

## INTERIM REPORT SUBMISSION | *INQUIRY INTO THE WA DOMESTIC GAS POLICY*

Australian Energy Producers | 28 March 2024

Australian Energy Producers welcomes the opportunity to provide feedback on the Economics and Industry Standing Committee's *Domestic Gas Security in a Changing World - Inquiry into the WA Domestic Gas Policy: Interim Report*.

The member companies of Australian Energy Producers collectively account for more than 95% of Australia's oil and gas production, with more than half of production from facilities within Western Australia (WA). The WA oil and gas industry plays a pivotal role in the state and national economies, generating employment, fostering businesses, and delivering essential energy to domestic and international markets.

Australian Energy Producers' members are committed to supplying these markets and working with buyers to secure short-, medium-, and long-term gas supply contracts. Australian Energy Producers' members are committed to complying with their Domestic Gas Policy (Domgas Policy) obligations under agreements with the WA Government, pledging to maintain open communication and adaptability with regulators and gas buyers. Our industry aims to build sustainable and flexible relationships with gas users to ensure sufficient supply to meet domestic gas demand for decades to come.

The Domgas Policy has enabled the commercialisation of offshore projects of state, national, and international significance but currently stifles onshore gas projects and investment.

A stable regulatory regime without retrospective changes provides for an investment environment in which parties can make decisions on future investment without the risk of regulatory changes post-Final Investment Decision (FID). Given the growing challenges in offshore project development, regulatory certainty plays a crucial role in investment deliberations. For offshore projects, the Domgas Policy has provided the necessary balance of policy stability and flexibility through individual agreements with each gas project and producer, enabling the growth of a sustainable gas market in WA. The flexible application of the Domgas Policy has supported the domestic gas needs of the state and has avoided potential pitfalls of market interventions by ensuring gas developments could be developed economically while contributing to the WA domestic market, considering the circumstances of particular projects, as well as local market conditions. These projects provide WA and Australia's international trading partners the essential energy they need to grow economies securely, sustainably, and affordably, while also decarbonising. This is a contribution of enormous magnitude, and something every Western Australian can and should be truly proud of. The policy settings for offshore gas producers should remain consistent and stable.

Conversely, the Domgas Policy for onshore projects is not workable. It disadvantages onshore projects by effectively removing the signals for investment that have so successfully attracted the massive development of Australia's offshore resources. Despite the intention of the Domgas Policy to assist in securing WA's gas supply, it undermines industry viability and jeopardises future domestic gas potential. At this time of increased cost of living expenses, Australian Energy Producers recognises the importance of maintaining secure and affordable energy to the domestic market, also noting that a significant percentage of gas in WA is used as a feedstock for industrial purposes. Australian Energy Producers

therefore recommends that the Domgas Policy for onshore gas projects be amended to allow for onshore projects to access export markets, making the policy workable and avoiding the need for further Domgas Policy exemptions. Allowing onshore gas projects to export to international markets while ensuring sufficient supply to the domestic market will attract greater investment, bring more projects online, and result in new supply to the market. This, in turn, creates an investment environment attractive to further investment, exploration, and production.

This submission provides feedback to the Committee's findings listed in the Interim Report and responds with comments and recommendations. In summary, Australian Energy Producers recommends:

- **that market balance modelling be updated when events occur that significantly impact domestic gas supply and demand to provide Government and industry an up-to-date and more accurate representation of the WA gas market.**
- **that the Domgas Policy allow for the export of gas from onshore projects with consideration to ensuring adequate supply of gas to the domestic market.**
- **the Committee support Australian Energy Producers' efforts to enhance Domgas Policy transparency aimed to provide greater insight into the market balance, thus minimising the likelihood of future shortfalls.**
- **that no further interventions are implemented in the domestic gas market, and if interventions or policy changes are being considered that they are developed in conjunction with industry, encouraging an industry led solution.**

Australian Energy Producers looks forward to discussing these recommendations further during the Committee hearing on the 15<sup>th</sup> of April.

Yours sincerely

A handwritten signature in black ink that reads "CCherry".

