

DOMESTIC GAS RESERVATION SCHEME – DRAFT DESIGN FRAMEWORK | CONSULTATION PAPER

Australian Energy Producers | 30 June 2026

EXECUTIVE SUMMARY

As the peak representative body for oil and gas explorers and producers, Australian Energy Producers welcomes the opportunity to contribute to this critical consultation.

Australian Energy Producers opposes the draft domestic reservation design framework, which will have significant negative impacts for producers, users, governments and international partners. The Australian Energy Market Operator (AEMO) expects Australia's east coast gas market to remain well supplied to the end of the decade, while domestic prices remain stable and well below international levels. In seeking to artificially induce a permanent oversupply, the draft framework overlooks the core policy problem facing the east-coast gas market – insufficient incentives for additional investment and production – and disregards the Gas Market Review's call for efficient and predictable regulatory settings to strengthen competition and encourage long-term investment and contracting.

Accelerating new gas supply is the only sustainable solution to maintaining long-term affordability and reliability. Competitive domestic prices depend on continued investment in new projects, including in southern states close to demand centres. The draft framework risks undermining these investments by creating artificial oversupply, suppressing prices in the short-term below the marginal cost of new supply, reducing the number and diversity of suppliers, and eroding investor confidence through retrospectivity and excessive ministerial discretion. Australian Energy Producers urges the Australian Government to facilitate new supply through faster approvals, regular acreage releases, and stable tax and regulatory settings.

Australian Energy Producers supports a well-designed, prospective gas reservation scheme linked to new supply but the proposed design is fundamentally unworkable. In combining rigid, inflexible annual obligations with extensive and unpredictable ministerial discretion, the draft framework is inherently incongruent with commercial realities. A high and inflexible annual obligation would necessitate frequent and widespread exemptions to avoid perverse and damaging outcomes. A policy that is too rigid to function without constant intervention, yet too discretionary to provide stable, rules-based administration, cannot support the long-term investment and contracting that Australia's gas markets depend upon.

The current proposal threatens all participants in the gas value chain. The artificial suppression of prices would be short-lived, but nonetheless damaging to domestic producers, whose viability would be undermined by forcing prices below the marginal cost of new supply. Domestic-focused producers currently supply around two-thirds of the east coast gas market. LNG exporters face the prospect of accumulating unsustainable domestic supply debts, entering into uncommercial arrangements, or having to curtail exports, with Wood Mackenzie estimating potential losses of export revenue of up to \$142 billion in Western Australia and \$44 billion in Queensland. Gas users, particularly manufacturers, would ultimately confront reduced supply diversity, fewer bankable long-term contracts, and higher delivered costs. The Commonwealth and states would forgo substantial tax and royalty revenues and broader economic activity, while Australia's reputation as a stable investment destination and reliable trading partner would be damaged.

Recommendations in brief

To achieve the Gas Market Review's objectives of a more efficient, certain and investment-attracting regulatory framework, the government must fundamentally redesign and support the proposed reservation scheme by:

1. Calibrating reservation level and trajectory to domestic demand through a process that is transparent, rules-based and multi-year, applying domestic supply obligations flexibly to preserve investment incentives and ensure future production.
2. Fully protecting existing contracts.
3. Allowing excess gas genuinely offered on commercial market terms but not taken up by the domestic market to be exported freely and efficiently.
4. Implementing a multi-year, performance-based compliance regime based on good-faith marketing, annual reporting and proportionate enforcement.
5. Publishing comprehensive economic modelling and impact analysis, specific to jurisdictions.
6. Exempting Western Australia and the Northern Territory in practice.
7. Removing existing instruments and ensuring a net reduction in regulatory burden.
8. Expediting additional supply by improving environmental approvals, regularly releasing acreage and maintaining tax stability.

The complexity and impact of these reforms on Australian gas producers and users demands genuine and thorough consultation, including on draft legislation. Australian Energy Producers will continue to advocate for a reservation policy design that supports investment, maintains competition and strengthens Australia's long term energy security.

