

# Australian Natural Gas

A plan for Australia's economic  
and energy security



australian  
energy  
producers



## Acknowledgement

Australian Energy Producers acknowledges the Traditional Custodians of Country throughout Australia and their knowledge in caring for land, water, and community. We pay our respects to ancestors and elders—past, present, and emerging.



# Introduction

## Australia's oil and gas industry is essential to our country's energy security and economic prosperity.

For more than half a century, Australian oil and gas has provided generations of Australians with reliable and affordable energy.

Today, natural gas continues to power Australia's economy.

Our manufacturing, mining, electricity and construction sectors all depend on reliable, affordable gas supply.

As the Australian Government's *Future Gas Strategy* confirmed, natural gas will continue to play a critical role in Australia's energy mix to 2050 and beyond.<sup>1</sup>

Australian gas is also critical to the energy security and decarbonisation of Asian economies, presenting new strategic and economic opportunities.

However, despite Australia's abundant energy resources, our energy security is not assured.

Australia's energy policies have failed to ensure gas supply keeps up with demand, resulting in forecast gas shortfalls on the east coast from 2027<sup>2</sup> and from 2030 in Western Australia.<sup>3</sup>

Regulatory uncertainty, approval delays and policy interventions have damaged Australia's reputation as a safe place to invest, and petroleum exploration activity has stalled.

Without continued investment and delivery of new gas projects, Australian households and businesses face higher energy prices, uncertain energy supply, and increased risk of blackouts that will hit every part of the economy.

Australia's oil and gas sector is committed to providing Australians with reliable and affordable energy.

The 2025 Federal Election is an opportunity for the next Australian Government to back the development of Australia's abundant gas resources to deliver long-term energy security and continued economic growth.

Australian Energy Producers has identified tangible actions to realise this opportunity.

**Samantha McCulloch**

Chief Executive, Australian Energy Producers

1 *Future Gas Strategy*, Australian Government, May 2024.

2 *Gas Inquiry 2017-2030*, Australian Competition and Consumer Commission (ACCC), December 2024.

3 *2024 Western Australia Gas Statement of Opportunities*, Australian Energy Market Operator (AEMO), December 2024.

# Importance of oil and gas to Australia's economy



## Powering the Australian economy

Oil and gas meet around two thirds of Australia's primary energy needs.<sup>4</sup> While most of our liquid fuels are imported, Australians depend on locally-produced natural gas every day to generate electricity, for household cooking and heating, and for almost 40 per cent of energy used in manufacturing to make everyday products like glass, aluminium, bricks and cement.



## Providing reliable, affordable and cleaner electricity

Natural gas is used to generate around one sixth of Australia's electricity and has an increasingly important role as a reliable back-up to growing shares of renewables in our power mix. Gas can be turned on and off when renewables aren't available, which supports the lowest-cost electricity mix for homes and businesses.<sup>5</sup>



## Supporting highly paid Australian jobs

The Australian oil and gas industry is a major employer, supporting 215,000 jobs across the supply chain. This includes 30,000 direct jobs and 185,000 indirect jobs, with employee salaries totalling \$6 billion in 2021–22. More than one third of these jobs are in WA, and a quarter in Queensland.<sup>6</sup>



## Contributing to economic growth

Australia's gas industry contributed \$105 billion to Australia's economy in 2021–22, including \$85 billion in direct gross domestic product which represented 3.7 per cent of Australia's GDP. The Australian gas industry is the most productive sector in Australia, delivering \$2.8 million in value-add to the national economy per full time equivalent (FTE) worker.<sup>6</sup>



## A major taxpayer in Australia

Australian oil and gas companies are among Australia's largest taxpayers,<sup>7</sup> contributing an estimated \$17 billion in taxes and royalties last financial year to state and federal budgets to help fund essential services and infrastructure such as schools, hospitals and roads.

<sup>4</sup> *Australian Energy Statistics 2024*, Department of Climate Change, Energy, Environment and Water.

<sup>5</sup> *2024 Integrated System Plan*, Australian Energy Market Operator.

<sup>6</sup> *Economic Contribution of the Gas Industry*, KPMG, February 2024.