Caroline Cherry

WA Director

## Findings and Australian Energy Producers' response

### Finding 1

*Since the inception of the WA Domestic Gas Policy, Western Australia has enjoyed secure and relatively affordable supplies of gas. It has been spared the gas price and supply volatilities which have troubled Australia's east coast.*

The Domgas Policy ensures gas is made available to the domestic market from projects, resulting in WA avoiding a gas shortfall or significant volatilities in gas price and supply as seen on the east coast. Australian Energy Producers members remain committed to providing the essential energy needed by the domestic and international market, however new supply is needed to backfill existing projects and to help alleviate forecasted supply shortfall.

With the Domgas Policy directly linking WA's domestic gas supply to LNG production, more new LNG projects are needed to maintain reliable and affordable supply for local users. Enabling the export of a portion of gas from onshore projects will support both the WA market when it needs it most as well as the decarbonisation aspirations of Australia's key trading partners.

The Domgas Policy due to its flexibility and stability is effective in guaranteeing gas supply to the domestic market from offshore projects. However, it has also had negative impacts on the gas market, particularly for onshore gas projects. The prohibition of exporting gas produced from onshore projects significantly hinders onshore gas development, harms the timely supply of gas to the domestic market, and slows the energy transition of many of Australia's key trading partners.

### Finding 2

*The Australian Energy Market Operator (AEMO) has forecast that Western Australia will experience a shortfall and there is no indication that AEMO is incorrect. Thus, there is a credible risk that the State will face a substantial gas supply shortfall starting in the near term and continuing for most of the next decade.*

The WA Gas Statement of Opportunities (GSOO) is a useful resource to assess future gas market conditions, including the supply and demand balance in the short-, medium-, and long-term. However, since the release of the 2023 GSOO there have been notable changes, such as the announcement of the closure of Alcoa's Alumina Refinery in the latter half of 2024, that will significantly impact gas demand and materially impact the forecast shortfalls.<sup>1</sup>

Updated modelling is required to factor in recent market changes and provide a more accurate representation of gas supply and demand balance of the State. **Australian Energy Producers recommends that market balance modelling be updated when events occur that significantly impact domestic gas supply and demand to provide Government and industry an up-to-date and more accurate representation of the WA gas market.**

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<sup>1</sup> <https://news.alcoa.com/press-releases/press-release-details/2024/Alcoa-announces-curtailment-of-Kwinana-Alumina-Refinery-in-Western-Australia/default.aspx#:~:text=The%20curtailment%20will%20include%20a,all%20alumina%20production%20will%20cease.>

The GSOO also does not consider the potential for development of unconventional gas resources, which could significantly impact the supply of gas in the state. AEMO should reconsider the inclusion of unconventional gas resources in the forthcoming GSOO.

In the initial submission to this inquiry, Australian Energy Producers provided evidence showing the potential of unconventional gas resources which is currently inaccessible in the absence of the necessary regulatory framework. The State Government can assist with the development of unconventional gas projects by implementing the necessary regulatory frameworks to allow for the exploration and extraction of unconventional gas in WA. Figure 1 provides an overview of the potential unconventional gas resources in the state.