COMMENTS

The east coast gas market is currently well supplied and is expected to remain so to the end of the decade and beyond. Forecast supply shortfalls for the east coast gas market continue to be pushed further into the future, with AEMO now expecting the market to remain well supplied to the end of the decade, owing to increased supply capability and moderating demand.¹ Both domestic-focused producers and liquified natural gas (LNG) exporters are contributing to a well-supplied east coast gas system. Domestic-focused producers supply approximately two-thirds of the east-coast market and play a key role in meeting east coast demand efficiently – especially for winter peak-day deliverability in southern states. Queensland LNG producers have unlocked gas that would otherwise not have been economic solely for domestic use, providing critical flexibility to the east coast gas market to ensure gas is available when and where it is needed.² Policies that encourage additional and diverse supply are essential to maintaining a robust and competitive east-coast gas system.

Australian gas prices remain stable and well below international levels. Throughout the ongoing global energy crisis, east coast spot prices have remained at their lowest levels since 2023, and the lowest for any winter since 2020, with Wallumbilla Gas Supply Hub prices ranging from \$6-12 in the last week of June 2026. Conversely, international LNG spot prices have increased significantly and

¹ Australian Energy Market Operator, [2026 Gas Statement of Opportunities](#), 26 March 2026.

² See Kroll Economics, [An Assessment of East Coast Gas Adequacy and Policy Design](#), 10 June 2010, pp. 4, 88; Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), 22 December 2025, pp. 7, 37f.

are up to three times higher than the domestic price, with average Japan Korea Marker prices in May (for June/July delivery) reaching \$23.03 a gigajoule.³ Kroll Economics points out that:

“[I]nternational comparisons indicate that Australian wholesale gas prices remain competitive ... [W]hen compared across a selection of OECD countries, Australian prices are among the lower tier, ranked seventh lowest in 2024 and materially below prices in many European markets.”⁴

The Gas Market Review emphasised that competitive domestic gas and electricity prices depend on new supply.⁵ However, the development of new gas supply on the east coast has been impeded by restrictions on exploration and development in southern states, as well as repeated federal government interventions that have added complexity and uncertainty to the market. The Gas Market Review observes that “the marginal costs of supply from future projects are higher than existing projects to slightly below \$13/GJ after transport costs are accounted for.”⁶ Consistent with this, the Australian Competition and Consumer Commission (ACCC) has reported that long-term contract prices of around \$12 a gigajoule are required to support southern supply developments.⁷ Further, analysis by Rystad (commissioned by the ACCC) concludes that full-cycle break-even costs are up to \$10-\$11/GJ for 80% of both 2P and 2C reserves; and that the cost of marginal supply across the east coast gas system will trend at approximately \$13-\$14/GJ in the long term to meet demand.⁸

Policy interventions that seek to push domestic prices below the marginal cost of new supply will ultimately be counterproductive for both users and producers. The Review’s policy impact assessment found that “a domestic reservation scheme which ensures domestic demand is satisfied would likely increase supplier diversity and improve upstream price competition, with flow-on benefits for gas buyers.”⁹ Artificially suppressing prices is fundamentally contrary to this outcome. Forcing prices below the level required to support new investment would erode the commercial viability of future projects, displace domestic-focused producers and reduce the diversity of supply on which competitive markets depend. For users, particularly manufacturers, the short-term appearance of lower prices would be outweighed by the longer-term consequences – reduced supply resilience, fewer counterparties offering bankable long-term contracts, and ultimately higher delivered costs as investment stalls and the system becomes more exposed to scarcity risks. A policy framework that drives prices below the marginal cost of new supply does not protect users; it guarantees that future supply will not materialise when it is needed most.

