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Electrification saves Victorians \$185m in 3 years

But this figure could grow into billions by 2040, with the right policy support

- Residential electrification initiatives in Victoria have reduced household energy bills by AU\$185 million since 2023. Savings are highest in outer suburban areas and the Latrobe Valley.
- Residential electrification has reduced Victoria's annual gas demand by an estimated 5.6PJ/year since 2023. This is equivalent to 10.5% of demand from large commercial and industrial (Tariff D) users.
- Continued uptake of electrification at recent rates could increase household savings to AU\$6.6 billion by 2040 alongside 40PJ/year in gas demand savings. This is more than the annual gas consumption from mining and power generation in Victoria combined.
- New regulations from 2027 will likely accelerate residential electrification. This is important, as a slowdown in residential electrification could increase energy security risks for large gas users.

Introduction

Victorian households are by far the biggest residential gas consumers in Australia. This is a legacy from an era when the state had access to abundant low-cost gas from fields in Bass Strait. Gas was promoted to Victorians as a preferred household fuel in the 1970s, displacing [alternatives](#) such as wood, heating oil and coal briquettes.

Today, many Victorians still have gas heaters, hot water systems and cooktops in their homes. But they no longer have cheap gas. Gas fields in Bass Strait are [nearing depletion](#), and the rapid rise of Australia's LNG export industry has driven up [domestic prices](#), exposing domestic consumers to global gas market volatility.

Victoria has limited options to introduce more gas supply to its market. There are [insufficient proven domestic reserves](#) to displace declining production from Bass Strait. And while Victoria could import gas from other regions such as Queensland, this comes with significant infrastructure costs attached that would ultimately be borne by consumers — whether through pipelines, or LNG import terminals.

Electrification savings in Victoria

	To September 2026	By 2040 (<i>with continued uptake</i>)
Cumulative household energy bill savings	\$185 million	\$6.6 billion
Annual gas demand avoided	5.6PJ/year (Equivalent to 10.5% of large commercial & industrial Tariff D demand)	40PJ/year (Equivalent to 76% of large commercial & industrial Tariff D demand)

In response to these pressures, the Victorian government has taken [significant policy steps](#) to lessen the state's dependence on gas. Residential electrification has been central to this strategy — largely because efficient electric appliances offer [far lower running costs](#) than gas alternatives, presenting an opportunity to lower household energy bills.

In 2023, the state government introduced [major updates](#) to the Victorian Energy Upgrades (VEU) scheme, to incentivise households to switch from gas to efficient electric heating, and from gas to an efficient electric hot water system.

The VEU scheme (originally the Victorian Energy Efficiency Target Scheme) has been in effect since [2009](#) and accessed by [more than 2.4 million households](#) to implement a range of energy efficiency upgrades. Despite residential electrification being added to the program only recently, it has proved popular, as evidenced by a surge in high-efficiency space heating and cooling upgrades — the most popular activity [by a large margin](#).

This briefing note aims to quantify the impacts of residential electrification in Victoria since the introduction of the VEU incentives. As all Victorian households are eligible to participate in the VEU scheme, we expect this provides a reasonable proxy for overall residential electrification uptake in Victoria since late 2023.

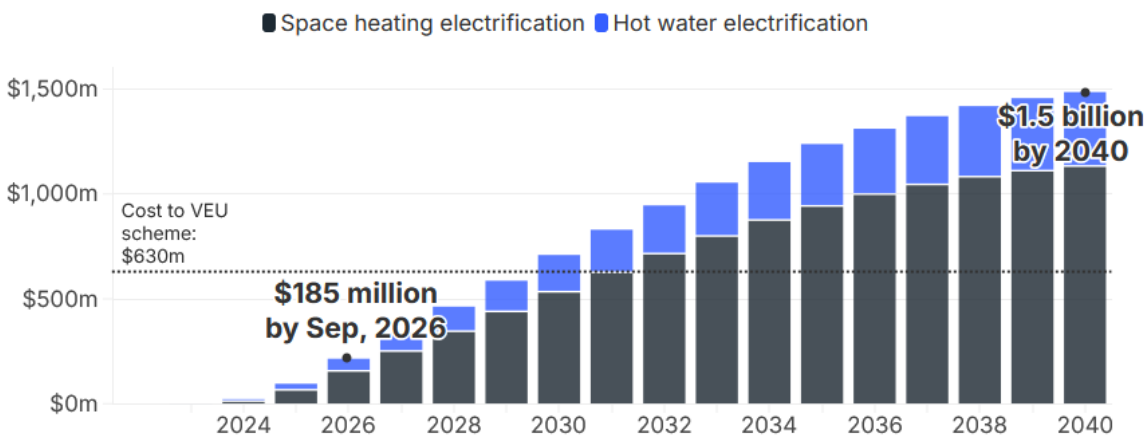
Electrification is already cutting Victorians' energy bills

Between May 2023 and June 2026, more than 79,000 Victorian households accessed VEU incentives to switch their gas hot water system to an electric alternative, and more than 112,000 to electrify their gas heater.