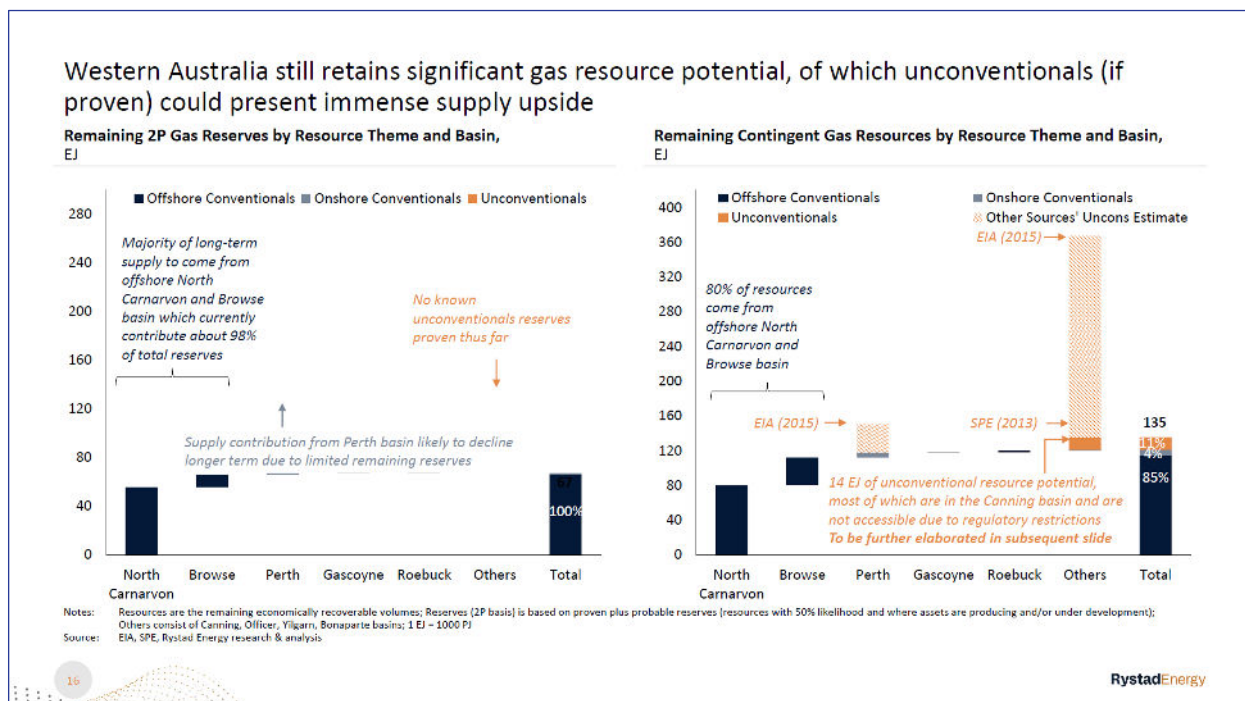


Figure 1 Rystad Energy Western Australia Gas Policy Study 2023

One of the most important factors to avoiding a gas shortfall in the long term is bringing on new supply through the timely approval of gas projects. Government can have a significant and immediate impact on the future gas supply by streamlining project approvals, noting that the regulatory oversight and protection of the environment remains critical. The risk of gas shortfalls can be minimised with more projects coming online in a timely and efficient manner. Industry's confidence in the regulatory and approval process is pivotal in shaping investment decisions. Delays in approvals, whether stemming from environmental concerns or other factors, not only affects the particular project under review by regulators but also has wider repercussions on industry's confidence in the predictable regulatory supervision of its activities.

## Finding 3

*If the forecast shortfall materialises, it will likely produce adverse consequences for the State, for example: higher electricity prices, loss of industry and jobs, and the presentation of a very real threat to the State's decarbonisation agenda.*

Australian Energy Producers appreciates the Committee's recognition of the importance of gas to the state. Australian Energy Producers agrees with Finding 3 and highlights the importance of bringing online more gas projects to assist in the future supply of gas to the domestic and international markets. This finding highlights the importance of gas to sustaining industry and jobs and the decarbonisation efforts of the state by providing firming energy for renewables and displacing coal from the energy mix. This is equally important for Australia's international trading partners who benefit from LNG and utilise this essential energy to decarbonise their economies.

WA enjoys plentiful gas resources which can and should be leveraged to financially benefit the WA economy and decarbonise the WA economy and the economies of the region. Securing additional supply of gas can assist in backfilling existing facilities which bring immense economic benefit to the state. With global LNG demand projected to increase by 50% by 2040, WA is on the cusp of another significant economic and decarbonisation opportunity.<sup>2</sup> Unshackling the onshore oil and gas industry of WA can bring significant benefits to the state, country, and region.

The optimal and efficient supply of gas to the domestic and international market occurs when industry holds confidence in the effectiveness and stability of the regulatory framework in which it operates and is motivated to make investments. The natural demand for gas is increasing and it is imperative that supply increases to meet this demand.