Independent analyses demonstrate that the draft design framework would discourage investment, displace domestic-focused producers, elevate risks of future shortfalls and undermine Australia’s standing as a reliable export partner. Wood Mackenzie concludes that a 20% annual domestic supply obligation (with variations accumulating as higher future obligations) would force significant volumes of gas into an already balanced market, generate a damaging structural oversupply, distort price and investment signals, and leave the market reliant on declining existing supply and potentially costly imports. Wood Mackenzie also emphasises that the scheme’s

³ EnergyQuest, [LNG and energy essentials – May 2026](#), 15 June 2026.

⁴ Kroll Economics, [An Assessment of East Coast Gas Adequacy and Policy Design](#), 10 June 2010, p. 20.

⁵ See Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), 22 December 2025, p. 5.

⁶ *Ibid.*, p. 25.

⁷ See Australian Competition and Consumer Commission, [Gas inquiry June 2025 interim report](#), p. 87ff.

⁸ Rystad Energy, [East Coast Gas Market: Long-run Costs of Gas Production](#), December 2025.

⁹ Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), 22 December 2025, p. 87.

retrospectivity and breadth of ministerial discretion would introduce material sovereign risk.¹⁰ Kroll finds that the proposed reservation framework risks displacing more efficient southern supply, reducing winter peak-day deliverability, weakening investment in new supply, and bringing forward shortfall risks to 2027.¹¹

For LNG exporters, the current draft design framework could create a choice between accumulating unmanageable domestic supply liabilities, or curtailing exports. Wood Mackenzie estimate that the proposed scheme would induce persistent structural oversupply of more than 200 PJ a year in the east-coast and more than double current demand in Western Australia. On the one hand, exporters could find themselves incurring and carrying forward massive domestic supply “debts” that would sit on balance sheets and risk stranding reserves. By the early 2040s, these accrued debts could exceed all remaining produceable reserves for Queensland exporters and 2,600 PJ in the west. On the other hand, exporters facing an oversupplied market with demand and infrastructure constraints may have no commercial choice but to curtail LNG production to meet the required domestic sales ratio. In this scenario, LNG exports from Queensland would be severely curtailed, falling from 23 million metric tonnes per annum (mmtpa) to less than 10 mmtpa in 2028, while exports from Western Australia could fall by 40% by over the next decade. For the Northern Territory, the proposed domestic supply obligations would be stranded without an accessible market, meaning significant and sustained variations would be required.¹² The limited and unwieldy flexibility mechanisms (variations to annual domestic supply obligations and export release valve) could not resolve the scale of persistent oversupply or ameliorate the significant and compounding negative consequences for producers, users, governments and trading partners.

For domestic-focused producers, the proposed reservation framework would destroy their established business models and crowd them out of the market. The ACCC has warned that:

“If the reservation scheme results in material oversupply in the domestic market, this could crowd out other domestic suppliers or investment by those suppliers and further concentrate market power.”¹³

Wood Mackenzie point out that inducing an excessive structural oversupply would cause the east-coast gas market to:

“[B]ecome so oversupplied that prices would collapse to below the marginal cost of domestic-only producers and any future investment in gas supply would become uneconomic ...

“Even for low cost producers, a price close to their short-run marginal cost is not sufficient to underpin the investment of new capital. An inability to earn a return on capital that is not yet sunk would prevent any new supply from coming to market, as domestic producers would focus on producing remaining developed reserves at the lowest possible cost, before exiting the market instead of investing in new backfill supply (exploration, appraisal, tie-back of new wells etc.) ...

¹⁰ Wood Mackenzie, *Application of the proposed Domestic Supply Obligation policy framework to the East Coast Gas Market* (forthcoming).

¹¹ Kroll Economics, [An Assessment of East Coast Gas Adequacy and Policy Design](#), 10 June 2010.

¹² Wood Mackenzie, *Application of the proposed Domestic Supply Obligation policy framework to the East Coast Gas Market* (forthcoming), p. 3; Wood Mackenzie, *Application of the proposed Domestic Supply Obligation policy framework to the Western Australia domestic gas market* (forthcoming), p. 1.

