Parliamentary Budget Office

ECR-2025-3029

Powering past coal and gas – getting homes and businesses off gas	
Party:	Australian Greens
Summary of proposal: The proposal would provide grants and low-interest loans for households and small businesses who stop using gas. For households a grant of up to $10,000 and low interest loans of up to $20,000 will be offered. For small businesses, grants will be up to $25,000 and loans up to $100,000. The grant component is limited to 20% of the total cost of the replacement project, but can be increased to 50% for a household or business if it agrees to disconnect from the gas grid entirely within 6 months. The proposal would be ongoing and start on 1 July 2025.	

Costing overview

The proposal would be expected to decrease the fiscal balance by around $5.9 billion, the underlying cash balances by around $4.8 billion, and the headline cash balance by around $10 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in administered expenses for provisioning grants and loans, an increase in administered revenue from loan repayments and interest, and increased expenses from grant funding and departmental expenses.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

Table 1: Powering past coal and gas – getting homes and businesses off gas – Financial implications ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-	-1,101.0	-1,926.0	-2,823.0	**-5,850.0**
Underlying cash balance	-	-880.0	-1,574.0	-2,374.0	**-4,828.0**
Headline cash balance	-	-1,980.0	-3,314.0	-4,684.0	**-9,978.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are included in the totals.
- Indicates nil.

The financial implications of this proposal are uncertain and highly sensitive to assumptions around the number of households and small businesses that would access grants and loans, the composition and cost of upgrades undertaken, and the way in which the grant and loan programs would interact with one another. This includes potential crowding-out effects with other similar schemes.

The Parliamentary Budget Office (PBO) has not made any assessments of how this proposal would interact with other subsidies or schemes.

Further uncertainty exists regarding negotiations with the states and territories to ban the connection of new residential developments to the domestic gas network. The PBO has not made any assessment as to whether the specified funding would be sufficient to meet the objectives of the proposal.

Consistent with the PBO Guidance 02/2015, PDI expense impacts have been included in this costing because the concessional loans provided under this proposal involve financial asset transactions.

The fiscal, underlying cash and headline cash balance impacts differ in the treatment of interest and dividend payments, and the flow of equity and loan principal. In particular, only the fiscal balance reflects the concessional loan discount expense and associated unwinding income, and only the headline cash balance includes transactions related to equity and loan principal amounts. The impact on net debt will be broadly consistent with movements in the headline cash balance. A note on the accounting treatment of concessional loans is included at Attachment B.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Uptake of the grant and loan programs in this proposal would be 4.5% of eligible households and small businesses per year. This assumption is based on the annual uptake by households of the Small-scale Renewable Energy Scheme from 2019 to 2023.
- Around 90% of households and small businesses undertaking gas upgrades would elect to disconnect from the domestic gas network within 6 months of works completing, in order to maximise the amount of grant funding received.
- All households and small businesses undertaking upgrades would access the proposal’s concessional loan component to fund any costs not covered by the grant program.
  - The Reserve Bank of Australia’s cash-rate target would remain at 3.85% from 20 May 2025 cash rate (the most recent decision made by the RBA at the time of this response).
- The number of households and small businesses accessing grants and loans would grow substantially over the first 3 years of the proposal’s operation. It would then experience a steady increase in use year-on-year as electric technologies, including solar and battery storage, become more accessible.
- The installation of level 2 EV chargers in households that are connected to the domestic gas network and participate in the grant and concessional loan program would grow proportionally to projections of the number of new electric vehicles to be sold in Australia to households.
- Around 10% of small businesses participating in the program would elect to install level 2 EV chargers, due to a lack of clear business incentive.
- 50% of households that elect to install level 2 EV chargers would also elect to install 3-phase power. The uptake of 3-phase power upgrades would follow a similar trend to that of level 2 EV charger installations.
- Under the ban on the connection of any new residential developments to the domestic gas network from 1 July 2026, any residential developments already commenced would remain able to connect to the gas network. These developments would all be concluded by 30 June 2026.

- The number of disconnections from the gas network due to demolitions over the medium term would be around 3% per year, proportional to the projected number of dwellings approved for demolition in Australia. This incorporates the assumption that building activity over the medium term would reflect the level of activity from 2016-17 to 2021-22.
- The proportion of small businesses connected to the gas network would be similar to the share of households connected to the network.
- The proposal would be delivered by the Department of Industry, Science and Resources, utilising and expanding existing ICT systems and frameworks for grants and service delivery.