## Finding 4

*The present reliance on the implementation of the WA Domestic Gas Policy by contracts lacks consistency, transparency and enforceability. The final report will include recommendations on this.*

### Consistency

The WA Domgas Policy is a complex policy mechanism. The Domgas Policy states it will be applied flexibly by State Government which is one of the key reasons for the Domgas Policy's success in offshore project development. The bespoke domestic gas commitment agreements negotiated at a project's inception helps projects to get developed by providing certainty for LNG project developers, whereas a prescriptive one-size-fits all approach risks rendering projects uncommercial. Australian Energy Producers supports maintaining this flexible application of the Domgas Policy in a manner that recognises the specific circumstances of particular projects, prevailing economic conditions, and the needs of the State.

This flexible approach should be extended to onshore projects. As the policy currently stands, it is evident that the Domgas Policy is not workable for onshore projects and therefore requires inconsistent

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<sup>2</sup> [https://www.shell.com/what-we-do/oil-and-natural-gas/liquefied-natural-gas-lng/lng-outlook-2023/jcr\\_content/root/main/section\\_599628081\\_co/promo\\_copy\\_copy/links/item0.stream/1676487838925/410880176bce66136fc24a70866f941295eb70e7/lng-outlook-2023.pdf](https://www.shell.com/what-we-do/oil-and-natural-gas/liquefied-natural-gas-lng/lng-outlook-2023/jcr_content/root/main/section_599628081_co/promo_copy_copy/links/item0.stream/1676487838925/410880176bce66136fc24a70866f941295eb70e7/lng-outlook-2023.pdf)

application (exemptions). Australian Energy Producers contends that this lack of consistency is an area which can be improved by providing flexibility of the Domgas Policy to onshore projects. **Australian Energy Producers recommends that the Domgas Policy allow for the export of gas from onshore projects with consideration to ensuring adequate supply of gas to the domestic market.** Improving the Domgas Policy to be more flexible in this manner will empower gas producers to utilise commercially viable business models thus increasing the number of gas projects coming online, meaning additional supply to the domestic market.

Without the ability to access larger international markets, at least in part, some onshore gas projects are not commercially viable. Government has acknowledged this reality for certain regions such as the Canning Basin<sup>3</sup>, and certain projects such as the Mitsui operated Waitsia project. The Canning Basin and Waitsia project are examples of regions and projects which, due to an array of factors, requires the ability to export gas to the international market for a period of time to be commercially viable. Other projects exist which also require such commercial settings to be given the green light, as shown in Figure 2.

Rather than enabling the development of these resources by exemption to the Domgas Policy, removing the onshore export ban would enable the development of more onshore projects. Additionally, when more projects are commercially viable, more investment in exploration and production is reasonably expected to follow.

