

28 February 2025

The Hon. Sonia Kilkeny
Attorney-General
Minister for Planning
Ground Floor, 622 Nepean Highway
Carrum VIC 3197



Victorian Automotive
Chamber of Commerce

ABN 63 009 478 209

VACC House
650 Victoria Street
NORTH MELBOURNE VIC 3051

03 9829 1111

03 9820 3401

vacc.com.au

Dear Minister,

I am writing to express VACC's serious concerns regarding the Building Electrification Regulatory Impact Statement (RIS). While the automotive industry supports efforts to reduce emissions and transition to a more sustainable future, the preferred option in the RIS poses significant risks to Victorian businesses, including the members of the Victorian Automotive Chamber of Commerce (VACC).

VACC, established in 1918, represents approximately 5,000 automotive business in Victoria, most of whom use gas in their workshops and manufacturing. Existing and new automotive repair and manufacturing facilities are located in inner-city and regional locations, both of which pose many challenges where total business electrification is being proposed.

Rising energy costs are already placing immense pressure on business. The cost of both gas and electricity has surged, impacting our members' ability to remain competitive, manage operating costs, and plan for the future. An example of the challenges and costs associated with the electrification of body repair shops is the lack of electric ovens for paint drying available in Australia. Significant work would need to be undertaken with body repair shops, paint manufacturers and motor vehicle insurers to properly understand the impacts and business challenges that would be created by an electrification plan for businesses.

For manufacturing, it would need to be understood the degree to which the establishment of an electric plant would make vehicle parts and trailer manufacturing unsustainable in Australia. It is likely that manufacturing processes requiring gas would move their operations offshore or just shut down completely.

As one VACC member business responsible for a large-scale body repair and spray painting network notes:

"Access to gas is vital for our customers. Gas-powered heating systems are often used in spray booths to ensure consistent and precise temperature control, which is essential for proper paint curing and achieving a flawless finish. Unlike electricity, gas provides rapid and efficient heating, which minimises downtime between jobs and maintains consistent quality across varying weather conditions. Many of our automotive refinish products are most effective in gas powered technology and have been developed with the assumption that this technology is available within the repair shops.

Further, gas-powered tools and equipment deliver unmatched reliability, enabling shops to handle critical repairs with precision, especially in remote areas where power outages or supply limitations can disrupt operations. In an already cost constrained, competitive industry where time and quality are paramount, reliable access to fairly priced gas ensures that businesses can sustainably operate."

VACC members are deeply concerned about the significant cost increases they may face under these proposed changes. The RIS claims that existing commercial and industrial users are exempt from the changes, however, concerningly, the proposed changes will be applied to any new commercial operation. As such, a business looking to enter the industry, or expand their operations, will be impacted.

There is also the issue of increased gas network charges that will be a likely consequence of this policy. As many of the 2.1 million residential customers leave the gas network, our member businesses will be left to absorb increasing network costs.

The Australian Gas Infrastructure Group has modelled the impacts of the Building Electrification RIS and expect, in the first five years of implementation, network charges will likely increase by around 20 per cent, per annum¹. This is a cost many businesses cannot absorb.

¹ Analysis from Australian Gas Infrastructure Group's submission to the Building Electrification RIS 2025.

At the same time, electricity prices are rising. The Australian Energy Regulator reports a 71 per cent increase in Victoria's wholesale electricity prices for the final three months of 2024, compared to the same period in 2023².

Forcing more homes and businesses off gas and onto the electricity grid will only drive prices higher, adding further strain and creating new energy reliability risks.

Critically, this policy does not deliver meaningful gas savings for industry. The Victorian Government's own analysis in the RIS shows only modest reductions in overall gas consumption, while peak gas demand will continue to rise as gas is used for electricity generation during peak periods.

Worryingly, the RIS seems to ignore these realities. Without affordable and reliable energy, businesses may be forced to downsize, relocate or shut down entirely. No other state in Australia is taking this approach, making Victoria an outlier in compelling businesses and households to abandon gas. A policy of this scale should be clear, justified, and widely supported – which we believe is not currently the case.

VACC respectfully urges the Victorian Government to withdraw the current proposal and conduct genuine consultation and deep analysis, with industry, to develop a practical, balanced energy transition strategy that ensures energy security, protects jobs, and supports Victorian businesses.

We would welcome the opportunity to discuss these issues further and provide insights directly from our members.

Please feel free to contact me further on this important matter.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Imogen Reid'.

Dr Imogen Garcia Reid
Executive Manager, Policy and Communications

² Australian Energy Regulator, 'Wholesale markets quarterly – Q4 2024'.
<https://www.aer.gov.au/publications/reports/performance/wholesale-markets-quarterly-q4-2024>