¹³ Angela Woo, General Manager, Gas Markets, Australian Competition and Consumer Commission, quoted in Angela Macdonald-Smith, [“ACCC warns Labor’s gas reservation could entrench exporter dominance”](#), *Australian Financial Review*, 1 April 2026.

“In the long-term, without new supply the market becomes structurally short, heavily reliant on imports and directly linked to LNG import parity pricing.”¹⁴

In Western Australia, the proposed scheme would halt new investment in Perth Basin projects and likely deter investment in backfill supply for existing LNG facilities, including Browse. Over time, this would force the exit of domestic-focused producers from the market, reduce supply diversity, and ultimately raise delivered costs to southwest markets.

For gas users, notably manufacturers, the proposed framework risks higher long-term prices, reduced reliability and heightened energy-security challenges. The ACCC has said that the domestic reservation scheme could “result in higher prices and worse outcomes for domestic buyers”.¹⁵ Wood Mackenzie highlight that unintended adverse consequences of the proposed design framework would include market concentration, a reduction in the number and diversity of suppliers, the loss of nearer southern supply, and higher delivered prices into southern markets given the distance of transportation from the north.¹⁶ Modelling by Kroll supports these findings, showing the proposed reservation scheme could bring forward southern system shortfalls by up to two years, while increasing reliance on volatile spot markets and LNG-tied supply. The ultimate outcome would undermine bankable long-term contracts essential for manufacturing competitiveness and ongoing industrial investment.¹⁷ This would be a high opportunity cost to impose, especially given that for many manufacturers, the cost of gas is not a significant share of total costs. Across the largest industrial gas users on the east coast, gas accounts for less than 5% of total operating costs. To put this in perspective, reducing the gas price from \$12/GJ to \$10/GJ would lower annual operating costs by less than \$100 million, compared with total annual operating costs of almost \$20 billion.¹⁸

For governments, the framework would materially reduce fiscal returns and economic contributions from the gas industry. Acute restrictions to LNG exports, and/or deferred or cancelled upstream investments, would forgo significant tax and royalty revenues, employment and broader economic activity. Similarly, the accumulation of domestic supply obligations would distort market dynamics and discourage investment in gas production and related infrastructure. Wood Mackenzie estimates that the draft reservation framework could forgo as much as \$44 billion in LNG export revenue from Queensland between 2027 and 2040, and up to \$142 billion in Western Australia over the same period. Wood Mackenzie estimate that in 2028 alone, the curtailment of LNG exports to meet regulatory requirements of domestic supply “could see a reduction in Queensland state petroleum royalties paid on gas production by as much as \$838 million.”¹⁹ Kroll estimates that the proposed reservation scheme would reduce Australia’s real GDP by \$653 million, “with Queensland absorbing the largest share of the impact through reduced LNG export activity.”²⁰

For international partners, the policy would undermine Australia’s reputation as a trusted and reliable LNG supplier and stable destination for long-lived investments. There is a strong relationship between international investment in Australia’s LNG industry, our successful export trade,

¹⁴ Wood Mackenzie, *Application of the proposed Domestic Supply Obligation policy framework to the East Coast Gas Market* (forthcoming), pp. 2, 22.

¹⁵ Angela Woo, General Manager, Gas Markets, Australian Competition and Consumer Commission, quoted in Angela Macdonald-Smith, “[ACCC warns Labor’s gas reservation could entrench exporter dominance](#)”, *Australian Financial Review*, 1 April 2026.

¹⁶ Wood Mackenzie, *Application of the proposed Domestic Supply Obligation policy framework to the East Coast Gas Market* (forthcoming), p. 2.

¹⁷ Kroll Economics, [An Assessment of East Coast Gas Adequacy and Policy Design](#), 10 June 2010.

¹⁸ Wood Mackenzie, *Industrial and Manufacturing gas users analysis*, forthcoming.

¹⁹ Wood Mackenzie, *Application of the proposed Domestic Supply Obligation policy framework to the East Coast Gas Market* (forthcoming), p. 3; Wood Mackenzie, *Application of the proposed Domestic Supply Obligation policy framework to the Western Australia domestic gas market* (forthcoming), p. 1.