<sup>7</sup> *Corporate Tax Transparency Report 2022–23*, Australian Taxation Office, November 2024.

# Gas facts



**\$105 billion**  
in annual economic  
contribution<sup>8</sup>



**215,000**  
jobs across the gas  
industry value chain<sup>8</sup>



**26%**  
of Australia's primary  
energy needs<sup>9</sup>



**37%**  
of energy used  
by Australian  
manufacturing<sup>9</sup>



**5 million**  
homes connected  
to the gas network<sup>10</sup>



**\$17 billion**  
in taxes and royalties  
paid to governments  
in 2023–2024<sup>11</sup>

<sup>8</sup> *Economic Contribution of the Gas Industry*, KPMG, February 2024.

<sup>9</sup> *Australian Energy Update 2024*, Department of Climate Change, Energy, Environment and Water.

<sup>10</sup> *Future Gas Strategy*, Australian Government, May 2024.

<sup>11</sup> Australian Energy Producers Financial Survey, May 2024.

# A plan for Australia's economic growth and energy security



**1. Boost Australian gas supply to ease cost-of-living pressures**



**2. Restore Australia's global competitiveness**



**3. Deliver real emissions reductions with gas and CCUS**



**4. Remain a reliable energy partner in our region**



# 1. Boost Australian gas supply to ease cost-of-living pressures

**Australia's energy security and economic growth requires continued investment in gas exploration and development to meet our energy needs to 2050 and beyond.**

Developing Australia's abundant gas reserves will deliver lower energy prices for Australian households and businesses, boost Australia's global competitiveness, support hundreds of thousands of jobs and open up new trade and strategic opportunities in our region.

However, Australia's energy policies have failed to ensure gas supply keeps up with demand, resulting in forecast gas shortfalls on the east coast from 2027, and from 2030 in Western Australia.

Investment has stalled amid years of regulatory uncertainty, approval delays and activist lawfare.

Critical gas projects face lengthy delays and greater risk of legal challenges due to ambiguous and unclear consultation requirements in the offshore environment regulations.

Meanwhile, the Environment Protection and Biodiversity Conservation Act needs urgent reform to streamline and simplify environmental approvals.

The Australian Competition and Consumer Commission (ACCC) and Australian Energy Market Operator (AEMO) have urged governments to speed up approvals, remove barriers to new gas supply and incentivise investment to avoid shortfalls.

Addressing these barriers should be a national priority. Australia needs an effective and streamlined regulatory environment to expedite project delivery and attract investment.

## Actions



Fast-track new gas projects and incentivise investment in new gas supply and infrastructure

Fix the regulatory uncertainty and delays for offshore oil and gas projects by clarifying consultation requirements

Streamline approvals under the Environment Protection and Biodiversity Conservation (EPBC) Act

Return to annual offshore acreage releases and remove restrictions on the use of offshore seismic surveys

Defund the Environmental Defenders Office

'The east coast has sufficient gas reserves and resources to meet current demand projections over the next decade and beyond. However, new gas production is not being brought online fast enough.'

**Australian Competition and Consumer Commission<sup>12</sup>**







## 2. Restore Australia's global competitiveness

**Australian natural gas has provided generations of Australians with reliable, affordable energy that has transformed Australia's economy and opened up trade and investment opportunities in our region.**

Australia's competitive advantages – our abundant energy resources, stable investment environment and proximity to fast-growing Asian markets – have positioned Australia as a global energy leader.

However, regulatory uncertainty, approval delays and policy interventions have damaged Australia's reputation as a safe place to invest.

The east coast gas market is yet to fully recover from the Australian Government's damaging market intervention two years ago, and investors remain wary of the sovereign risk posed by the threat of interruptions to gas export contracts and further market interventions.

As a result, international capital is shifting away from Australia towards jurisdictions with regulations that provide long-term certainty and more timely approval processes.

The ACCC has recognised the need for more investment certainty for Australia's gas market, recommending, 'The role of gas should be explicit in government planning for the energy transition, to give confidence and incentives for market-led solutions to achieve energy security and support gas markets in the transition.'<sup>12</sup>

To restore Australia's global competitiveness, governments need to provide clear and stable policy settings conducive to long-term investment certainty.

