

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2026–27 Budget Estimates

Melbourne – Monday 18 May 2026

MEMBERS

Sarah Connolly – Chair

John Pesutto – Deputy Chair

Jade Benham

Michael Galea

Mathew Hilakari

Lauren Kathage

Aiv Puglielli

Richard Riordan

Meng Heang Tak

WITNESSES

Lily D'Ambrosio MP, Minister for Climate Action; and

Kate Houghton, Secretary,

Carolyn Jackson, Deputy Secretary, Regions, Environment, Climate Action and First Peoples,

Rachaele May, Executive Director, Policy and Knowledge, Bushfire and Forest Services,

Mark Rodrigues, Executive Director, Climate Action and Circular Economy,

Sally Fensling, Deputy Secretary, Corporate Services, and

Etienne Gouws, Chief Financial Officer, Department of Energy, Environment and Climate Action.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee. I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2026–27 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside of this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome the Minister for Climate Action the Honourable Lily D'Ambrosio, as well as officials from DEECA. Minister, I invite you to make an opening statement or presentation of no more than 5 minutes, and the committee members will ask you questions. Your time starts now.

Visual presentation.

Lily D'AMBROSIO: Thank you, Chair. If we go to slide 3, the Victorian government's climate action is delivering real cost-of-living savings for households and businesses. It is also driving strong economic growth while cutting emissions and creating jobs, building resilience and strengthening communities.

Slide 4 goes to the strong economic growth while cutting emissions. Victoria's economy has grown by 59.9 per cent, while emissions fell by 28.5 per cent between 2005 and 2024. That really does demonstrate that taking action on climate does not have to come at the expense of the economy. This tells us you can do both and do them very strongly. We are already within the range of our 2025 target of between a 28 and 33 per cent reduction on 2005 levels.

Slide 5 goes to what we have done to very much help to lead the way in the country in terms of actions on climate change and delivering results. In the electricity sector 44.6 per cent of Victoria's electricity was produced from renewable electricity in 2025 – that meant that we achieved our 2025 renewable electricity target and went well and truly beyond what we had set, which was 40 per cent – and Victorian wholesale power prices were consistently the lowest in the country. These things do not happen by accident; they relate to each other. We have 15 times more zero-emission vehicle sales now than in 2020 and 2021, that annual period, and nation-leading minimum energy standards for the one-third of Victorians who are renters. We have halved Victoria's emissions per person since 2005, and we have the nation's first *Gas Substitution Roadmap*.

Slide 6 goes to our climate change strategy for the five-year period – the current one, the 2026–30 period. We released that in November last year, and it really focuses on the things that matter to Victorians. It showcases the breadth and the depth of our climate action in Victoria from the transition to renewable electricity, providing Victorians with greater sustainable transport options and supporting Victorian farmers to lower their emissions. The strategy is backed by \$8.5 billion of investment announced since the last strategy in 2021. That

is across the sectors. In the 2026–27 budget a further \$2.4 billion is committed to climate action over the forward estimates – climate action and adaptation, to be complete.

Slide 7 goes to the issue of the priorities around cost of living and loan costs for businesses. I can elaborate on those later. I will continue because I know the clock is ticking on me. Our focus has been, through a cost-of-living lens, being able to also achieve emissions savings, whether it is through free or half-price public transport, a modern transport system, including bus extensions, or of course energy efficiency supports for Victorians.

Slides 8 and 9 go to some of the other areas of investments that will set us up for the future across the various sectors, including energy: the Victorian renewable energy terminal development at the Port of Hastings, Victoria's electricity transmission network, 25 new bigger and better X'trapolis 2.0 trains in the transport sector, electrification of the Melton line and the new Marinus Link electricity interconnector. All of these things go towards providing alternatives and reducing emissions that are in transportation.

Then of course there is money in terms of growing skills and supporting our industry to transition, including significant funds in the TAFE sector, which my cabinet colleague is responsible for; there is quite a significant amount of money in those. There are also issues around investing in climate adaptation and disaster preparedness and response. All of these things really go to that issue of adapting to a very, very changing landscape in our state.

The CHAIR: Thank you, Minister. The first 8 minutes are going to the Deputy Chair.