A typical gas hot water system can cost AU\$400–850 a year to run, while a gas ducted heater in Melbourne can cost AU\$1,500–1,600. By comparison, reverse-cycle air conditioners meeting the same heating load cost about AU\$760 a year to run, and a heat pump hot water system can cost less than AU\$200. These running costs are even lower for homes with rooftop solar.

By the end of September 2026, IEEFA estimates Victorians who have electrified their appliances under the VEU scheme will have saved a net cumulative AU\$185 million in energy costs by electrifying their heaters and hot water systems. These households can expect AU\$1.5 billion in savings to accumulate by 2040. This compares with an estimated cost of AU\$630m to the VEU scheme (Figure 1).

Figure 1: Cumulative savings for households that have electrified under the VEU scheme

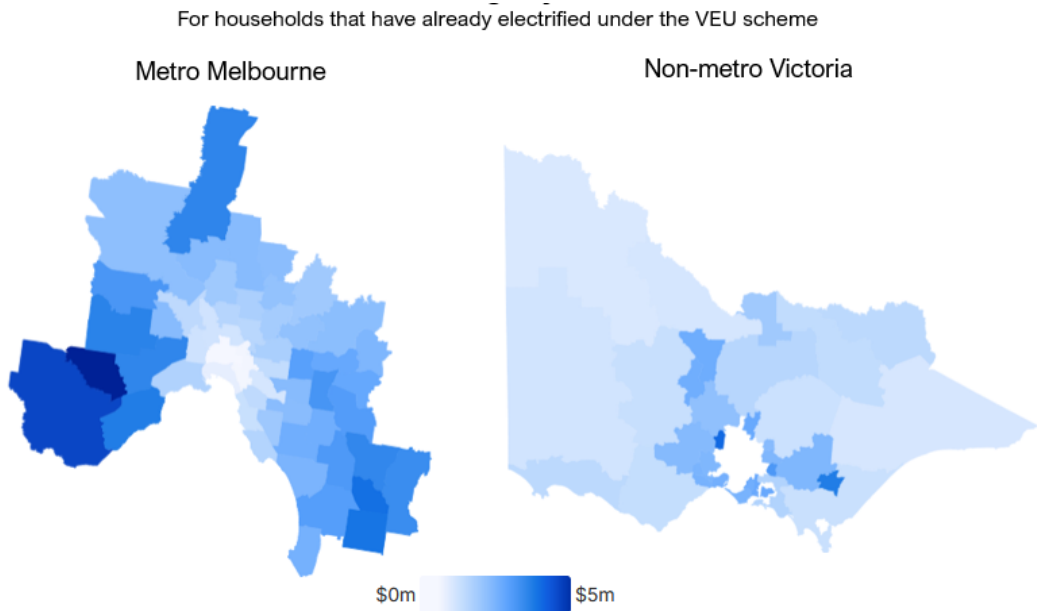


Note: Includes all upgrades undertaken up to 19 June 2026, up to the expected end of life of the new appliance.

Figure 2 shows how these savings are distributed across Victoria. In metropolitan Melbourne, the highest uptake of electrification incentives was in the western suburbs, with a significant proportion also in the outer south-east and outer northern suburbs. The metropolitan state electorates with the largest cumulative savings to September 2026 were Tarneit (AU\$5.2m), Werribee (AU\$4.6m), Narre Warren South and Cranbourne (both AU\$3.9m).

In non-metropolitan Victoria, there was high uptake in the Latrobe Valley, some metropolitan-adjacent areas and the Goldfields region. The electorates with the largest cumulative savings were Melton (AU\$3.7m), Morwell (AU\$3.4m), Pakenham (AU\$2.7m) and Yan Yean (AU\$2.3m).