<sup>12</sup> Gas Inquiry 2017–2030, ACCC, December 2024.



### Actions

Remove pricing controls on the east coast gas market and support a return to market signals

Remove duplicative and onerous reporting requirements across the east coast gas market

Commit to no increase to taxes or levies on the oil and gas sector, including the Petroleum Resource Rent Tax (PRRT)

Deliver stable, competitive taxation and fiscal policies to provide certainty and attract investment



### 3. Deliver real emissions reductions with gas and CCUS

#### Natural gas will play a critical role in Australia's energy transformation.

As the *Future Gas Strategy* found, 'Under all credible net zero scenarios, natural gas is needed through to 2050 and beyond'.<sup>13</sup>

Natural gas provides the reliable back-up to renewables in power generation, yet is excluded from programs that would support urgently-needed capacity investment.

Australia's LNG exports are also crucial to the energy security and decarbonisation of our key trade partners including Japan and Korea.

Ensuring reliable and affordable gas to support Australia's transition to a net zero economy requires continued investment in new gas exploration and development.

Australia will also need to substantially scale-up the rollout of carbon capture, utilisation and storage (CCUS) across the economy to achieve net zero by 2050.

CCUS is one of few technology options to significantly reduce emissions from industry – including the manufacturing of steel, cement and chemicals. A 'hub' approach to shared CCUS infrastructure is emerging as a preferred model around the world to cut emissions in hard-to-abate sectors as it reduces costs and risks for companies and opens up CCUS at scale.

CCUS with natural gas is also the least-cost and most mature way to produce low-carbon hydrogen today.

However, Australia's climate and energy policies continue to overlook the essential role of gas and CCUS in the energy transition.

<sup>13</sup> *Future Gas Strategy*, Australian Government, May 2024.



#### Actions

Ensure climate and energy policies recognise the essential role of gas in achieving net zero by 2050

Include gas power generation in the Capacity Investment Scheme to incentivise investment in gas infrastructure

Ensure the Safeguard Mechanism is fit for purpose and maintains the global competitiveness of Australian industries

Deliver a national CCUS roadmap

Include CCUS in programs to reduce industrial emissions and support the development of shared infrastructure



## 4. Remain a reliable energy partner in our region

### **International investment has been instrumental in building Australia's domestic and export gas industry.**

Australia's LNG sector is essential to the energy security and decarbonisation goals of key trade partners, meeting around 40 per cent of Japan's and 25 per cent of South Korea's gas demand.

Today, Australia supplies around one fifth of the global LNG market, with more than \$400 billion invested in Australian LNG and gas projects since 2010.<sup>14</sup> This investment has also unlocked crucial gas supply for Australia's domestic markets.

The International Energy Agency forecasts LNG demand in Southeast Asia could grow as much as eight-fold by 2050,<sup>15</sup> presenting new strategic and economic opportunities for Australia.

However, Australia faces growing competition to supply LNG to the region, and countries are reluctant to make further investment in Australia amid the risk of government interruptions to long-term supply contracts.

Australia's commitment to remain a reliable energy partner needs to be backed by policy actions that recognise the long-term strategic, economic and emissions reduction opportunities of LNG in our region.

Australia can support further emissions reductions in our region by partnering with other countries to transport CO<sub>2</sub> for permanent storage in Australia. This represents a major new industry for Australia worth up to hundreds of billions of dollars.<sup>16</sup> However, Australia needs to move faster to put in place the necessary regulatory frameworks and bilateral agreements or risk losing out to other countries.

<sup>14</sup> APPEA—LNG Taxation Estimates and Review, Wood Mackenzie April 2023.

<sup>15</sup> Southeast Asia Energy Outlook 2024, International Energy Agency, October 2024.

<sup>16</sup> Australian Energy Producers, Australian carbon storage hub a \$600 billion opportunity: Wood Mackenzie, May 2024



### **Actions**

Commit to Australia providing long-term energy security to our trade partners beyond 2030

Guarantee LNG export contracts will not be interrupted

Recognise the strategic and economic opportunities of Australia's LNG trade

Prioritise bilateral CCUS agreements with regional partners for offshore storage





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