John PESUTTO: Thank you, Chair. Good evening, minister and senior officers. I will ask you some questions, Minister, and then I will hand over to my colleague Mr Riordan. I just have a couple of things I want to ask you about in terms of what work you and your department are doing in relation to a couple of matters that traverse more than one portfolio area. The first one is biogas and the opportunities that I think are being missed in that space. We spoke earlier as a committee to you about gas, and you talked about some of the things you are doing. What work is being done to try and exploit these opportunities? Biogas, according to the CSIRO and the Climate Change Authority, is a renewable gas. I do not think that is disputed; you might, but I do not believe it is. Certainly they consider it and categorise it as a renewable gas. Melbourne Water is on the record calling for opportunities to exploit the burn-off that it has to flare up. It produces something like nearly 2 billion gigajoules of energy a year out of its eastern and western treatment plants. Most of that is used for energy purposes, but a lot is wasted. So, Minister, can you just talk to us about what you are actually doing in that space, because I think it is an opportunity missed.

Lily D'AMBROSIO: Thank you very much. I agree with most of what you are saying, and thank you very much for raising that. This is an area where there is a lot of work that is happening. I think we will start to see a lot that comes out in the near future around the conditions that we need to help foster in Victoria that will lead to the growth of an important sector for us in terms of low-emission or zero-emission alternative fuels or gases. We committed some time ago to looking at a market mechanism, if you like, to help to promote and facilitate investment in renewable gases. You mentioned biogas, biomethane – there is a whole –

John PESUTTO: I think we can establish, can't we, that they are direct replacements for natural gas, if you can provide the opportunities for them: would you agree?

Lily D'AMBROSIO: Yes, of course. I mean, they are –

John PESUTTO: And you can use the existing gas network for that?

Lily D'AMBROSIO: Certainly, you could do that. So the thing is with those renewable gases what we did a little while ago now, just over a year ago, was we released an industrial renewable gas guarantee. It was a directions paper, and we had a lot of engagement with the industry who were keen to see us developing something. Certainly I will say that we have been pushing hard at a national level to try to get some type of harmony around this. I mean, obviously the Commonwealth government has had a particular focus on hydrogen, but there are technologies sooner available to us than hydrogen, although hydrogen will come at some point. So the industrial renewable gas guarantee directions paper was out and we saw that. It looked at two things. One is: what would a design of a scheme look like, how would it need to be designed to incentivise the development of a production of alternative gases and how would it be paid for? Those are the questions –

John PESUTTO: Do you expect to be making more announcements soon?

Lily D'AMBROSIO: Yes. We will have more to say on this soon and hope to finalise the government's response later this year. But suffice to say I know that the sector has been calling for targets to be set, and I think that it is an important thing for a number of reasons to do that.

John PESUTTO: Thank you, Minister. I am just conscious of the time.

Lily D'AMBROSIO: Sorry.

John PESUTTO: And just quickly on waste to energy, do you have a view on the use of carbon capture and storage in relation to those, given that we need to find a solution? We cannot recycle everything, despite our best efforts to divert. Do you have a view on how we manage growing volumes of waste?

Lily D'AMBROSIO: Carbon capture and storage? That is a different question.

John PESUTTO: Is that a solution? I know it is being done in other countries.

Lily D'AMBROSIO: Well, not successfully. So when it works, someone can come and show me.

John PESUTTO: Norway?

Lily D'AMBROSIO: No, it has not worked. You need to go with technologies that work. Maybe it will still work, but it has still got a way to go. I think the Gorgon gas project in WA has tried to set itself some targets around carbon catchments but has just not quite got there. But look, there are a number of technologies. The thing is you have got to move forward with what you have got and the opportunities that are available to you and the technologies that work, and then other things hopefully will come. Hydrogen was one of those that people thought was going to be the answer five years ago. Well, it is probably going to be still a few years away. So it does not mean you never do it, it is just that you have got to look at other opportunities as they evolve.

John PESUTTO: Thank you, Minister. I will hand over to my colleague Mr Riordan.

