03 July 2026

Ms Georgina Beattie
Deputy Secretary
NSW Resources
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RE: SUBMISSION TO THE NSW GOVERNMENT'S CONSULTATION ON THE REVIEW OF THE FUTURE OF GAS STATEMENT

Australian Energy Producers welcomes the opportunity to comment on the NSW Government's review of the *Future of Gas Statement* (the Statement).

The review of the Statement is a timely opportunity for the Government to articulate the importance of natural gas for NSW; to its manufacturing sector, homes and businesses, and as a crucial partner to renewables as the state transitions from coal-powered electricity.

The Statement should articulate a clear pathway for the exploration and development of natural gas for Australia's most populated jurisdiction at a time when the east coast gas market is projected to face rising supply gap risks from 2030. The Australian Energy Market Operator's (AEMO) 2026 Gas Statement of Opportunities forecasts that southern Australia, including NSW, faces natural gas shortfall risks during peak demand conditions from 2029, with additional supply required in almost all scenarios from 2030. As a state that consumes gas but produces very little of it, NSW is acutely exposed to this shortfall.

The current global energy crisis has highlighted the need for the state to strengthen its energy security by ensuring residents and businesses can access reliable and affordable gas, including from local resources.

Gas is essential to NSW — now and through the transition

NSW uses around 112.7 petajoules (PJ) of gas annually, the largest share consumed by industrial demand (54.7 PJ), followed by residential and commercial (46.4 PJ), and power generation (11.6 PJ).[1] The NSW gas network (supplied via the Moomba–Sydney and Eastern Gas Pipelines from the Cooper, Bowen/Surat and Gippsland Basins) services more than 1.5 million customers across 25,000 km of pipeline, providing heating and cooking for millions of households. Nearly one in five NSW businesses, including 64 per cent in hospitality, depend on natural gas.

Gas is foundational to the state's industrial base, supporting around 29,000[2] manufacturing businesses and 250,000[3] manufacturing jobs to produce food and beverages, recycle paper, manufacture fertilisers and plastics, and much more. Across the economy, the gas industry supports more than 26,616 jobs and contributes approximately $12 billion to the NSW economy.

[1] www.aer.gov.au/publications/reports/performance/state-energy-market-2025
[2] www.businessnsw.com/media-centre/media-release/looming-gas-crisis-threatens-businesses-and-jobs
[3] www.jobsandskills.gov.au/sites/default/files/2024-10/Industry%20Profile%20-%20New%20South%20Wales.pdf

As renewable generation grows, gas becomes more important, not less. Gas-powered generators such as Colongra, Uranquinty, Tallawarra and Smithfield provide the firming capacity needed to support variable renewables, while new projects including the Hunter Power Project and Marulan Gas Project will help fill the gap left by retiring coal.

AEMO has consistently found that gas-fired generation is a critical part of the current and future supply mix, with its role becoming peakier and more seasonal as it shifts from mid-merit operation to flexible back-up[4]. AEMO's 2026 Integrated System Plan reaffirms that the least-cost path to 2050 is renewables firmed by storage and backed by gas, and projects NSW will have 6.5 GW of gas-powered generation by 2039-40[5]. On that basis, we encourage the NSW Government to advocate for natural gas to be included in the Capacity Investment Scheme to support new gas-powered generation in the state.

NSW is acutely exposed to a tightening supply outlook

NSW is the only mainland state that does not produce material volumes of its own natural gas.[6] Its demand is met almost entirely by gas piped from Victoria, South Australia and Queensland, and from the Newcastle Gas Storage Facility. This leaves New South Wales at the end of the supply chain and dependent on the decisions of other jurisdictions. This makes pipeline capacity a critical constraint on NSW energy security, determining not only how much gas can be delivered, but whether gas can reach key parts of the state when it is needed.

This exposure is sharpening just as the southern market tightens. AEMO's shortfall risk from 2029 coincides with NSW's own coal retirements, including Eraring, which lift peak demand for gas-fired generation precisely as southern supply declines. Without new local supply, NSW's options narrow to greater reliance on interstate gas or, in the worst case, LNG imports priced at international parity. The recent global energy crisis underlined the value of a state being able to secure affordable, reliable energy from its own resources rather than relying on higher-cost imports.

The answer is for NSW to develop its own gas

NSW is not short of resources. The Gunnedah Basin alone holds an estimated 2,261 PJ of gas, with further potential in the state's north and elsewhere.[7] In the last decade, the scaling back of areas where gas exploration and production were permitted in NSW (77 per cent reduction in total area covered by Petroleum Exploration Licenses) has severely hampered gas production and the state's energy security.[8]

We commend the Government for the steps taken in 2026 to restart exploration after more than a decade of inactivity. The release of acreage in the Bancannia and Pondie Range Troughs and public

[4] www.aemo.com.au/-/media/files/major-publications/isp/draft-2026/a10-gas-development-projections.pdf?rev=c480d65c2e074226affc4d308bdf600b&sc_lang=en
[5] www.aemo.com.au/-/media/files/major-publications/isp/2026/2026-integrated-system-plan-isp.pdf?rev=7f5dfd18aa1b4a3aab704c424f75afd3&sc_lang=en
[6] www.aemo.com.au/-/media/files/gas/national_planning_and_forecasting/ngir/new-south-wales-gas-infrastructure-review-may-2025.pdf
[7] www.ga.gov.au/aecr2025/gas
[8] www.nsw.gov.au/sites/default/files/2021-07/Future%20of%20Gas%20Statement%20v2.pdf

support for natural gas and the Narrabri Gas Project are the right signals to encourage exploration of these resources. We urge the Government to commit to regular, preferably annual, acreage releases, and to expand the areas open to exploration beyond the current regions. NSW also requires an efficient regulatory framework to expedite project delivery and attract investment. Approval delays and regulatory uncertainty carry material costs in lost opportunity and competitiveness, particularly as international capital shifts toward jurisdictions offering timely, certain approvals.

Local supply beats the alternatives

Locally produced gas is the best outcome for NSW because it bypasses the processing, shipping and regasification costs of imported LNG and insulates the state from international price volatility, delivering price stability, lower transmission costs and secure supply for local industry and households. Consideration of LNG import terminals should therefore be a last resort, reserved for when NSW genuinely cannot produce its own gas or source it from other Australian jurisdictions.

For the same reason, NSW has a direct stake in the Commonwealth's concurrent gas market reforms. A national framework, including any reservation scheme, that distorts the market, suppresses prices below the cost of new supply, or deters investment in local supply would work directly against the objectives of this Statement. We encourage the NSW Government to advocate to the Commonwealth for a prospective framework that supports, rather than undermines, investment.

If you have any questions about any matters raised in this submission, please contact me on 0407 000 926 or pkos@energyproducers.au

Yours sincerely,

Peter Kos
Director New South Wales
Australian Energy Producers

Australian Energy Producers recommends that the NSW Future Gas Statement:

1. Reaffirms the essential role of gas in NSW's energy security, economy and orderly energy transition, now and to 2050.
2. Commits to regular, preferably annual, acreage releases and expands the areas open to exploration beyond the current troughs.
3. Delivers an efficient, streamlined regulatory framework that protects landholders and water while giving investors certainty.
4. Treats LNG imports as a last resort, after NSW production and supply from other states.
5. Advocates to the Commonwealth for a national gas market framework that protects investment in the new local supply NSW depends on.