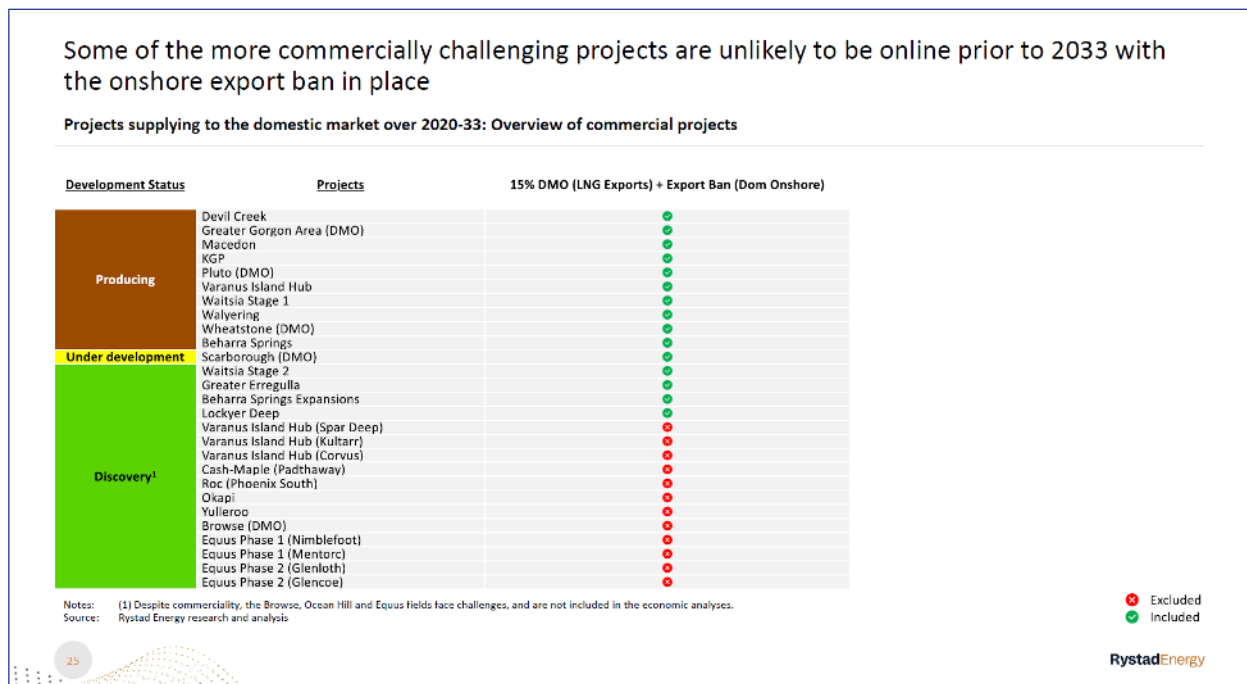


Figure 2 Rystad Energy Western Australia Gas Policy Study 2023

## Transparency

<sup>3</sup> <https://www.wa.gov.au/government/announcements/update-domestic-gas-policy#:~:text=In%20August%202023%2C%20the%20WA,through%20the%20existing%20pipeline%20network.>

Australian Energy Producers agrees in principle that improving transparency of the Domgas Policy is a critical step towards fostering trust and accountability within the domestic market. Currently, offshore LNG producers provide the Department of Jobs, Tourism, Science, and Innovation (JTSI) compliance reports at the project participant level, ensuring Government is informed about the progress of each agreement. These reports are confidential, but industry believes there is an opportunity to provide increased transparency through the development of a Domestic Gas Commitment Statement, slated for annual publication starting June 2024. Australian Energy Producers member companies are collaborating on a transparency framework to contribute to the further development of the Commitment Statement, to address these concerns, reflecting a concerted effort to promote transparency and accountability by all market participants, including customers and producers without Domestic Market Obligations (DMO). The Commitment Statement will offer clarity and accountability regarding gas producers' compliance in meeting their DMOs. Australian Energy Producers' members intend to provide this information from each JV project participant as opposed to being reported publicly at a project level as is currently done. **Australian Energy Producers recommends the Committee support Australian Energy Producers' efforts to enhance Domgas Policy transparency aimed to provide greater insight into the market balance, thus minimising the likelihood of future shortfalls.**

#### Enforcement

Australian Energy Producers disagrees with the statement that the Domgas Policy lacks enforceability. Domestic gas agreements entered into as part of the Domgas Policy contain enforcement mechanisms, however these are only to be used as a last resort. Each agreement is different and contains different enforcement provisions. These provisions have never been invoked, as gas producers have consistently met their Domgas Policy obligations. Individual domestic gas agreements include enforcement mechanisms related to the successful fulfillment of DMOs including independent audit and arbitration if a producer is failing to fulfill their DMO or significant financial consequences. Furthermore, enforcement mechanisms are contractual as the Domgas obligations are defined for each project and producer in domestic gas agreements.

#### Finding 5

*To date, the WA Domestic Gas Policy has provided a framework that encourages market responses to gas surpluses or shortfalls but given that the WA gas market is facing extended and significant shortfalls, the policy is evidently no longer fit-for-purpose.*

Australian Energy Producers disagrees with the assertion in Finding 5 that the Domgas Policy 'encourages market responses' to the demands of the domestic gas market insofar as it applies to onshore producers. While the Domgas Policy is flexible and workable for offshore projects and should remain so, it is evident that certain elements of the policy are unworkable and actively restrictive for onshore gas projects. Unlike offshore projects, which can access global LNG markets, onshore projects are limited to domestic market dynamics, creating an imbalance in competitiveness. This disparity places onshore gas projects at a disadvantage, impacting both existing operations and deterring investment in the domestic gas market across short-, medium-, and long-term. Enabling onshore projects to access international markets, while still ensuring adequate supply to the domestic market, would foster a more level playing field, enhancing their viability and bolstering the overall investment outlook and supply potential for the domestic gas sector.

