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Australian Energy Market Commission

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Draft determination on gas networks in transition

Australian Energy Producers supports a gas regulatory framework that protects consumers and promotes efficient investment. Changing patterns of gas demand do not mean that gas infrastructure is becoming redundant, or that it is less important to energy security, affordability or emissions reduction. The Australian Energy Market Commission's draft determination itself states that its purpose "is not to determine the future role of gas or to favour a particular transition pathway," but to keep the framework capable of promoting efficient outcomes however the transition unfolds.¹ The final rule should be faithful to that premise.

The Australian Government's Future Gas Strategy states that "gas will remain a critical part of the energy landscape in 2050 and beyond."² The strategy recognises that: "Continued gas development and more flexible gas infrastructure is needed to increase the resilience of Australia's energy system and keep costs down as we transition." It also notes that: "New sources of gas supply are needed to meet demand during the economy-wide transition".³ The strategy further observes that the role of gas will change; some uses will decline, and residual use must be abated or offset. The strategy is consistent with AEP's longstanding position that natural gas will continue to play a crucial role in powering Australia's economy, while supporting the path to net zero in all credible scenarios.

Australian Energy Producers recommends that the Australian Energy Market Commission:

- 1. Adopt a scenario-based 20-year outlook, rather than a single declining-use trajectory.**
The outlook should include Australian Energy Market Operator adequacy cases, industrial and gas-fired generation demand, government policy (including gas reservation), and the prospect that data-centre demand increases the need for gas firming.
- 2. Ensure the proposed tighter expenditure tests and updated capital-recovery tools remain contingent on evidence and scenarios, rather than assuming a path of falling network use, so that gas infrastructure can continue to serve consumers and relieve peak demand and system stress.** These tests and tools should balance the risk of overcapitalising a network whose long-term use is uncertain, against the cost of under-maintaining infrastructure that consumers will still rely on. They should favour efficient use of what is already in place, including by locating new demand along existing corridors and maintaining that infrastructure where it remains fit for purpose, before consumers are committed to new investment recovered through higher network charges.

¹ Australian Energy Market Commission, [Draft rule determination: National Gas Amendment \(Gas networks in transition\) Rule](#), 27 August 2026, pp. 1, 8

² Australian Government, [Future Gas Strategy](#), May 2024, p. 17. Similarly, the Gas Market Review found that secure gas supplies are "a core component of energy security" and demand from households, industry and electricity generation will persist (Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), 22 December 2025, pp. 1, 5f).

³ Australian Government, [Future Gas Strategy](#), May 2024, pp. 25, 29.

The Australian Energy Market Commission’s framing of gas networks as being in “transition” should not be read as embedding a single trajectory of declining network use. The proposed 20-year outlook is useful in principle, because it can make assumptions, risks and trade-offs more transparent. Yet it should be used to manage uncertainty, rather than to treat progressive decline as the default case in every jurisdiction and customer class. Gas demand is not uniform across customers or jurisdictions, and household gas use, industrial gas demand and gas-fired generation will not necessarily change at the same pace. As Commissioner McMahon has put it, those are “related issues” but “not the same problem”. The Commissioner also recognised that regulatory tools need to work in “a world where demand may decline, rather than grow.”⁴ This is a reason for scenario-based planning and stronger scrutiny, not for assuming that a decline will occur overall or uniformly, or that customers can be treated as a residual problem. The regulatory framework should preserve the ability of gas infrastructure to service consumers who continue to prefer or rely on gas, including those who face financial or technical barriers to switching, and to provide support in periods of peak demand and system stress.

The Australian Energy Market Operator observes that gas remains central to heating, cooking, industrial processes and electricity generation, while acknowledging that the pace and breadth of future demand remain uncertain. Residential and small-commercial consumption is declining. Industrial demand is more durable than residential demand in the near term, but it is not flat: AEMO still projects a decline over the 20-year horizon in its “step change” case. Gas-powered generation is becoming more seasonal and more concentrated in winter. Committed and anticipated projects improve the near-term outlook and reduce the immediacy of winter peak-day risks, but they do not remove the need for further supply, transport and storage across the 20-year period that the commission proposes to plan for.⁵

Growth in electricity demand from data centres is a further likely source of gas demand. The development of power-hungry data centres can be expected to expand the role of natural gas, with the International Energy Agency projecting that globally, gas and renewables take the lead in meeting additional data-centre electricity demand to 2030.⁶

A single long-term outlook that treats “transition” as synonymous with falling gas use risks conflating distinct challenges. The electrification of household services in some jurisdictions may see fewer connections. Where new demand does emerge, including from industry and gas-fired generation, the efficient response will often be to locate it along existing infrastructure corridors and keep that infrastructure appropriately maintained, rather than to default to new build. Additional investment in pipelines, storage and infrastructure relating to gas-fired generation, remains necessary to supply industrial users and to deliver gas on fewer but more acute winter days. If a 20-year outlook is adopted, it should be scenario-based. It should include AEMO adequacy cases, industrial and generation demand, government policy (including gas reservation), and the prospect that data-centre demand increases the need for gas firming. The outlook should not collapse these pathways into one declining-use case.

⁴ Sally McMahon, Commissioner, Australian Energy Market Commission, [Planning for reliability in an uncertain energy future](#), speech to CEDA Energy Security VIC, Melbourne, 15 September 2026.

⁵ Australian Energy Market Operator, [2026 Gas Statement of Opportunities](#), 26 March 2026, pp. 5-7, 10, 33.

⁶ International Energy Agency, [Energy and AI](#), 10 April 2025, p. 14.

Australian Energy Producers supports transparency, disciplined expenditure assessment, and protection of consumers. The draft rule's longer outlook, tighter expenditure tests and updated capital-recovery tools can serve those purposes if they remain contingent on evidence and scenarios, rather than on an assumed path of falling network use. The final rule should also give the regulator scope to encourage efficient use of existing infrastructure wherever it remains fit for purpose, before committing consumers to covering the cost of new investment. Gas infrastructure will be essential for decades, and the rule should require the regulator and service providers to plan for that reality.