²⁰ Kroll Economics, op. cit., p. 7.

and the mutual energy security of Australia and our trading and investment partners. For example, Japan has been a leading investor in Australia's LNG export industry since the 1980s, and Australia supplies more than 40 per cent of Japan's LNG.²¹ Similarly, South Korea is a significant investor in Australian LNG, and Australia supplies more than 30 per cent of South Korea's LNG.²² China, Malaysia and Taiwan also invest in Australian LNG, and Australia supplies approximately 34%, 80% and 34% of their LNG import volumes, respectively.²³ The prospect of forced export curtailments, or sovereign risk arising from retrospective changes to longstanding project terms, would damage trading relationships in Asia, reduce Australia's competitiveness for future investment, and potentially compromise regional energy security – as well as Australia's own liquid fuel security linkages (Box 1 below). Australia should be seizing the opportunity to attract additional investment as international customers seek to diversify their supply.

Box 1: Prime Minister on importance of stability and certainty for mutual energy security

I think it needs to be viewed in the context of where we are now. So, one of the things that we've been very clear about, for example, is that just as we expect countries that supply us to stick to agreements which are there, we think it's very important that the contracts that we have be fulfilled completely with countries in our region. That's the quid pro quo, if you like. And I think that is very important as we go forward. So, to be clear, our first priority is supply. Supply depends upon those relationships being adhered to. And some of the commentary that is there ignores a whole range of the issues. They take some select areas, pretend that there isn't a return to the Australian people from the resources sector which is there, which is a real strength for us.²⁴

The proposed compliance regime is both onerous and uncertain, with a high degree of ministerial discretion. Exporters must obtain annual export approvals, submit board-endorsed compliance plans, and provide detailed evidence of contract terms, uncontracted gas, third-party purchasing options, and infrastructure constraints. Ministers are responsible for issuing export approvals, setting and reviewing domestic supply obligations, and deciding any variations to annual domestic supply obligations prior to each regulatory period, with decisions informed but not constrained by advice from the AER and AEMO. Ministers may also review the formula used to calculate the domestic supply obligation, request additional information from applicants, and attach bespoke licence conditions, including where exporters seek variations to preserve existing contracts. The breadth of ministerial discretion extends to matters central to project economics and long-term contracting. As Wood Mackenzie points out:

“Discretion of this breadth is a cost independent of how it is exercised, because parameters set by annual judgment rather than transparent rules cannot be modelled with confidence and are priced as a risk premium ...

²¹ Australian Embassy in Japan, [Australia-Japan resources and energy relationship](#), viewed 9 April 2026.

²² Takeo Kumagai and Charles Lee, [South Korea sees no LNG shortages despite Middle East supply disruptions](#), S&P Global, 5 March 2026.

²³ World Bank, [China Natural gas, liquefied imports by country in 2024](#), World Integrated Trade Solution; World Bank, [Malaysia Natural gas, liquefied imports by country in 2024](#), World Integrated Trade Solution; US Energy Information Administration, [Taiwan Analysis Brief](#), last updated April 2026, p. 15.

²⁴ The Hon Anthony Albanese MP, Prime Minister of Australia, [Question and Answer - National Press Club](#), Canberra, transcript, 2 April 2026.

“Gas markets are lumpy and rigid rules cannot anticipate every contingency, and so some discretion is necessary to avoid perverse outcomes. But predictable rules with narrow, well-defined discretion are preferable to broad discretion for long-lived, capital-intensive assets.”²⁵

Australian Energy Producers supports a well-designed, prospective gas reservation scheme linked to new supply. A well-designed gas reservation scheme can provide long-term investment certainty for gas producers and users, as well as ensure reliable and affordable gas supply for Australian households and industry. Essential elements of a successful scheme include calibrating domestic supply obligations to reflect market conditions, fully protecting existing contracts, enabling the efficient export of excess gas, ensuring compliance is straightforward and predictable, and accompanying reservation with actions to encourage and accelerate additional gas supply.