Methodology

- The financial implications of providing grants and loans to households and businesses were derived by calculating the appliance upgrades that a typical gas-connected household or small business would be expected to undertake in accessing the scheme. The cost of these upgrades was multiplied by the estimated number of households or businesses that would access the scheme in each year.
- The cost and number of level 2 EV chargers installed in a given year were estimated based on the current cost of an average level 2 EV charger, and the PBO's projections of the number of EVs purchased in the Australian market over the medium term.
- The number of 3-phase power upgrades were based on a subset of total upgrades, as described in the *Key assumptions*. Costs were based on the current average cost of an upgrade and grown in line with the consumer price index. Demand was grown similarly to that of the number of level 2 EV chargers installed.
- Of the total costs of upgrades for households and businesses, approximately half would be eligible for grant funding, reflecting the assumption that 90% of households and businesses would maximise their access to grant funding by electing to disconnect from the gas network within 6 months of works being completed, therefore qualifying for a grant equal to 50% of the total upgrade cost.
- The remaining upgrade cost was then treated as a concessional loan. The impact on the fiscal, underlying cash and headline cash balances of the loan funding provided was calculated using a concessional loan model, with interest payments at the specified Reserve Bank of Australia cash rate, and repayments spread evenly over the maximum 10-year period.
- Departmental impacts were calculated by estimating the workforce required to deliver this proposal, the costs of which were determined using the Department of Finance's standard departmental costing template. Additional funding was allocated for the first year of the proposal to reflect additional establishment and ICT costs, approximately equal to half of the departmental costs associated with the full staffing complement reached in the 2028-29 financial year.

Financial implications were rounded consistent with the PBO's rounding rules.[1]

[1] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Data sources

The Australian Energy Market Operator provided estimates of domestic gas Meter Installation Registration Number (MIRN) connections in Australia over the period from 2014-15 to 2026-27, as at 29 August 2024.

The Australian Taxation Office provided data on electric vehicle sales.

Information on electric hot water, electric heating and electric kitchen appliances was sourced from The Good Guys, Harvey Norman, HiTech Hot Water, and Inline Plumbing & Electrical.

The Australian Energy Market Operator (AEMO) provided their Electric Vehicles Projections.

Alternative Technology Association (2018) *Household fuel choice in the National Energy Market*, Renew website. Accessed 29 May 2025.

Australian Automotive Dealer Association (AADA) (2024) *December 2023 Automotive Insights Report*, AADA website. Accessed 29 May 2025.

Australian Bureau of Statistics (ABS) (2025) *National, state and territory level dwelling demolition approvals*, ABS website, accessed 29 May 2025.

Australian Bureau of Statistics (2025) *Household and Family Projections, Australia, 2016 - 2041*, ABS website, accessed 29 May 2025.

Australian Bureau of Statistics (2017-18) *Energy Use and Electricity Generation, Australia*, ABS website, accessed 29 May 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

Attachment A – Powering past coal and gas – getting homes and businesses off gas – Financial implications

