

PRODUCTIVITY COMMISSION | CONSULTATION ON REFORM AREAS

Australian Energy Producers | 12 June 2025

PILLAR 1: CREATING A MORE DYNAMIC AND RESILIENT ECONOMY

Section 3. Reduce the impact of regulation on business dynamism

What areas of regulation do you see as enhancing business dynamism and resilience?

Reliable and affordable energy – including natural gas – is a critical driver of business dynamism and resilience across the Australian economy. Natural gas is a cornerstone of the Australian economy, contributing over \$100 billion annually to the economy and supporting more than 215,000 jobs across the country. The gas sector is one of Australia's most productive sectors, contributing approximately \$2.8 million of value-add to the economy per full time equivalent worker. Natural gas accounts for 26 per cent of Australia's primary energy demand and provides 37 per cent of the energy used in manufacturing, fuelling industries such as mining, chemicals, construction, and food processing. Natural gas is also critical to the transformation to net zero, backing up renewable energy, supporting the transition away from coal, and powering industries central to reducing emissions such as critical minerals production. The natural gas industry is leading the development of key emissions reductions technologies such as carbon capture, utilisation and storage (CCUS), which are particularly important for decarbonising hard-to-abate industries.

Australia's future energy and economic security requires an efficient, stable, fit-for-purpose regulatory environment that facilitates timely approvals and provides certainty for investment.

Clear and consistent regulatory processes reduce uncertainty, accelerate project approvals, and enhance Australia's global investment competitiveness. In contrast, complex, duplicative, and shifting regulatory requirements – particularly in environmental approvals and consultation – delay projects and increase costs, undermining the industry's ability to meet domestic supply needs and energy transition goals. A stable and well-designed regulatory framework is essential to driving the economy and sustaining Australia's economic resilience.

How has your regulatory burden changed over time?

The regulatory burden facing the Australian gas industry has increased significantly over time, in parallel with the deterioration of policy and investment certainty. Increasingly complex and uncertain regulatory requirements – in particular environmental approvals – have led to longer, less predictable approval processes and greater exposure to legal challenges. Further, compounding Government interventions in the gas market have muted long-term market signals and undermined investment confidence. These issues have impacted critical gas developments, raised sovereign risk perceptions, and contributed to Australia losing ground to more investor-friendly jurisdictions. In parallel, the gas industry faces a significantly increased reporting burden due to overlapping and duplicative regulatory requirements from the Australian Competition and Consumer Commission (ACCC), the Australian Energy Market Operator (AEMO), the Australian Energy Regulator (AER), the Clean Energy Regulator (CER), and Treasury as well as other Federal and state departments and agencies.

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A recent survey of Australian natural gas industry CEOs found that the overwhelming majority see Australia as a less attractive place to invest today, compared with five years ago, driven largely by changes in policy and regulatory settings. A recent report – Australia’s Natural Gas Investment Competitiveness – undertaken by Wood Mackenzie on behalf of Australian Energy Producers found that despite abundant gas resources and excellent proximity to key markets, worsening regulatory and political certainty are driving down natural gas investment in Australia compared to peer nations such as the United States, Canada, Qatar, Norway and countries in South-East Asia and Africa. As part of the study, a survey was undertaken of industry CEOs – representing 85 per cent of total natural gas production in Australia today – that found 95 per cent of those surveyed consider Australia is a less attractive place to invest today, compared with five years ago. 95 per cent of respondents consider Australia’s sovereign/political risk has increased over the last five years, with 91 per cent suggesting regulatory risk has followed the same trajectory. More than 95 per cent of those surveyed reported direct investment impacts from changing government policy and regulatory settings. One in five affected projects were either cancelled or relocated offshore, with almost half being significantly delayed.

What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience?

A range of intersecting and overlapping federal and state regulations are impacting the gas sector and detracting from business dynamism and resilience in Australia. While several specific examples are provided below, the cumulative and compounding impact of federal and state regulation has a particularly negative impact on gas investment and project development.

- The **Environment Protection and Biodiversity Conservation Act** (EPBC Act) requires reform to streamline and simplify environmental approvals. Both the ACCC and AEMO have called on governments to accelerate approvals, remove barriers to new gas supply, and incentivise investment to avoid forecast shortfalls. Australia needs an effective and predictable regulatory framework to support timely project delivery and maintain energy security. In its current form, the EPBC Act is overly complex and a significant constraint on business adaptability and investment confidence – ultimately harming businesses and households that depend on reliable gas supply.
- The consultation requirements in the **Offshore Petroleum and Greenhouse Gas Storage Act Environmental Regulation** are ambiguous and are causing critical gas projects to face lengthy delays and greater risk of legal challenges.
- The mandatory **Gas Market Code** puts the Government at the centre of the gas market, muting the long-term market signals needed to drive investment, and adding complexity and uncertainty for gas producers. The forthcoming Gas Market Review should focus on returning to an open and competitive east coast gas market and on addressing forecast near-term shortfalls. In particular, the review should look to transition away from the permanent price provisions and exemption framework in the Code in order to deliver:
 - A long-term market signal for investment in new gas supply.
 - Effective competition and efficient market functioning.
 - A gas supply-demand balance that delivers reasonable prices to users and producers.