Key elements of Western Australia’s longstanding and successful domestic gas policy should be considered in a national scheme design. Western Australia’s approach has avoided structural oversupply and encouraged new supply by striking a practical and durable balance between domestic supply obligations, market needs and commercial flexibility. The flexibility of multi-year compliance, diligent and good-faith based marketing, and regular reporting have been key to this. Similarly, Queensland’s Australian Market Supply Condition, which has applied to more than 20,000 square kilometers of exploration acreage released since 2017, has unlocked significant coal seam gas resources for the domestic market.²⁶

Industry’s position is closely aligned to the objectives of the government’s Gas Market Review. The Gas Market Review concluded that “fundamental reform is needed” to establish “a more efficient, streamlined regulatory framework supported by complementary measures”, and to “improve investor confidence by establishing clear, predictable, and transparent market settings, supporting supply security in the long term”.²⁷ The Review also emphasised the importance of encouraging long-term contracting (including to underwrite investment in gas infrastructure) as well as addressing regulatory uncertainty and compliance burdens on gas producers.²⁸

Without substantial changes, the current proposal would ultimately lead to lower gas investment and supply, higher prices and lower national income. The recommendations set out by industry below aim to provide specific and constructive input into the reservation scheme design consultation.

RECOMMENDATIONS IN DETAIL

The Australian Government should support and redesign the proposed domestic reservation scheme to achieve the Gas Market Review’s reform objective of establishing “a more efficient, streamlined regulatory framework supported by complementary measures”, by:

1. Calibrating reservation level and trajectory to domestic demand

Issue: Wood Mackenzie’s analysis shows that a 20% annual domestic supply obligation, combined with the accrual of large undelivered volumes, would create persistent oversupply pressure of more than 200 PJ a year in the east-coast and more than double the demand in Western Australia, even

²⁵ Wood Mackenzie, *Application of the proposed Domestic Supply Obligation policy framework to the Western Australia domestic gas market* (forthcoming), p. 13f.

²⁶ See Wood Mackenzie, *Application of the proposed Domestic Supply Obligation policy framework to the Western Australia domestic gas market* (forthcoming), Appendix A; *Application of the proposed Domestic Supply Obligation policy framework to the East Coast Gas Market* (forthcoming), p. 1.

²⁷ Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), 22 December 2025, pp. 5, 89.

²⁸ *ibid.*, pp. 59, 76.

after using variations and the release valve. By the early 2040s, the cumulative domestic supply liability for exporters would exceed all remaining produceable reserves for Queensland exporters and 2,600 PJ in the west.

Recommendation: To avoid discouraging investment and crowding out domestic-focused suppliers, the reservation level and trajectory should be calibrated to domestic demand through a process that is transparent, rules-based and multi-year, applying domestic supply obligations flexibly to preserve investment incentives and ensure future production. Adopting a more flexible and practical approach, as Western Australia does with its domestic gas policy, would ensure that domestic supply obligations are delivered efficiently as the market requires, and not at the expense of domestic-focused producers, investment incentives, competition and future energy security.

2. Ensuring existing contracts are fully protected

Issue: The proposed variation process places the onus on LNG exporters to prove there are “no viable alternatives” to meeting the domestic supply obligation – including sourcing replacement LNG from international spot markets, portfolio cargoes or location swaps. Wood Mackenzie notes that spot cargoes are effectively always available at a price, rendering this test “difficult to satisfy” for contracts signed before 22 December 2025.²⁹ If ministers denied any application to vary, then exporters would face invidious alternatives: breach existing long-term export contracts, significantly curtail LNG exports, or enter into uncommercial arrangements.

Recommendation: The government should honour its commitment to respecting existing domestic and international contracts.³⁰ Interventions which break foundation contracts, retrospectively undermine investment cases or are applied inequitably all increase sovereign risk and should be avoided.