Richard RIORDAN: Thank you, Mr Pesutto. Minister, just quickly, tonight there is a pretty severe Dunkelflaute condition in Victoria, so we are looking at the renewables there. We have got all our gas back-up going flat out right across western Victoria. I do not think there is any energy coming at all from the wind turbines. My question on climate change is: it is the orthodoxy now that we are in a climate change scene, things are changing all the time, there can be quite extreme weather patterns, so what modelling are you doing to manage Dunkelflaute if we get like a 2007-type year with very extreme weather and we get those conditions in Victoria for a prolonged period? Is there a risk and is it being modelled?

Lily D'AMBROSIO: The people who model it are the industry experts that set the standards, and that is the Australian Energy Market Operator. They are the ones that produce the modelling, if you like, the industry standard modelling, not the ones that people purport are industry standards that fall well short, so we have got to be careful who we listen to. But the important thing there, of course, is the market operator has turned its mind to these types of things. That is why it is vital that you have a diverse source of energy supply that comes in so that you can account for and adjust to those circumstances.

Richard RIORDAN: So my question is: you are doing the modelling?

Lily D'AMBROSIO: Well, no, I have answered the question in terms of the market operator's job is to do that, and when we –

Richard RIORDAN: Okay. So if we look at the other market operator or the other great natural resource –

Lily D'AMBROSIO: Can you let me finish?

Richard RIORDAN: No, no. I have not got much time.

Lily D'AMBROSIO: You do not want to. Okay.

Richard RIORDAN: The other great natural resource we rely on is water, and there is no shortage of evidence that even the experts in the water industry do not get it right all the time. Right? You can still have extremes because that is the continent we live on. Wouldn't it be prudent if the government modelled: what would our energy system look like if we went for two or three months with very, very cloudy and/or very still conditions?

Lily D'AMBROSIO: We do the modelling that aligns with the market operator's plans for the transition, the integrated system plan.

Richard RIORDAN: So you do not see Dunkelflaute as a risk?

Lily D'AMBROSIO: No, you are not understanding what you are talking about, frankly.

Richard RIORDAN: I am totally understanding what I am talking about.

Lily D'AMBROSIO: No, you are not, because you are not listening to me.

Richard RIORDAN: Dunkelflaute conditions tonight we are managing quite well because we have got plenty of gas and coal. Right? So I am asking you: what would it look like if those conditions persevered for weeks on end?

Lily D'AMBROSIO: What I say to you clearly, and I have said this all along –

Richard RIORDAN: The batteries would not last that long.

Lily D'AMBROSIO: Can you let me finish?

Richard RIORDAN: Yes, go for it.

Lily D'AMBROSIO: Because you might learn something. We have been very clear that we need a range of technologies in our mix to ensure that we can meet all circumstances, including extreme circumstances –

Richard RIORDAN: So have you modelled that extremity?

Lily D'AMBROSIO: Can you let me finish, please? There you go. See what happened – you just ran out of time because you repeated yourself.

Richard RIORDAN: I just wanted to know if you had modelled it.

Lily D'AMBROSIO: Well, you cannot find out now. You are just going to have to wait.

Richard RIORDAN: You could have just said yes: 'Yes, we take Dunkelflaute seriously, and we modelled it.' But all I got from that was you have not modelled Dunkelflaute and you do now know what Dunkelflaute conditions would do.

Lily D'AMBROSIO: No. You do not know what –

Members interjecting.

The CHAIR: Order! We are going to go to Mr Tak.

Lily D'AMBROSIO: You have no credibility. Honestly, you are a shocker with lack of credibility. You are just talking to yourself half the time.

The CHAIR: Mr Tak.

Lily D'AMBROSIO: Okay. Thank you.

Meng Heang TAK: Thank you, Chair. Thank you, Minister. Minister, take me to slide 6 of your presentation. Can you take us through once again, please: what is *Victoria's Climate Change Strategy 2026–30*, and what does it contain?