Figure 2: Cumulative savings from household electrification by state electorate

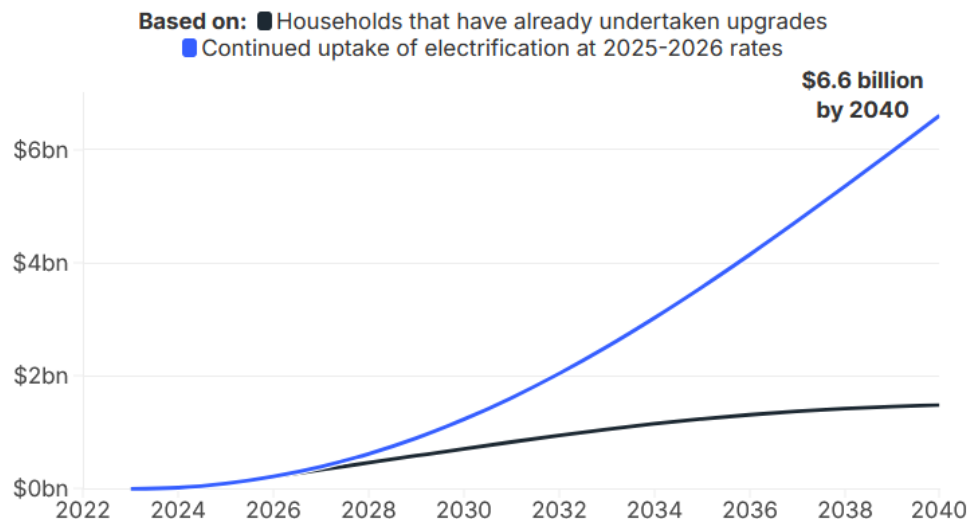


Note: Includes all upgrades undertaken up to 19 June 2026. Cumulative savings estimated to September 2026. Some localities in regional Victoria do not have access to reticulated gas, and were excluded from the analysis. Full data provided in Table 1.

Electrification savings could grow considerably

The savings above are based only on households that had accessed VEU incentives up to 19 June 2026. However, if uptake continues at the average rate observed between 2025 and 2026, the cumulative savings across all homes would grow to AU\$6.6 billion by 2040 (Figure 3).

Figure 3: Cumulative projected savings if households continue to electrify



Household electrification benefits other gas users

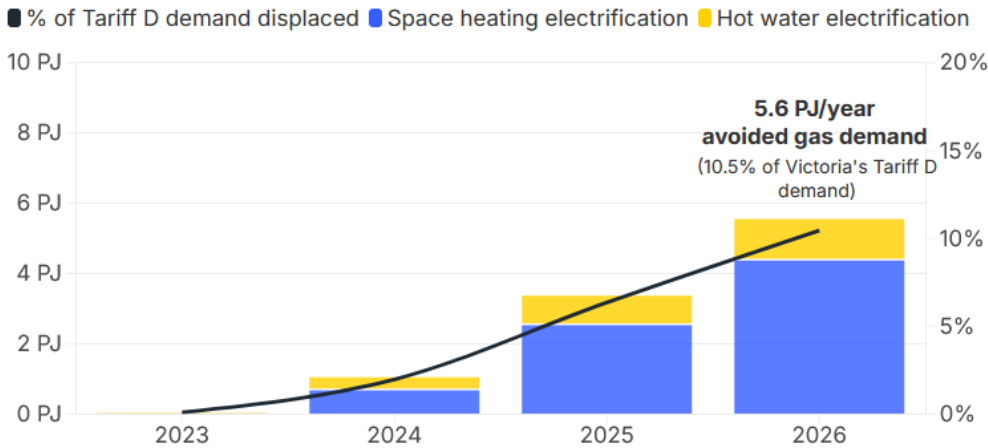
Electrification policy in Victoria aims not only to address rising energy costs for consumers, but also the prospect of gas supply shortfalls. [In 2023](#), AEMO forecast southern states including Victoria may be unable to meet annual gas demand as early as 2027. This is particularly problematic for industrial gas users, which may not have a clear technological pathway to electrify.

[Subsequent AEMO forecasts](#) have deferred this risk due to a number of factors, including the increasing pace of electrification.

IEEFA estimates participants in the VEU scheme are avoiding 5.6 petajoules (PJ) of gas consumption a year. This is equivalent to 10.5% of consumption from [Tariff D](#) gas users, which covers many manufacturing sites and other large gas-consuming facilities supplied by Victoria's declared gas transmission system (Figure 4). It also equates to more than 40% of [gas consumed for power generation](#) in Victoria in 2025.

This represents a permanent displacement of gas demand that can be expected to continue for as long as those households continue to use electric appliances. However, if residential electrification uptake continues at the rate seen in 2025 and 2026, this displacement would continue to grow.