Conversely, flexibility in the application of the Domgas Policy allows offshore producers to adjust their supply in response to market conditions with the expectation that producers work to balance the market where demand exists. Producers have an obligation to market and make domestic gas volumes available, not to flood the markets: a point recognised in the previous Inquiry. If a supply shortfall and resulting price increase is not inducing a demand response, improving market signals ought to be the focus.

While shifts in supply and demand following the release of the 2023 WA GSOO in December 2023 may have helped balance the market in the near term, the risk of a significant shortfall early in the next decade remains. This highlights the importance of enabling the development of new supply by improving the predictability and timeliness of regulatory approvals and removing the current ban on exporting onshore gas resources.

## Finding 6

*Since their commitments started, LNG producers have on average delivered around eight per cent of domestic gas relative to LNG exports; just over half of what is required to be reserved under the WA Domestic Gas Policy. In 2022 this increased to 10 per cent of LNG being supplied as domestic gas. However, there is considerable variation between LNG producers, and it appears that some producers are not operating within the spirit of the Policy.*

Australian Energy Producers strongly disagrees with Finding 6. The Committee's assertion that LNG producers have only delivered eight per cent of domestic gas relative to LNG exports since their commitments began is incorrect and an oversimplification of the current situation. Even if the Domgas Policy compliance of certain LNG producers is in question, to paint all LNG producers with a broad-brush ignores the complexity of the Domgas Policy and agreements LNG producers have negotiated with Government. Further, many factors beyond the percentage of gas put into the domestic market should be considered when determining a producer's compliance with their Domgas obligations. Two key considerations are demand market dynamics and timing of supply and demand in the domestic market. Domestic gas demand is required for gas to be put into the domestic market, and gas demand varies over time. As for timing, the flexibility of the Domgas Policy requires domestic gas be supplied over a project's lifespan, without specifying a mandated schedule for delivery. It is essential to avoid generalised statements which inaccurately group all producers, as this oversimplification fails to capture the differences between the agreements that give effect to the Domgas Policy.

As noted in response to Finding 4, industry is working to develop a transparency framework to support Government in its oversight of the Domgas Policy. This transparency enhancement will help demonstrate that Australian Energy Producers' members are committed to openness and accountability by providing publicly available reports to Government showing adherence to their DMO and compliance with the Domgas Policy.

Australian Energy Producers emphasises the criticality that the Domgas Policy and domestic gas agreements be accurately interpreted, with recognition that industry participants are in fact adhering to the terms and conditions of agreements negotiated in good faith with the State Government at project inception. Applying the ordinary and natural meaning to the words in the policy and agreements promotes fairness, clarity, and legal certainty with confidence in regulatory oversight.



## Finding 7

*Some gas producers strictly apply the terms of their domestic gas agreements seemingly without regard to either the spirit of the WA Domestic Gas Policy or their social contract with the Western Australian community.*

Australian Energy Producers disagrees with Finding 7. The industry has a strong record of delivering to balance the domestic gas market. LNG exporters who 'strictly apply the terms of their domestic gas agreements' are simply complying with the terms of their agreements as negotiated with the State. LNG producers should not be criticised for relying on the terms of agreements negotiated in good faith with the State Government.

## Finding 8

*LNG exports are favoured by producers because they provide exposure to larger international markets; deeper pools of international capital; and attract higher prices than deliveries of domestic gas. For this reason, some submitters to the inquiry claim that LNG exports from the Perth Basin could incentivise the development of new gas resources.*

Australian Energy Producers supports the claim noted in Finding 8 that allowing onshore gas producers to access international markets would incentivise further investment, development, and exploration of gas resources in the state as previously discussed in response to earlier findings.

