

25 October 2024

Select Committee on Energy Planning and Regulation in Australia
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Inquiry into the Institutional structures, governance, regulation, functions, and operation of the Australian energy market

Australian Energy Producers welcomes the opportunity to provide input to the Select Committee on Energy Planning and Regulation in Australia. The Australian oil and gas sector is committed to working with energy regulators to ensure the efficient operation of the Australian energy market. The efficient operation of Australia's energy market is essential to support economic activity and the well-being of the community.

Australian Energy Producers recommends:

- The institutional structures, governance, and operations of the Australian energy market must support the key role of natural gas in delivering energy security and emissions reductions.
- The roles and responsibilities of the Australian energy market institutions must be clearly defined and aligned to maximise the efficient operations of the market.
- Reducing duplication and maximising harmonisation in gas market reporting should be a priority across the Australian energy sector institutions.

Natural gas will remain critical to Australia's energy security and emissions reductions to 2050 and beyond | The Future Gas Strategy states that "gas plays a critical role in Australia's economy" and is "an important part of Australia's future", emphasising that "under all credible net zero scenarios, natural gas is needed through to 2050 and beyond."¹ This is supported by energy and climate analysis from the International Energy Agency and the Intergovernmental Panel on Climate Change that forecast ongoing global demand for natural gas beyond 2050 aligned with net zero pathways. The Net Zero Australia study confirms the need for natural gas in all net zero scenarios in Australia².

Natural gas provides 37 per cent of all the energy used by Australian manufacturing and industry today³. Industrial sites around Australia use 380PJ of gas annually, as a source of high-temperature and controllable heat for firing of bricks and glass, as well as smelting, refining and mineral processing⁴. Further, natural gas is playing an increasingly important role as a reliable and flexible source of electricity as the share of renewables grows and as coal is phased out. As outlined in the Australian Energy Market Operators' (AEMO) 2024 Integrated Systems Plan, the National Electricity Market (NEM) will need around 13 gigawatts of new gas power generation

¹ [Future Gas Strategy](#), p4, Department of Industry, Science and Resources, May 2024.

² [Net Zero Australia Final Modelling results](#)

³ [Australian Energy Update 2024](#), p10, Department of Climate Change, Energy, Environment and Water (DCCEEW)

⁴ [Future Gas Strategy](#) | [How Australian Gas is used today](#)

capacity to be built by 2050, with demand for gas in the NEM forecast to increase by 170 per cent in the next two decades.⁵

The regulatory framework of the Australian energy market must support the key role of natural gas in delivering energy security | The Australian Competition & Consumer Commission (ACCC) and AEMO continue to forecast structural shortfalls in the east coast gas market from 2027, and shortfalls in periods of peak demand as early as winter 2025.

The ACCC's Gas Inquiry 2017-30 has found that gas shortfalls would place "continued upward pressure on prices in the domestic gas market, as well as pressure on the electricity market"⁶, and identified "an urgent need to develop new sources of gas production and supply"⁷. It recommended "Governments at all levels should focus on removing unnecessary impediments to developing new gas resources."

The Australian energy market regulatory framework, including through AEMO, the Australian Energy Regulatory (AER), and the Australian Energy Market Commission (AEMC) must work to ensure there is sufficient gas supply, gas power generation capacity, and supporting gas infrastructure to deliver ongoing energy security and emissions reductions in Australia. This includes working with governments to provide regulatory certainty and stability and remove barriers to investment in new gas supply.

The roles and responsibilities of the Australian energy market institutions must be clearly defined and aligned to maximise the efficient operations of the market | Ensuring distinct and well-defined roles and responsibilities of each agency will help streamline market operations, improve the outcomes for energy market end-users, and reduce the administrative burden on industry participants. It will also facilitate better communication and collaboration between regulators and industry and contribute to a more stable and predictable regulatory environment. Stable energy and gas sector governance is critical to enabling investment and supporting the ongoing performance and reliability of Australia's energy market.

Reducing duplication and maximising harmonisation in gas sector reporting should be a priority across the Australian energy sector institutions | Australian gas producers are already experiencing increased reporting requirements from a range of Federal and State departments and agencies, including the ACCC, AEMO, and AER. Cumulatively, these monitoring and reporting requirements represent a significant and growing administrative burden on gas producers which risk impacting the operating costs of gas production.

Cross-agency collaboration is needed to avoid duplication in reporting requirements from regulators, including through standardising data requirements, formats, and definitions and aligning reporting periods and schedules to reduce the administrative burden on companies and improve regulatory efficiency. This is particularly important in the case of the new AER Enhanced Wholesale Market Monitoring and Reporting Guideline and proposed AER Wholesale Gas Market report, which if not properly coordinated (in particular with the ACCC Gas Inquiry) risks creating additional reporting requirements for gas producers.

Australian Energy Producers remains committed to working with Government departments and agencies overseeing the Australian energy market to ensure the efficient and effective operation of the sector and to deliver the natural gas needed for Australian households and businesses.

Please contact Australian Energy Producers General Manager, Policy and Advocacy, Victor Violante at violante@energyproducers.au if you require anything further.

⁵ [2024 Integrated System Plan for the National Electricity Market](#), p69, AEMO, June 2024

⁶ Gas Inquiry Report 2017-2030, [Interim Report](#), p18, ACCC, January 2023.

⁷ Gas Inquiry report 2017-2030, [Interim Update on East Coast Gas Market](#), p7, ACCC, June 2024.