rewiringaustralia.org

Calum Harvey-Scholes, Research Lead
calum@rewiringaustralia.org

Option 2 is the best path forward

Option 2 offers the most comprehensive approach to reducing fossil gas reliance and accelerating Victoria's transition to an all-electric future. We recommend Option 2 because it:

- Provides the highest cost savings for Victorians
- Reduces carbon emissions fastest
- Protects residential and commercial renters
- Supports jobs and workforce transition

Victorians working in commercial kitchens deserve the upgrade too. We would also encourage the removal of the exemption for existing commercial kitchens within the regulation. The technology to electrify these workplaces exists today. Burning fossil gas in kitchens presents a health and safety risk for kitchen workers from particulate air pollution and overheating in hot weather.

The economic and emissions benefits of option 2 are strongest. Victoria's modelling of net present value (NPV) for the Regulatory Impact Statement demonstrates that the transition to all-electric is an economic slam dunk. Option 2 offers the highest operational cost savings as upgrading to electric results in lower energy costs. It also reduces Victorians' exposure to volatile international fossil fuel markets, enhancing energy security.

By phasing out fossil gas in new and existing buildings across all sectors, Option 2 reduces Victoria's carbon emissions faster than the preferred option.

The economic strength and carbon reduction benefits should be considered a central strength: when we look across the economy, the electrification of buildings is a sector where the cost of carbon abatement is low (arguably negative in many cases when the lifetime cost savings are considered). This is a compelling reason to be ambitious in this area, to fully commit to electrification. Committing fully to electrification will maximise the benefits for Victorians and may counteract some slower-moving or harder to decarbonise sectors.

Option 2 ensures Victorian families that rent get the benefits of electrification too. Option 3 risks exposing residential and commercial renters to ongoing gas appliances and supply charges. Without regulation, there is limited motivation for landlords to invest capital in upgrading appliances which they don't use. Option 2 ensures that, over time, renters will be able to enjoy the financial and health benefits of all-electric appliances.

Option 2 provides a clear path for workers and industry. Plumbers and heating engineers would benefit from a clear signal about the direction of their industry. Option 2 sends this clear signal. Option 3 risks sending a confusing message to these skilled trades regarding the need for them.

to develop skills and capabilities to install new energy technologies (heat pumps and reverse cycle air conditioners).

Electrifying existing commercial buildings

We recognise that the data availability limitations for the commercial sector have affected the certainty of the modelling for this sector, which the RIS describes as ‘conservative’. In this context, we would caution against granting the sector an exemption on the basis of this evidence.

Regarding the assumptions in Table C.17, it is not clear whether the percentages of ‘small to large buildings’ relate to the number of buildings (as it appears to state) or the floor area. Our view is that it is highly likely that there are substantially more small commercial buildings than large ones. Moreover, these small commercial buildings are likely to have a greater ratio of roof area to indoor floor area making them suitable for rooftop solar. This is likely to dramatically increase the financial benefits of electrification available to these businesses. Relatedly, given that many businesses operate during business hours, they are also in a strong position to benefit from increasingly low daytime electricity prices (whether via rooftop solar or a retail tariff). It is unclear to us if this was considered in the modelling.

Regarding the numbers of commercial buildings and their size, we would ask whether the Victorian Valuer General’s office may have more detailed data which could establish more precisely the numbers of small and large commercial buildings.

Why Option 3 should not be the preferred option

The analysis shows Option 3 to have the highest cost-benefit. However, the **Regulatory Impact Statement (RIS), explicitly, does not account for the second-order market effects** of removing gas appliances from supply chains, and the resulting cost reductions that will come with a near-total market shift to electric.

- **Option 3 locks in an ongoing 20 PJ demand for gas** in Victoria through and beyond 2045. It is unclear how this is consistent with the state’s carbon emission reduction objectives or the reducing availability of local gas supply. Economically, this hypothesis seems unrealistic in a context where gas tariffs are significantly higher than today.
- **Market transformation and cost reductions:** As gas appliances are phased out, manufacturers, suppliers, and installers will shift entirely toward electric alternatives, leading to **economies of scale** that drive costs down. In the same way, the economics of decline will drive up the cost of gas equipment and energy supply chains. The RIS acknowledges but does not model these more complex effects, despite their significant long-term importance.