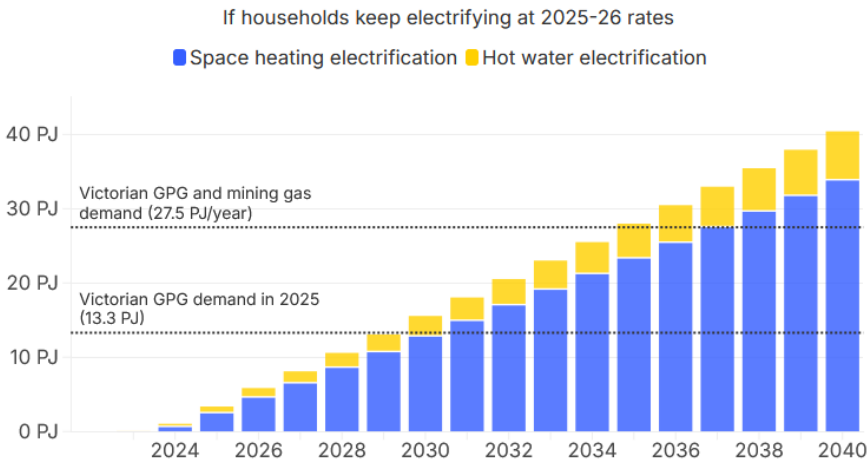
Figure 4: Annual gas demand avoided by households that have electrified



Note: Includes all upgrades undertaken up to 19 June 2026. Cumulative savings estimated to September 2026.

By 2030, the savings could exceed Victoria’s 2025 gas power generation (GPG) needs ([13.3PJ](#)). By 2035, they could exceed Victoria’s combined gas demand for GPG and mining ([14.2PJ in FY2024](#)) (Figure 5). By 2040, IEEFA estimates they could exceed 40PJ/year, or 76% of Victoria’s 2025 Tariff D (large commercial and industrial) demand.

Figure 5: Projected annual gas demand avoided from electrification



Incoming regulations will accelerate electrification uptake

Survey data by Energy Consumers Australia generally indicates strong consumer interest in electrification, with [37% of Victorian home owners](#) planning to cancel their gas supply by 2035. On this basis alone, it is likely that voluntary uptake of electrification — and associated VEU incentives — will continue in coming years.

However, certainty over the rate of electrification uptake is important for Victoria, given the state’s pressing need to maintain energy security as historic gas fields continue to decline. As shown above, even a simple continuation of current uptake rates could deliver significant gas savings. But this rate is not guaranteed, nor is it enough to eliminate the risk of [gas supply gaps](#), which are forecast to exceed 40PJ in southern states by 2034 under AEMO’s *Step Change* scenario.

Two upcoming regulations introduced under Victoria's Gas Substitution Roadmap are likely to play a particularly significant role in accelerating the uptake of electrification, and providing a greater level of certainty on electrification uptake:

- From [March 2027](#), most gas hot water systems will need to be replaced with electric systems once they break down and can no longer be repaired.
- From [March 2027](#), most gas heaters in rental properties will have to be replaced with electric systems once they break down and can no longer be repaired. As cooling will also be required in rental properties, it is likely to prompt most landlords to switch to a reverse-cycle air conditioner that can serve both purposes.

[Previous IEEFA analysis](#) has noted that even greater benefits to consumer costs and energy security could be realised if these regulations were extended to gas heaters in owner-occupier properties and cooktops across all properties.

Nonetheless, the Victorian government's own estimates suggest these measures could save [44PJ of gas a year](#) by 2035 — a 57% increase on the projections in Figure 5, which are based only on continued trends. This highlights the critical role of implementing — and ideally extending — these policies to secure gas supplies for Victoria's industrial users while lowering household bills.

Conclusion

Victoria has taken strong initial policy steps to support greater electrification of households, in response to energy cost pressures and energy security concerns. Just over three years since electrification activities were introduced under the VEU scheme, they have saved Victorian households an estimated AU\$185m. If households continue to take up these incentives at these rates, those savings could exceed AU\$6.6 billion by 2040.

IEEFA estimates that uptake of these activities has delivered meaningful gas demand savings — more than 5.6PJ/year, equivalent to 10.5% of Victoria's large commercial and industrial (Tariff D) gas demand.