Lily D'AMBROSIO: Thank you. When we established the country's first emissions reduction targets, we were very clear and took a very globally leading approach that it was not very useful to simply set a net zero emissions target that was decades away but what would be useful as an economic indicator and driver, if you like, was to also establish interim targets. Hence we have the climate change strategy for 2026–2030 and its accompanying emissions reduction pledges. We released that in November last year, and you have got to go with what the circumstances are in the community and be flexible and nimble about how you address the next five years of emissions reductions. Now, the strategy, in this one, sets the overarching direction of our climate change policy for the next five years. It is a road map for where we have come from, where we are going and how we get there, so that is it. It is backed by about \$8.5 billion of investment announced since the last strategy, and that is across emissions mitigation, so reduction but also adaptation.

As we can see, with every year that goes by we have more extreme weather events, and governments need to respond to that and look at adapting to those stresses in the community and economic stresses. So helping households with the cost of living and lowering costs for businesses, putting jobs and workers first in the transition, building for the future, protecting our kids, families and communities – that is the key focus for the next five years. In the presentation I have gone through this year's budget and how it contributes to those, and I have talked about the actions that we are taking around helping households with the cost of living also of course lending themselves to reducing emissions in energy and transport, and also the big one of course is in transport, because that is the next big sector that solutions are needed for in reducing emissions globally. It is not particular to Victoria or nationally, but we know transport emissions are a big challenge. So we are taking a lot of steps. You can see from the budget over recent years but also this one that we are doing more in extending the accessibility and the availability of public transport. That then means that people can more easily make a choice of perhaps not using their car as much as they would have normally, because the transport is close by, public transport, or it is cheaper to use. Free public transport for kids under 18 is a perfect example of why that works but also of course the free public transport and half-price public transport to the end of the year because of the global crunch, if you like, that we have got in terms of our fuel supplies and the costs of those.

We have done a lot of work in regulatory reform for ZEVs, as well as of course being one of the states that moved early in terms of rebates on those, and we have seen significant uptake in electric vehicles just in the last few months. Because of that global crisis, people are understanding the link between their fuel independence, the price of fuel, global conflicts and volatility and their own ability, where they can, to reduce volatile prices, and electric vehicles are one of those areas that people are going to. So if the car breaks down and people are looking to replace it, more and more Victorians and people nationally are going to electric vehicles or indeed hybrid versions of those.

Again, all of that saves people money and also of course reduces emissions, and this also improves air quality, which is not nothing – it is really important in our community. They are very much the high-level elements of our five-year strategy, and of course these things will get added to with every budget. It is not that you set one budget and then that is it for the five years. With every budget we have a renewed focus on what more that we need to do to get to our emissions target for that interim period.

Meng Heang TAK: Thank you. And a follow-up question on that, then: how would this strategy be different to the strategy back in 2021, Minister?

Lily D'AMBROSIO: Oh, yes. Well, look, certainly what we did back then – there was a very big reliance of course on energy. Again, it really depends on the economic environment you are in. So in the last five-year strategy the big focus was on trying to incentivise the take-up of electric vehicles, for example. In the last five-year target period, or pledge period, the price of electric vehicles was quite significant, so a decision was made within government to try to reduce the up-front cost of purchases. So we spent quite a bit of money in rebates for people to be able to get into electric vehicles, and that was very, very successful, so much so that we saw not just the number of electric vehicles grow, the availability of them in the Australian market, but also the price. Right now there are many, many models, so we do not need the rebates really for electric vehicles as we had them before, but there are other things that can be done to help, including of course the investment in public charging infrastructure is really important. There are quite a significant number of investments in that, and now we are in a phase of making regulatory changes that enable more public charging infrastructure to be available – connected to power poles, for example – and removing a lot of the barriers that exist. That will help to expedite and have more investment coming through to grow the charging infrastructure across the state, as examples of how they are different to where we are now.

Meng Heang TAK: Thank you, Minister. I refer to your presentation, slide 11. You talk a lot about adaptation and resilience. What is Victoria doing to improve adaptation and resilience to the impact of climate change?