- **Gas network cost risks:** The withdrawal of customers from the gas network under any scenario will drive up gas tariffs for those who remain, exacerbating energy cost burdens. A managed total transition is the best way to avoid a **gas network death spiral**. The RIS models the overall percentage gas tariff change; this is limited by a lack of analysis of overall cost to consumers and implies assumptions about who bears the cost for the downscaling of the gas network.
- Commercial properties are largely tenanted which raises equity risks. The split incentive between landlords and tenants means that the costs of ongoing gas dependency will be borne by relatively disempowered tenants. Already small businesses are investing energy upgrades for properties they don't own. The benefits of this capital improvement accrue to the owner rather than the tenant investor.

We contend that, whilst Option 3 may appear to offer greater net present value, it is likely that consumers will exit the gas market under either Option 2 or 3 due to the economic effects outlined above. Option 2 commits to this upfront, maintaining a clear destination for all buildings

Additional policy requirements

Flexible finance: providing options for low incomes homes to switch

We strongly encourage the government to implement a **property-secured, deferred loan program** to assist **low-income and vulnerable homeowners** in making the switch.

- **Low-income households** spend up to **14% of their income on energy costs**, more than five times the proportion spent by the highest-income households (Energy Consumers Australia's report [Understanding the energy divide](#), 2023).
- While many low-income households **support electrification**, upfront costs remain a major barrier.
- The existing Victorian Energy Upgrades (VEU) program, Small-scale Technology Certificates (STCs), and Solar Homes Program offer some assistance, but they are not structured to provide the **no-upfront-cost** financing needed to make electrification accessible.

Rewiring Australia has modelled an important supporting policy: a **deferred, inflation-indexed loan secured against the property** (rather than conventional financing). This would enable all affected major gas appliance owners (who are also property owners) to electrify, realise the bill savings for the occupant straight away, and only require full repayment at a time when they are most able to repay (with the proceeds of property settlement). This option is especially important

to ensure low-income pensioners who live in their own home with no debt have access to safe and appropriate credit options.

This model costs less to taxpayers than no-interest loans thanks to indexation and strong security, while offering the repayment flexibility appropriate for low income households that can't and won't take on new regular debt repayment obligations.

Protections for renters unable to leave the gas network

Option 3, which excludes existing residential gas cooktops and all existing commercial buildings from the replacement mandate, **risks leaving renters behind**. Because tenants pay energy bills but landlords make appliance decisions, many renters could be **locked into rising gas tariffs** as the customer base for cost recovery shrinks.

If Option 3 is implemented:

- The government should ensure that the **proposed minimum standards** for rental properties include the requirement to switch to electric cooktops on replacement.
- Alternatively, **landlords should be required to pay the daily gas connection fees**, while tenants pay only for usage. This ensures that the economic burden of maintaining a gas connection falls on those who have the power to eliminate it (landlords). This is identical to the existing arrangement for water bills, where fixed charges are paid and usage charges passed on. For a rented family home only using a gas cooktop, their bill will be mostly fixed charges, with very small usage fees, and this adjustment would ensure the landlord has the appropriate economic incentive to reduce the home's running costs.
- The government should consider introducing **minimum standards for commercial rental properties** in parallel to the standards for residential rental properties that support emissions reduction targets and gas transition objectives.

These actions are **fair and necessary** to prevent renters from bearing the brunt of a shrinking gas network's rising costs.

Conclusion

The Victorian Government has a unique opportunity to **lead the nation** with bold, decisive action on home electrification. We urge the government to adopt **Option 2**, recognising that a full gas appliance phase-out will give direction to the market, enhance energy security, reduce costs, and maximise benefits for all Victorians. Option 2

- Provides the highest cost savings for Victorians
- Reduces carbon emissions fastest

- Protects residential and commercial renters
- Supports jobs and workforce transition

Further, we call for **a financing mechanism** that allows low-income homeowners to electrify **without upfront costs**, and **tenant protections** that prevent renters from being stranded on an increasingly expensive gas network.

About Rewiring Australia

Rewiring Australia is a non-profit research and advocacy organisation dedicated to inspiring, working with, and advocating for, the households and communities in the energy system. We deliver practical climate progress by working with government, industry, and communities to electrify everything and demonstrate the positive climate and economic outcomes possible for Australia, and the world, with electrification of fossil fuel machines.