Table A1: Powering past coal and gas – getting homes and businesses off gas – Fiscal balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Revenue													
Administered non-tax													
Income from unwinding of discounts	-	*41.0*	*107.0*	*197.0*	*286.0*	*372.0*	*456.0*	*535.0*	*609.0*	*672.0*	*725.0*	***345.0***	***4,000.0***
Interest accrued from loans	-	*47.0*	*123.0*	*224.0*	*320.0*	*410.0*	*496.0*	*576.0*	*647.0*	*708.0*	*758.0*	***394.0***	***4,309.0***
Total – revenue	**-**	**88.0**	**230.0**	**421.0**	**606.0**	**782.0**	**952.0**	**1,111.0**	**1,256.0**	**1,380.0**	**1,483.0**	**739.0**	**8,309.0**
Expenses													
Administered													
Grants	-	*-770.0*	*-1,460.0*	*-2,150.0*	*-2,210.0*	*-2,260.0*	*-2,310.0*	*-2,350.0*	*-2,370.0*	*-2,360.0*	*-2,330.0*	***-4,380.0***	***-20,570.0***
Concessional loan discount expense	-	*-252.0*	*-429.0*	*-606.0*	*-642.0*	*-676.0*	*-719.0*	*-755.0*	*-789.0*	*-814.0*	*-836.0*	***-1,287.0***	***-6,518.0***
Total – administered	***-***	***-1,022.0***	***-1,889.0***	***-2,756.0***	***-2,852.0***	***-2,936.0***	***-3,029.0***	***-3,105.0***	***-3,159.0***	***-3,174.0***	***-3,166.0***	***-5,667.0***	***-27,088.0***
Departmental													
Department of Industry, Science and Resources	-	*-127.0*	*-107.0*	*-158.0*	*-157.0*	*-155.0*	*-153.0*	*-152.0*	*-147.0*	*-142.0*	*-140.0*	***-392.0***	***-1,438.0***
Total – departmental	***-***	***-127.0***	***-107.0***	***-158.0***	***-157.0***	***-155.0***	***-153.0***	***-152.0***	***-147.0***	***-142.0***	***-140.0***	***-392.0***	***-1,438.0***
Total – expenses	**-**	**-1,149.0**	**-1,996.0**	**-2,914.0**	**-3,009.0**	**-3,091.0**	**-3,182.0**	**-3,257.0**	**-3,306.0**	**-3,316.0**	**-3,306.0**	**-6,059.0**	**-28,526.0**
Total (excluding PDI)	**-**	**-1,061.0**	**-1,766.0**	**-2,493.0**	**-2,403.0**	**-2,309.0**	**-2,230.0**	**-2,146.0**	**-2,050.0**	**-1,936.0**	**-1,823.0**	**-5,320.0**	**-20,217.0**
PDI impacts	***-***	***-40.0***	***-160.0***	***-330.0***	***-540.0***	***-750.0***	***-960.0***	***-1,170.0***	***-1,380.0***	***-1,590.0***	***-1,790.0***	***-530.0***	***-8,710.0***
Total (including PDI)	**-**	**-1,101.0**	**-1,926.0**	**-2,823.0**	**-2,943.0**	**-3,059.0**	**-3,190.0**	**-3,316.0**	**-3,430.0**	**-3,526.0**	**-3,613.0**	**-5,850.0**	**-28,927.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

\- Indicates nil.

Table A2: Powering past coal and gas − getting homes and businesses off gas – Underlying cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Receipts													
Administered non-tax													
Interest received on loans	-	*47.0*	*123.0*	*224.0*	*320.0*	*410.0*	*496.0*	*576.0*	*647.0*	*708.0*	*758.0*	***394.0***	***4,309.0***
Total – receipts	**-**	**47.0**	**123.0**	**224.0**	**320.0**	**410.0**	**496.0**	**576.0**	**647.0**	**708.0**	**758.0**	**394.0**	**4,309.0**
Payments													
Administered													
Grants	-	*-770.0*	*-1,460.0*	*-2,150.0*	*-2,210.0*	*-2,260.0*	*-2,310.0*	*-2,350.0*	*-2,370.0*	*-2,360.0*	*-2,330.0*	***-4,380.0***	***-20,570.0***
Total – administered	**-**	***-770.0***	***-1,460.0***	***-2,150.0***	***-2,210.0***	***-2,260.0***	***-2,310.0***	***-2,350.0***	***-2,370.0***	***-2,360.0***	***-2,330.0***	**-4,380.0**	**-20,570.0**
Departmental													
Department of Industry, Science and Resources	-	*-127.0*	*-107.0*	*-158.0*	*-157.0*	*-155.0*	*-153.0*	*-152.0*	*-147.0*	*-142.0*	*-140.0*	***-392.0***	***-1,438.0***
Total – departmental	**-**	***-127.0***	***-107.0***	***-158.0***	***-157.0***	***-155.0***	***-153.0***	***-152.0***	***-147.0***	***-142.0***	***-140.0***	**-392.0**	**-1,438.0**
Total – payments	**-**	**-897.0**	**-1,567.0**	**-2,308.0**	**-2,367.0**	**-2,415.0**	**-2,463.0**	**-2,502.0**	**-2,517.0**	**-2,502.0**	**-2,470.0**	**-4,772.0**	**-22,008.0**
Total (excluding PDI)	**-**	**-850.0**	**-1,444.0**	**-2,084.0**	**-2,047.0**	**-2,005.0**	**-1,967.0**	**-1,926.0**	**-1,870.0**	**-1,794.0**	**-1,712.0**	**-4,378.0**	**-17,699.0**
PDI impacts	**-**	***-30.0***	***-130.0***	***-290.0***	***-490.0***	***-700.0***	***-910.0***	***-1,120.0***	***-1,330.0***	***-1,540.0***	***-1,740.0***	**-450.0**	**-8,280.0**
Total (including PDI)	**-**	**-880.0**	**-1,574.0**	**-2,374.0**	**-2,537.0**	**-2,705.0**	**-2,877.0**	**-3,046.0**	**-3,200.0**	**-3,334.0**	**-3,452.0**	**-4,828.0**	**-25,979.0**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

\- Indicates nil.