Lily D'AMBROSIO: Thank you. We saw in the last five years, by way of example, probably amongst the worst storm and weather events that we have seen ever, also in a very short period of time, and we saw those patterns increase and the severity of those increasing. So, for example, there were significant impacts on our electricity system, where there were more frequent outages as a result and also prolonged outages. What we understood that we needed was to actually get the distributors of the energy system to have a clearer focus on resilience of the energy network, so we legislated for energy resilience plans in Victoria, the first state to do that. And of course we want to make sure that for any investments in energy resilience in local communities that are more subject to these types of weather events, whether it is in the Latrobe Valley or in the Yarra Valley or the Dandenongs, there is always a care about the cost impacts. It is really important. There are cheaper ways to be able to get resilience in, and that is what we are focused on. We have just seen the latest Australian Energy Regulator pricing assessments of these distributors factor in investments in solutions for resilience, and that does not mean that the powerlines will never go down, but what it does mean is that where those areas have got a greater susceptibility to powerlines going down, for example, those distribution businesses need to have alternative ways to be able to provide security there, whether it is back-up energy systems, new technologies or a faster way of being able to recover the electricity and get reconnections done. We have really been very acutely focused on improvements there and driving those improvements.

Again, it is about resilience. You cannot underground all these things. You are talking about hundreds of billions of dollars, and people who live in these communities understand that that is just not possible. But what are possible, though, are solutions that actually help them get back on supply as soon as possible, and that is where our focus is, and I am very pleased that we could do that. Anyway, that is just one example of resilience, and there are many other things that we are looking at doing, but again I think that is one that really demonstrates how we have a very big problem that will not be going away soon and how we need to be responsive to the changes that people have so that they actually can have a greater reliance on their electricity supply.

The CHAIR: Thank you. We are going to go to Mr Puglielli.

Aiv PUGLIELLI: Thank you, Chair. Good evening. I am going to stay on resilience, actually. The Parliament's recent Inquiry into Climate Resilience recommended that the Victorian government establish a climate adaptation fund to fund priority adaptation projects identified under the adaptation action plans and regional climate change adaptation strategies. Can I ask, Minister, what consideration government has given to this recommendation? Should we expect to see this established over the forward estimates?

Lily D'AMBROSIO: Thank you. I know that at different times and through various budgets there has been a lot of funding for a lot of different activities, either in climate mitigation or adaptation. I can say to you, though, that whilst there is no one specific standalone fund that we call an adaptation fund, the amount of money that this government is investing in adaptation measures is significant and is growing year on year. We only have to look at all of the significant events that we have experienced in terms of floods and droughts and massive storm events to see what those investments have looked like. So that is my answer to that. From time to time there will be opportunities for establishing certain funds. At other times there will be different approaches to how we support adaptation, and some of that is about regulatory reforms, which I have just spoken about also. All of those things add up.

Aiv PUGLIELLI: Okay. I appreciate your answer, but over the estimates do you anticipate it is likely that we would see a standalone fund established like the one that has been recommended?

Lily D'AMBROSIO: I see what you are saying. We take every budget period as an opportunity, and so we will continue to work on what we think are the most appropriate actions or measures that we could put forward through budget processes.

Aiv PUGLIELLI: Okay. Thank you. With my remaining time, one of the slides talked about improvements to ferry services as part of climate action undertakings. Are you able to speak specifically about what that was referring to, at least with respect to your portfolio?

Lily D'AMBROSIO: This could be about fuel, perhaps. Just hang on a sec, sorry. Okay. Here we go. There is \$105 million for new and improved bus and ferry services. So it is really about improving the availability and the accessibility of the services to better connect suburbs and universities and expanded bus hours and weekend services.

Aiv PUGLIELLI: So it is about shifting modes of transport, rather than something else like fuel.

Lily D'AMBROSIO: That is right. Yes, it was about modal shift.

Aiv PUGLIELLI: Okay. Perfect. Thank you. Thank you, Chair.

The CHAIR: Thank you very much, Mr Puglielli – just on time. I know someone has a stopwatch beside him. Minister and officials, thank you very much for appearing before the committee today. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

I thank all ministers and officials who have given evidence to the committee today, as well as Hansard, the committee secretariat and the parliamentary attendants. I would also like to thank the hospitality, security and cleaning staff who have looked after all of us today.

The committee will resume its consideration of the 2026–27 budget estimates on Tuesday 19 May at 8:30 am. I declare this hearing adjourned.

Committee adjourned.