The review should also streamline negotiation and procedural provisions in the Code to align with standard market practices, ensure penalty provisions do not negatively impact market operations, and remove duplicative reporting requirements across the east coast gas market.

- The lack of regular **offshore acreage releases** has constrained gas exploration activity and limited future gas supply development. Without predictable and timely access to new exploration areas, companies face uncertainty in planning and investing in long-term projects. This has contributed to a decline in exploration expenditure and reduced Australia's ability to replenish reserves, undermining energy security and the competitiveness of the domestic gas sector. Further, proposed changes to the **offshore guidelines** around Exploration Work-bids, Declaration of Location, and Retention Leases, risk exacerbating the issues facing gas exploration and development by increasing the uncertainty and decreasing the transparency of the permitting and approvals process, increasing the compliance burden on project developers, and imposing unreasonable time constraints on projects.
- The current regulatory burden is exacerbated by **duplicative and excessive reporting requirements** from the various market bodies, including the ACCC, AEMO, AER, CER and Treasury. These often require similar data to be provided in different formats or timeframes to different agencies, increasing administrative workload and diverting resources from core operations. A coordinated approach to streamline these reporting requirements would reduce duplication and support more efficient compliance. For example, the National Greenhouse and Energy Reporting (NGER) scheme and Australian Accounting Standards Board (AASB) S2 requirements are not aligned with respect to scope 1 and 2 emissions reporting timelines, which forces reporters to conduct duplicative reporting and assurance processes. Instead, reporters should be allowed to use prior-year NGER reported emission in their AASB S2 report.

Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

Three examples of where policymakers and regulators have done a good job of understanding and reducing the regulatory burden on companies include:

- The Western Australian Government's **Independent Review of Environmental Approvals Processes and Procedures** which was undertaken to address inefficiencies and delays in the state's environmental assessment system. The review culminated in the passing of the Environmental Protection Act Amendment Bill 2024, which streamlines the state's approval system. The Bill comprises a range of measures including enabling other WA Government regulators to process and issue their own approvals in parallel with the WA Environmental Protection Authority (EPA) assessment process.
- The recently established **Territory Coordinator** in the Northern Territory is a welcome attempt to address the regulatory burden faced by project developers and to streamline project approval processes. This independent statutory role is empowered to consolidate regulatory processes for projects of economic significance. Its functions include coordinating approvals across various agencies, addressing stalled assessments, and, on rare occasions, recommending exemptions from certain statutory requirements. These powers aim to reduce duplication, speed up decision-making, and enhance investor confidence.

- Efforts by the **AER to mitigate the additional reporting burden** of the newly established Wholesale Gas Market Report have been welcome. The AER's decision not to have their own submission template but to instead allow producers to provide information in a format that has already been submitted to the ACCC's Gas Inquiry will help avoid duplication and reduce the reporting burden on industry stakeholders.

PILLAR 5: INVESTING IN CHEAPER, CLEANER ENERGY AND THE NET ZERO TRANSFORMATION

Section 1. Reduce the cost of meeting carbon targets

What could be done to improve the cost-effectiveness and alignment of policies to reduce emissions across the industrial, electricity and transport sectors?

Natural gas and CCUS are key elements of a least-cost transformation to net zero but are currently largely excluded from Australia's climate policies. Overlooking the role of natural gas and CCUS will make reaching net zero in Australia harder and more expensive, and impact Australia's productivity and global competitiveness. Natural gas is critical to reaching net zero. Natural gas supports the transition away from coal, provides the firm dispatchable energy required to unlock large-scale renewable energy deployment, and fuels Australian industries across the economy including those processing the critical minerals necessary for net zero. The Australian Government Future Gas Strategy clearly states that "Under all credible net zero scenarios, natural gas is needed through to 2050 and beyond."

The AEMO Integrated Systems Plan sees gas power generation increasing by 170 per cent from current levels over the next two decades in the Orchestrated Step Change scenario. Gas demand in manufacturing is higher in the Orchestrated Step Change scenario relative to the less ambitious Progressive Change scenario. The Net Zero Australia study¹ shows how constraints in renewable deployment could necessitate a doubling of natural gas demand across the Australian economy to meet net zero. This aligns with global net zero analysis from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), both of which see a significant and ongoing role for natural gas beyond 2050. However, natural gas is consistently excluded from policies to support Australia's transition, such as the Capacity Investment Scheme. Natural gas investment is also increasingly discouraged through initiatives such as the Treasury-led Sustainable Finance Taxonomy.