If electrification uptake continues at current rates, gas savings could exceed Victoria's current GPG requirements by 2030, exceed its GPG and mining requirements by 2035, and exceed 40PJ/year by 2040 — equivalent to 76% of total demand from large commercial and industrial (Tariff D) users. However, accelerating the uptake of electrification is critical to help Victoria avert the risk of future gas supply gaps.

New residential electrification regulations coming into effect in 2027 will most likely accelerate electrification uptake, and provide greater certainty over the rate of expected gas demand reduction. The impact of these initiatives could be improved further by extending their coverage to gas heaters in owner-occupier properties.

Methodology notes

Our analysis focuses on the net energy bill savings realised by households that electrified their gas heaters and hot water systems under VEU incentives, and the volumes of gas consumption this displaced. We have excluded cooktops from this analysis, although [incentives for these appliances](#) were introduced in 2024. Electrification of cooktops is a key enabler for households to disconnect from the gas network entirely, which can deliver additional savings not counted in our analysis.

The analysis was undertaken at a postcode level using VEU activity data up to 19 June 2026 supplied by Green Energy Markets and derived from the Essential Services Commission. Energy costs are based on real gas and electricity tariffs available in Victoria in 2026 from a mix of large and small retailers. We have accounted for dwellings that have rooftop solar systems, and have indexed energy prices in historic years based on ABS CPI data. Future projections are based on 2026 energy prices only. Full details can be found in the accompanying technical note.

Table 1: Cumulative energy bill savings by state electorate 2023–26

Electorate	Cumulative savings
Tarneit	\$5,197,200
Werribee	\$4,616,274
Narre Warren S.	\$3,938,694
Cranbourne	\$3,865,197
Melton	\$3,737,976
Point Cook	\$3,719,487
Kororoit	\$3,614,622
Kalkallo	\$3,554,321
Laverton	\$3,542,964
Narre Warren N.	\$3,515,431
Berwick	\$3,409,769
Morwell	\$3,372,484
Glen Waverley	\$3,226,898
Sydenham	\$3,190,313
Dandenong	\$3,123,067
Rowville	\$3,045,720
Carrum	\$3,017,015
Box Hill	\$2,968,972
Bayswater	\$2,787,052
Ringwood	\$2,785,794
Pakenham	\$2,742,041
Clarinda	\$2,650,415
Mulgrave	\$2,642,951
Frankston	\$2,578,294
Mordialloc	\$2,495,380
Croydon	\$2,453,733
Ashwood	\$2,326,934
St Albans	\$2,326,362
Thomastown	\$2,325,814
Yan Yean	\$2,321,926
Greenvale	\$2,321,250
Hastings	\$2,310,682
Oakleigh	\$2,293,121
Mill Park	\$2,267,448
Warrandyte	\$2,260,553
Bendigo East	\$2,233,915
Sunbury	\$2,221,156
Bendigo West	\$2,198,471
Mornington	\$2,186,880
Bulleen	\$2,178,207
Bellarine	\$2,160,645
Bundoora	\$2,146,635
South Barwon	\$2,092,674
Nepean	\$2,083,163

Electorate	Cumulative savings
Wendouree	\$1,998,976
Bentleigh	\$1,996,873
Broadmeadows	\$1,981,777
Lara	\$1,966,580
Narracan	\$1,965,256
Eltham	\$1,956,006
Monbulk	\$1,954,083
Ivanhoe	\$1,887,285
Eureka	\$1,881,203
Evelyn	\$1,838,408
Kew	\$1,814,056
Preston	\$1,786,266
Williamstown	\$1,716,701
Macedon	\$1,708,481
Sandringham	\$1,667,804
Pascoe Vale	\$1,628,662
Northcote	\$1,578,635
Niddrie	\$1,507,230
Caulfield	\$1,484,531
Shepparton	\$1,448,030
Hawthorn	\$1,441,016
Brighton	\$1,328,831
Footscray	\$1,253,889
Essendon	\$1,231,240
Brunswick	\$1,207,310
Bass	\$1,168,456
Malvern	\$1,140,402
Euroa	\$1,054,061
Benambra	\$983,164
South-West Coast	\$972,308
Albert Park	\$891,628
Ovens Valley	\$884,864
Polwarth	\$833,272
Ripon	\$782,152
Gippsland South	\$744,829
Eildon	\$711,962
Richmond	\$683,863
Prahran	\$664,871
Melbourne	\$640,614
Lowan	\$623,786
Murray Plains	\$554,277
Gippsland East	\$544,775
Mildura	\$488,399

Note: includes all upgrades undertaken up to 19 June 2026. Cumulative savings estimated to September 2026.

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