3. Allowing any gas not required by domestic market to be exported freely and efficiently

Issue: The proposed framework treats the release valve mechanism as “a last resort to manage oversupply”, to be activated only in “rare” occasions. To gain access to the release valve, the regulator must be satisfied that exporters have met transparency, liquidity, marketing and conduct obligations, and market indicators show near-term supply adequacy. The restrictive design of the release valve would exacerbate oversupply and crowding out of domestic-focused producers.

Recommendation: Excess gas offered to the domestic market on competitive market terms but not taken up should be freely exportable without pre-approval. This flexible, market-oriented approach would align more closely with the successful elements of Western Australia’s domestic gas policy agreement model, and better support balanced, well-functioning gas markets.

In practice, this could be implemented through pre-defined, market-based terms on how gas is offered to the market before it is exported. Transparent, market-based criteria on what constitutes offering gas on competitive market terms would establish an objective pathway for gas that is not required by the domestic market to be exported without pre-approval.

²⁹ Wood Mackenzie, *Application of the proposed Domestic Supply Obligation policy framework to the East Coast Gas Market* (forthcoming), p. 3.

³⁰ The Hon Chris Bowen MP, Minister for Climate Change and Energy; The Hon Madeleine King MP, Minister for Resources; Senator the Hon Tim Ayres, Minister for Industry and Innovation, Minister for Science, [Affordable gas for Australian homes and businesses](#), joint media release, 22 December 2025.

4. Instituting multi-year, performance-based compliance

Issue: The draft framework entails an onerous regulatory regime that requires annual pre-approval for all exports, board-endorsed compliance plans, detailed contract disclosures, forced selling, and a high threshold and narrow criteria for ministerial variations. This approach would entail significant regulatory burden, uncertainty and administrative overreach. Wood Mackenzie highlights that annual approval cycles would undermine long-term contracting – critical for both domestic buyers and gas producers’ financing – and erode investment certainty for future supply.

Recommendation: The domestic reservation scheme should entail a multi-year, performance-based compliance regime coupled with annual non-compliance-based reporting. Consistent with the Gas Market Review’s emphasis on streamlining regulation, the regulator should systematically monitor the performance of regulated entities, issue guidance and advisory material to support compliance, apply risk-based auditing and assurance processes, and exercise proportionate enforcement powers where it is warranted.

Again, Western Australia’s domestic gas reservation demonstrates that a light-handed, flexible and performance-based compliance regime can secure domestic supply without imposing unnecessary regulatory burdens. Western Australia relies on long-term reservation commitments, good-faith marketing obligations, monitoring, and transparent reporting – not annual export approvals, forced selling or prescriptive compliance plans.³¹ Western Australia’s regulatory regime can impose significant penalties in the event of non-compliance with those commitments.

5. Exempting Western Australian and Northern Territory exporters in practice

Issue: The draft framework uniformly applies national domestic supply obligations across jurisdictions, without sufficient regard for existing state reservation policies, royalty regimes, local market dynamics and scale, or the presence or absence of suitable infrastructure linkages to market. Wood Mackenzie find that applying an annual 20% domestic supply obligation on Western Australia would create a market with almost twice as much supply as demand in the immediate term (2028-2030). Under the draft framework’s restrictive variation settings, this oversupply would push domestic prices below the marginal cost of domestic-only producers, forcing their exit and further concentrating supply among LNG exporters. To comply with the DSO in these conditions, one potential outcome could be to reduce LNG exports, which would need to fall from around 45 mmtpa to below 20 mmtpa, resulting in an estimated \$142 billion loss in export revenue between 2027 and 2040.

Northern Territory exporters face similar uncertainty. Offshore gas production and LNG export infrastructure in the Northern Territory is physically constrained and unable to deliver meaningful volumes to the east-coast market. In addition, the Northern Territory’s domestic gas market is comparatively small and an existing agreement with INPEX ensures secure gas supply in the event of shortages or interruptions to the Darwin market.

