

Victoria needs new gas after all, state Labor admits

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Victorian Energy Minister Lily D'Ambrosio conceded on Thursday that the state needed new gas supplies, after previously undisclosed documents revealed that her department had warned the Labor government last year that shortfalls were looming.

Ms D'Ambrosio also told a parliamentary hearing that no onshore gas exploration permits had been granted in Victoria since Labor came to power in 2014.

Government documents obtained by the state opposition under freedom of information laws this week revealed that in July last year, the Department of Energy, Environment and Climate Action warned that electrification would not occur quickly enough to deal with the forecast daily, monthly and annual gas shortages in Victoria as soon as 2026.

The department said new gas supply was needed to “maintain reliable supply to gas consumers and to support increasing utilisation of gas power generation”.

In March, Ms D'Ambrosio told 3AW Radio that Victoria had enough electricity to cover winter shortfalls. On Thursday, she conceded that the state needed new supplies of gas.



Victorian Energy Minister Lily D'Ambrosio.
Chris Hopkins

“At no point has anyone in government ever asserted that electrification is the sole solver, the single solution, to gas supply shortfalls,” she said.

Ms D’Ambrosio also picked another fight with federal Resources Minister Madeleine King over the Albanese government’s Future Gas Strategy, which supports gas as necessary for power generation during the transition to cleaner energy for Australia and its trading partners.

‘Madeleine King is wrong,’ says D’Ambrosio

Ms D’Ambrosio was asked if she would reconsider Victoria’s gas substitution road map after Ms King suggested the Future Gas Strategy was “based on facts and data, not ideology”.

“I’m happy to say that Madeleine King is wrong,” Ms D’Ambrosio told the Public Accounts and Estimates Committee. Earlier this year, she accused Ms King of behaving like a “Coalition minister” [<https://www.afr.com/politics/d-ambrosio-gas-claim-debunked-after-outburst-against-labor-s-king-20240405-p5fhr4>].

“The Commonwealth has got a plan for the export of gas,” Ms D’Ambrosio said. “This is where our problem started just a few years ago, where gas developed in Australia became an export commodity, which meant that everybody’s gas prices in Victoria were tied to the global price. That shot up the price of gas for Victorian households and businesses.

“Where we can find gas, whether it’s Commonwealth waters, state waters, or indeed onshore ... it’s going to be important for us to continue to source supplies of gas. This is not like turning a tap on and off. The fact is, we’re going to need gas resources for many years to come. And that is critical for us to consider.”

She said two offshore gas projects had shown potential, including the Kipper Stage IB project (expected by 2026) and GP Energy’s Golden Beach project (expected by 2027), both in the Gippsland region.

On Thursday, Victorian Premier Jacinta Allan said her government – which had banned gas connections to new homes and government buildings [<https://www.afr.com/companies/energy/victoria-bans-new-homes-from-connecting-to-gas-20230728-p5dryz>] – was juggling a push for electrification while new offshore gas exploration was taking place.

“We’ve been clear for some time that we need a mix of energy sources, and gas continues to play a role in our energy mix,” Ms Allan said.

“But ... gas supplies are diminishing here in Victoria. So to support gas for those homes and businesses that rely on gas, we need to make this transition to renewable energy. We need to support households and businesses that can go all-electric.”

The departmental briefing note said shortfalls in 2026-27 could not be met with supplies from NSW or South Australia as it was “projected that all southern states will be in deficit and there is limited pipeline capacity to import into Victoria”.

“A supply gap will remain even if all currently committed and anticipated southern state projects are developed,” it said.

On Monday, the Australian Energy Market Operator warned of an increased risk of blackouts in NSW and Victoria [<https://www.afr.com/policy/energy-and-climate/risk-of-summer-power-shortages-in-nsw-victoria-rises-20240520-p5jf35>] over the next four summers because the development of clean generation storage and transmission to replace retiring coal plants was going slower than expected.

Australian Pipelines and Gas Association chief executive Steve Davies said Victoria had a “very narrow window” to save itself from the looming gas crisis.

“If we don’t work together and fast, Victorians will pay the price – through increasing energy bills, less reliable electricity and job losses,” he said.



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