Table A3: Powering past coal and gas - getting homes and businesses off gas – Headline cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Receipts													
Administered non-tax													
Loan principal repayments	-	*120.0*	*330.0*	*620.0*	*920.0*	*1,250.0*	*1,590.0*	*1,950.0*	*2,330.0*	*2,720.0*	*3,120.0*	***1,070.0***	***14,950.0***
Interest received on loans	-	*47.0*	*123.0*	*224.0*	*320.0*	*410.0*	*496.0*	*576.0*	*647.0*	*708.0*	*758.0*	***394.0***	***4,309.0***
Total – receipts	**-**	**167.0**	**453.0**	**844.0**	**1,240.0**	**1,660.0**	**2,086.0**	**2,526.0**	**2,977.0**	**3,428.0**	**3,878.0**	**1,464.0**	**19,259.0**
Payments													
Administered													
Grants	-	*-770.0*	*-1,460.0*	*-2,150.0*	*-2,210.0*	*-2,260.0*	*-2,310.0*	*-2,350.0*	*-2,370.0*	*-2,360.0*	*-2,330.0*	***-4,380.0***	***-20,570.0***
Loans made	-	*-1,220.0*	*-2,070.0*	*-2,930.0*	*-3,110.0*	*-3,270.0*	*-3,480.0*	*-3,660.0*	*-3,820.0*	*-3,940.0*	*-4,040.0*	***-6,220.0***	***-31,540.0***
Total – administered	**-**	***-1,990.0***	***-3,530.0***	***-5,080.0***	***-5,320.0***	***-5,530.0***	***-5,790.0***	***-6,010.0***	***-6,190.0***	***-6,300.0***	***-6,370.0***	**-10,600.0**	**-52,110.0**
Departmental													
Department of Industry, Science and Resources	-	*-127.0*	*-107.0*	*-158.0*	*-157.0*	*-155.0*	*-153.0*	*-152.0*	*-147.0*	*-142.0*	*-140.0*	***-392.0***	***-1,438.0***
Total – departmental	**-**	***-127.0***	***-107.0***	***-158.0***	***-157.0***	***-155.0***	***-153.0***	***-152.0***	***-147.0***	***-142.0***	***-140.0***	**-392.0**	**-1,438.0**
Total – payments	**-**	**-2,117.0**	**-3,637.0**	**-5,238.0**	**-5,477.0**	**-5,685.0**	**-5,943.0**	**-6,162.0**	**-6,337.0**	**-6,442.0**	**-6,510.0**	**-10,992.0**	**-53,548.0**
Total (excluding PDI)	**-**	**-1,950.0**	**-3,184.0**	**-4,394.0**	**-4,237.0**	**-4,025.0**	**-3,857.0**	**-3,636.0**	**-3,360.0**	**-3,014.0**	**-2,632.0**	**-9,528.0**	**-34,289.0**
PDI impacts	**-**	***-30.0***	***-130.0***	***-290.0***	***-490.0***	***-700.0***	***-910.0***	***-1,120.0***	***-1,330.0***	***-1,540.0***	***-1,740.0***	**-450.0**	**-8,280.0**
Total (including PDI)	**-**	**-1,980.0**	**-3,314.0**	**-4,684.0**	**-4,727.0**	**-4,725.0**	**-4,767.0**	**-4,756.0**	**-4,690.0**	**-4,554.0**	**-4,372.0**	**-9,978.0**	**-42,569.0**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

\- Indicates nil.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions.

Budget impact[2]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[3] Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Australian Government's net worth if the liabilities issued (the value of Commonwealth Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid (DNER)

All budget aggregates take into account estimates of the share of loans not expected to be repaid when estimating the value of the concession that is being provided. If a portion of loans are not expected to be repaid, an allowance is made for the expected credit loss on the loans' outstanding balance. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows', which are also reflected in net worth.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the value of the debt
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur. An assessment by the Government that a loan (apart from HELP loans) will not be fully repaid is an 'other economic flow', not included in the fiscal balance.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

[2] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

[3] This is in accordance with *PBO Guidance 02/2015* and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.