Wood Mackenzie finds that most domestic supply volumes would be stranded in the Northern Territory, requiring continuous and significant variations to avoid breaching export contracts. Even with new Beetaloo-linked infrastructure, any required domestic supply obligation volumes would compete with Beetaloo gas for limited pipeline capacity, undermining both developments and increasing sovereign-risk exposure.

³¹ See The Hon Roger Cook MLA, Premier of Western Australia, [Western Australian Government submission to Gas Market Review](#), August 2025, p. 2.

Recommendation: Western Australia and the Northern Territory should be exempted from the national scheme in practice by recognising existing state arrangements and business models, local market conditions and infrastructure constraints.

6. Publishing detailed economic modelling of the proposed reservation scheme and its effects

Issue: The proposed reservation policy would impose a complicated and consequential regulatory framework, accompanied by broad ministerial powers, to highly diverse gas markets across the country. The absence of rigorous and publicly available economic analysis is hindering effective consultation and policy development, and increases the risk that material unintended consequences will not be identified or adequately quantified.

Recommendation: Consistent with the *Australian Government Guide to Policy Impact Analysis* and good regulatory practice, the government should immediately undertake and publicly release a comprehensive policy impact analysis.³² This should include detailed analysis and modelling by jurisdiction of supply-demand balances, infrastructure constraints, price effects, investment impacts, sovereign risk and LNG export consequences under a range of scenarios. The analysis should feature transparent assumptions, sensitivity testing and independent peer review where appropriate.

7. Removing existing instruments and deliver a net reduction in regulatory burden

Issue: The Gas Market Review found that existing instruments have neither addressed structural shortfalls, nor provided the certainty required to encourage investment in new supply, nor helped to maintain Australia's reputation as a reliable trading partner.³³ On the contrary, the Australian Domestic Gas Security Mechanism, Gas Market Code and Heads of Agreement have added to the commercial risks of large, multi-year projects, "introduced inflexible processes" and contributed to "a growing compliance burden across the gas sector."³⁴

Recommendation: Consistent with the government's commitment to cut red tape, the implementation of reservation policy should be explicitly linked to:

- removing the Heads of Agreement
- removing the price cap and ministerial exemption framework under the Gas Market Code
- removing the Australian Domestic Gas Security Mechanism
- phasing out the ACCC Gas Inquiry
- streamlining reporting requirements, including by allowing agencies to share data with other agencies and internally, where reporting entities give express permission
- facilitating additional gas pipeline and storage projects, including by coordinating and accelerating approvals.

8. Immediately pursuing all actions to accelerate new supply and streamline approvals

Issue: A reservation policy alone will not fix the east coast gas market. Expediting new supply, including where that supply is close to customers, is the only sustainable way to put downward pressure on prices. The Review affirmed that "Ensuring Australia's domestic market is adequately

³² Office of Impact Analysis, [Australian Government Guide to Policy Impact Analysis](#), 17 February 2023.

³³ Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), 22 December 2025, pp. 46, 80f.

³⁴ *ibid.*, p. 76.

supplied at lower prices will require new supply, ongoing investment, and a more efficient, streamlined regulatory framework supported by complementary measures.” To date, the Commonwealth and states have not pursued all possible reforms to stimulate additional private investment in gas exploration, production and related infrastructure.

Recommendation: Australian Energy Producers urges the Australian Government to work actively with states to identify, promote and replicate those policies and regulatory approaches that have been most successful in bringing new gas supply to market. Reform priorities to unlock new supply include:

- expediting efficiencies contained in legislated changes to the Environment Protection and Biodiversity Conservation Act
- addressing regulatory loopholes and ensuring approvals are robust to unfounded legal challenges
- clarifying consultation requirements for offshore petroleum and greenhouse gas storage activities
- encouraging exploration by restoring regular acreage releases and removing limitations on seismic surveys
- reforming the native title regime and introducing time limits for decision making, particularly for “future act” decisions
- maintaining stable and internationally competitive tax settings.