In relation to the statement that LNG exports are 'favoured', Australian Energy Producers notes that the natural resources found in WA and Commonwealth waters are only economic to be developed for primarily international export due to their size and scale. The responsible extraction of these resources provides immense economic, social, and environmental contributions to the state, country, and Australia's international trading partners.

While ensuring the domestic gas market is sufficiently supplied, the WA economy also benefits from the LNG export opportunity, which bolsters its financial resources for various public initiatives and investments. As mentioned, resources found offshore of WA are ideal for LNG exports due to their size and scale. These projects require vast supply chains and create thousands of jobs. The economic benefits play a pivotal role in supporting essential services, infrastructure development, and economic growth across the state. As the global demand for energy continues to rise, particularly in developing economies, the demand and value of LNG on the international market is expected to grow, directly impacting the benefits generated from gas projects. WA, endowed with significant natural gas reserves and established export infrastructure, stands to gain significantly from these market dynamics. The influx of opportunity from offshore projects contributes to the overall prosperity and stability of WA's economy, fostering job creation, innovation, and diversified development initiatives. The alignment of WA's LNG exports with the prevailing international market prices not only enhances the state's fiscal position but also reinforces its position as a reliable player in the global energy landscape.

## Finding 9

*There is competing evidence as to whether allowing onshore producers to export LNG would increase the volume of gas delivered to domestic consumers. It is not clear whether*

*this action alone would provide a timely remedy to the forecast gas shortfall. However, if greater pools of capital were available, this may facilitate the faster development of the resource and deliver greater volumes to the domestic market.*

The existing Domgas Policy, and most notably the changes to the Domgas Policy in 2020 prohibiting the export of onshore gas, is restrictive and harms the timely supply of gas to the domestic market. Australian Energy Producers commissioned independent energy consultant Rystad Energy to review the WA Domgas Policy and the impact of the export ban on onshore gas projects. As previously shown in Figure 2, Rystad Energy found that restricting onshore gas producers from exporting a portion of their gas limited the pool of potential projects. The absence of these additional projects could result in missed opportunities for investment, economic growth, Government royalties, job creation, and additional supply to the domestic market. Expanding access to broader international markets holds the potential to enhance the commercial viability of gas projects, leading to a greater number of ventures progressing and ultimately boosting domestic gas supply.

## Finding 10

*Given the forecast domestic gas shortfall and credible risk of imminent and material economic harm, there is a case for the State Government to intervene in the domestic gas market. This could include a legislative response.*

Australian Energy Producers considers this finding to be premature given the opportunity and time for market participants to respond to ensure a potential gas shortfall is avoided. For example, Woodside Energy announced it was working with the Government to make more gas available for the domestic market. This additional supply coupled with new supply coming from the Scarborough project in 2026 will assist in addressing the forecasted supply shortfall.<sup>4</sup>

Australian Energy Producers also notes that a number of arrangements setting out domestic gas obligations are already legislated for some projects under their State Agreements. Additionally, the Australian Government's Australian Domestic Gas Security Mechanism (ADGSM) is an established, emergency measure of last resort that can be called on to address domestic gas shortages if needed. Raising the possibility of further Government intervention in the market is concerning and should be considered with extreme caution. Even the consideration of market intervention can have negative impacts on investment decisions and negatively impact the future supply of domestic gas. **Australian Energy Producers recommends that no further interventions are implemented in the domestic gas market, and if interventions or policy changes are being considered that they are developed in conjunction with industry, encouraging an industry led solution.**

## Finding 11

*Industry-led responses to the forecast domestic gas shortfall are preferred and to be encouraged. In some cases, it may be appropriate for government intervention to be*

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<sup>4</sup> [https://www.woodside.com/docs/default-source/media-releases/evp-marketing-and-trading-adgo-transcript-260324.pdf?sfvrsn=45ddf926\\_12](https://www.woodside.com/docs/default-source/media-releases/evp-marketing-and-trading-adgo-transcript-260324.pdf?sfvrsn=45ddf926_12)

*deferred or suspended if a timely and effective industry-led response is addressing the problem.*

Australian Energy Producers' members remain committed to supplying gas to the domestic market. Member companies recognise the importance of supporting the local economy and ensuring essential energy needs are met for residents, businesses, and industries within the state. Supplying gas to the domestic market contributes to fulfilling this social responsibility. The consistent supply of domestic gas shows industry's commitment to meeting the domestic supply, and Australian Energy Producers' members will continue to work with Government to ensure the future supply of domestic gas is sufficient to meet demand.