Similarly, Australia cannot reach net zero without CCUS. CCUS plays a unique role among a portfolio of emissions reduction technologies as it can address emissions from existing facilities, mitigate emissions from hard-to-abate industry and underpin large-scale carbon removal. Natural gas combined with CCUS is currently the lowest cost and most technically advanced pathway to low-carbon hydrogen production. Australia is also a world leader in CCUS technology, hosting two of the world's largest CCUS projects – the Chevron Gorgon CCS Project and the Santos and Beach Energy Moomba CCS Project.

Findings from the Net Zero Australia study show CCUS is an integral part of the least-cost pathway to net zero in Australia – no scenario can achieve net zero without CCUS. Across the five scenarios in the Net Zero Australia study, the lowest demand for CCUS in 2050 is over 80 MtCO₂ stored per

¹ Pascale, D. et al, [Net Zero Australia Modelling Summary Report](#), April 2023

year – almost double the current CCUS capacity globally. However, there is no national CCUS strategy and CCUS continues to be excluded from emissions reductions policies and programs such as the Clean Energy Finance Corporation and the Hydrogen Head Start program. Allowing CCUS projects the flexibility to generate Australian Carbon Credit Units would also support the scaling up of this key technology.

Australia must prioritise a least-cost approach to net zero, through broad-based, cross-sector frameworks that avoid ‘picking winners’. Australia’s current emissions reductions policy landscape consists of highly fragmented, overlapping and sector-specific policies. It also involves policy mechanisms that ‘pick winners’ by targeting very specific technology options, such as renewable energy and renewable ‘green’ hydrogen. Such an approach reduces the ability of the market to find the least-cost emissions reductions options across the economy, driving up abatement costs and injecting inefficiencies into the market. A more productive approach would be to prioritise national, market-based and technology-neutral mechanisms that drive efficient, least-cost, economy-wide abatement.

Robust, high-integrity offsets are critical to smoothing the transition and to addressing residual emissions across the economy. High-integrity offsets provide a credible means to address the most challenging and expensive emissions across the economy. Offsets also smooth the transition for many facilities and mitigate some of the steep economic and technical hurdles inherent in reaching near-zero emissions. Australian emissions reductions policies must continue to ensure access to high-integrity offsets in compliance schemes to ensure flexible cost-effective compliance options.

Are there gaps in the emissions-reduction policies in the industrial, electricity and transport sectors which should be addressed?

Natural gas and CCUS are key elements of a least-cost transformation to net zero in Australia but are currently largely excluded from Australia’s climate policies. Overlooking the role of natural gas and CCUS will make reaching net zero in Australia harder and more expensive, impacting Australia’s productivity and global competitiveness.

Section 2. Speed up approvals for new energy infrastructure

Are planning and approvals processes for large energy infrastructure taking too long?

Current planning and approval processes and timelines for natural gas and CCUS projects are inconsistent with delivering secure and affordable energy and with meeting climate mitigation targets. Intersecting and overlapping federal and state planning and approval processes are impacting the delivery of large-scale energy and emissions reductions projects. The EPBC Act urgently requires reform to streamline and simplify environmental approvals. This includes ensuring no undue use of Requests for Information requests, ‘stop the clock’ and reset provisions that extend the duration of project approvals. Approvals and approval progress under the EPBC Act should also be transferable if ownership of a project is transferred during the approval process. The consultation requirements in the Offshore Petroleum and Greenhouse Gas Storage Act Environmental Regulation are ambiguous and are causing critical gas projects to face lengthy delays and greater risk of legal challenges.

How can planning and approvals processes be sped up without unduly compromising regulatory standards?

Greater harmonisation and the rigorous time-bounding of approval processes would support improved planning and approval timelines. Planning and approvals can be accelerated through nationally harmonised standards and mutual recognition of regulatory decisions across jurisdictions. Public administration assessments should remain rigorous but be time-bound, with stronger coordination between agencies to reduce duplication and delay.

Should clean energy projects be treated differently to other projects for the purpose of environmental and other approvals?

Energy projects that align with national priorities and support energy security, affordability and emissions reductions objectives should be fast-tracked. Current project approval timelines are inconsistent with maintaining energy security and affordability and reaching national emissions reductions targets. It would be beneficial to streamline approval pathways for projects that demonstrably support these objectives.

Please outline any evidence showing the productivity benefits of faster approvals for energy projects.

The natural gas industry is a key contributor to the Australian economy and to Australia's productivity. Natural gas is a cornerstone of the Australian economy, contributing over \$100 billion annually in economic value and supporting more than 215,000 jobs across the country. The gas sector is also one of the most productive sectors across the Australian economy, contributing approximately \$2.8 million of value-add to the national economy per full time equivalent worker in 2021-22. Faster approvals for natural gas projects provide a boost to productivity both directly as well as indirectly through improving energy reliability and affordability across the economy. Timely approvals are also critical to averting projected gas shortfalls, with the ACCC highlighting that "Governments at all levels should focus on removing unnecessary impediments to developing new gas resources." Specifically, the ACCC identify "policy uncertainty and regulatory barriers" as a significant risk for project developers and for the timely delivery of critical new gas supply.