There are a number of key actions that Government can take to assist in meeting the future gas demands of the state and region. This includes completing the necessary regulatory framework for unconventional gas development. WA has significant onshore gas reserves and resources and establishing a framework to allow for unconventional gas exploration, extraction and production holds immense potential which could provide valuable contributions to the state's future gas supply and associated royalties.

Several submissions and testimonies to the Committee highlighted a key factor in unlocking new gas supply is to ensure timely approval of gas projects – new, and those providing backfill for existing projects. Ongoing delays in project approvals, both at a Federal and state level, are a barrier to new gas supply. Approving more projects will help ensure availability of domestic gas in the medium- to long-term.

As noted in response to Finding 4, industry is working to develop a transparency framework to assist Government in its oversight of the Domgas Policy. This transparency framework is an opportunity for all market participants to contribute to providing greater transparency to the domestic gas market and Domgas Policy.

## Finding 12

*Government interventions should be sensitive to the sovereign risk issue, but should also have regard to the following:*

- *industry in any jurisdiction faces the risk of regulatory change as circumstances and policies change over time*
- *not all sovereign interventions are equal in effect*
- *while the State's economic prosperity may depend in part on its reputation as a low sovereign risk jurisdiction, it also depends on other factors including having a secure and affordable supply of energy and feedstock gas.*

Australian Energy Producers agrees with the importance of ensuring adequate domestic gas supply and believes that further Government intervention is unnecessary given that producers are meeting their DMO in compliance with the Domgas Policy. The prospect of further Government intervention in the market is concerning and warrants careful consideration. It is crucial to approach discussions on this matter with extreme caution to avoid unintended consequences. Industry has consistently demonstrated its willingness to collaborate with Government to ensure sufficient gas supply to meet demand without formal or legislative intervention, highlighting the potential for constructive dialogue and partnership in

addressing any concerns. This should remain the first option to resolving a domestic gas shortfall. Policy improvements can be achieved without jeopardising WA's investment attractiveness and Australian Energy Producers supports refining elements of the Domgas Policy on a forward-looking basis. Should Government decide changes to the Domgas Policy, it is essential that market participants be thoroughly consulted. This approach will allow industry to offer feedback to Government, providing stakeholders an opportunity to contribute to the policy development process.

Regulatory changes that are considered overly burdensome to industries may lead to capital flight or a reluctance to invest in the impacted sectors. This can impede economic growth and development, as investment is essential for driving innovation, creating jobs, and maintaining stable and affordable energy supplies. Australian Energy Producers acknowledges that regulatory changes occur in all jurisdictions, noting the Committee's recognition of the inherent risks. The offshore environment has proven to be workable – projects of national and state significance have been sanctioned and brought online under the Domgas Policy. However, the regulatory environment for onshore gas production is limiting new development opportunities. Certainly, while onshore projects exist, there remain multiple projects which require access to international markets to be commercially viable, and they cannot proceed unless access to international markets is permitted.

### Finding 13

*Government interventions do not have to apply across the board. If some gas producers are acting in accordance with the spirit of the WA Domestic Gas Policy while others are not, it may be appropriate for a government intervention to target only the latter.*

Australian Energy Producers agrees that commitment holders should be accountable for complying with the agreements they have negotiated with the State at project inception. Any compliance mechanisms should specifically impact those not fulfilling their DMO rather than impacting compliant producers or the entire industry. It is worth noting that different agreements impose various requirements on producers, and Domgas Policy commitments will look different for individual producers and projects. If a Domgas Policy commitment holder is not meeting their obligations, Government should engage them directly to find a solution leading to compliance before considering or implementing market interventions. To reiterate the comments provided to Finding 12, consideration of Government intervention is premature given that producers are fulfilling their DMOs.