

PRODUCTIVITY COMMISSION | FIVE PILLARS OF PRODUCTIVITY INQUIRIES: INTERIM REPORTS

Australian Energy Producers | 15 September 2025

Australian Energy Producers welcomes the opportunity to provide comments on the Productivity Commission's Five pillars of productivity interim reports, in particular, *Creating a more dynamic and resilient economy* and *Investing in cheaper, cleaner energy and the net zero transformation*.

Natural gas is essential to lifting Australia's productivity, ensuring energy security, energy affordability, trade competitiveness, and high-value employment, and to delivering a Future Made in Australia. Natural gas meets more than a quarter of Australia's primary energy needs. Natural gas is the largest energy source for Australian industry, providing 37 per cent of all the energy used by Australian manufacturing. Gas is critical to many industrial activities, such as firing bricks and glass, processing minerals, and manufacturing plastics, chemicals and pharmaceuticals.¹

The Australian gas industry paid a record \$21.9 billion in taxes and royalties in 2024-25. This is up from \$21.5 billion in 2023-24 and is equivalent to the total annual cost of the Pharmaceutical Benefits Scheme.² The gas industry remains the second-highest corporate taxpayer in Australia, accounting for one in every ten company tax dollars paid.³ Treasury forecasts that the Petroleum Resource Rent Tax will raise \$6.9 billion in revenue over the next four years.⁴

The Australian gas industry is the most productive in Australia, contributing more than \$100 billion to the Australian economy each year. 3.7 per cent of Australia's gross domestic product comes from the gas industry's direct economic contribution, with over 215,000 Australian jobs supported along the gas supply chain. KPMG analysis shows that the average full-time-equivalent (FTE) worker in the gas industry produces \$2.8 million of gross value-added – approx. 16 times the Australian average of \$181,000 per FTE worker.⁵

The gas industry's productiveness underpins Australia's significant comparative advantage in liquefied natural gas (LNG) exports, which boost national income and support domestic energy security. LNG is Australia's third-largest export, contributing \$67 billion in 2024-25 and accounting for 10.5 per cent of the value of all Australian exports.⁶ More than \$400 billion has been invested in Australia's LNG industry since 2010, with access to export markets providing the scale needed to develop Australia's abundant gas resources and ensure reliable gas supply for Australian homes and industry.

The gas industry is characterised by high upfront costs, long lead times to break-even and profitability, and intense international competition for capital. Consequently, sound and stable tax and policy settings are essential to giving investors, operators and customers the confidence to commit to large-scale projects and long-term contracts. In a 2025 survey of Australian Energy Producers' member CEOs, 95 per cent said they have had investments directly and adversely

¹ Department of Climate Change, Energy, the Environment and Water, [Australian Energy Update 2024](#), August 2024, p. 10.

² Australian Energy Producers, [Financial Survey 2025](#), 2025; Commonwealth Treasury, [Budget 2024-25, Budget paper 1](#), pp. 120 and 291.

³ Cf. Australian Taxation Office, [Taxation Statistics 2022-23](#), updated 27 June 2025.

⁴ See Commonwealth Treasury, Budget 2024-25, [Budget paper 1](#), p. 105.

⁵ KPMG, [Economic Contribution of the Gas Industry](#), 2025.

⁶ Office of the Chief Economist, Department of Industry, Science and Resources, [Resources and Energy Quarterly](#), June 2025, p. 14; Department of Foreign Affairs and Trade, [Australia's goods and services by top 25 exports 2024](#), updated May 2025.

affected by a change in government policy or regulation. Of these investments, one-fifth did not proceed or were relocated outside of Australia, and approximately half were significantly delayed.⁷

Natural gas is critical to reaching net zero in Australia, backing up renewable energy, supporting the transition away from coal, and powering industries central to reducing emissions such as critical minerals. The Future Gas Strategy is clear: “*Under all credible net zero scenarios, natural gas is needed through to 2050 and beyond*”.⁸ Similarly, reaching net zero will be virtually impossible without carbon capture, utilisation and storage (CCUS), including to address emissions from hard-to-abate industry. Overlooking the role of natural gas and CCUS in Australia’s energy and climate policies and programs will make reaching net zero in Australia harder and more expensive, and impact Australia’s productivity and global competitiveness.

RECOMMENDATIONS TO THE AUSTRALIAN GOVERNMENT

1. No new or additional taxes or levies should be imposed on the Australian gas industry, recognising the importance of stable and internationally competitive tax settings in attracting investment in capital-intensive, long-lived projects.
2. Ensure that any tax reform:
 - a. Does not target a particular sector or industry for additional revenue, especially those that are highly productive and underpin a national comparative advantage.
 - b. Is not pursued or evaluated separately to government efficiency measures and spending restraint.
3. Reduce the regulatory burden on Australian businesses and improve regulatory culture by instituting a ‘regulation for growth’ approach like the United Kingdom (UK), requiring regulators to consider the promotion of economic growth and ensure any regulatory action is necessary and proportionate.
4. Pursue a holistic approach to gas market and regulatory reform through the ongoing Gas Market Review process to ensure reliable and affordable gas for Australia’s future while addressing near-term supply pressures, including by:
 - a. Establishing a prospective east coast gas reservation policy linked to new supply to support a competitive and well-supplied domestic gas market in the medium to long term, while providing investment certainty for gas producers and users.
 - b. Pursuing actions to accelerate new gas supply and streamline approvals to address forecast shortfalls, including identifying and fast-tracking ‘development ready’ gas supply.
5. Ensure Australia’s energy and climate policies recognise the critical role of natural gas and CCUS in achieving net zero while delivering secure, reliable energy.
6. Adopt a 2035 emissions reductions target that balances ambition with achievability, taking into account the resource-intensive, trade-dependent nature of Australia’s economy.
7. Ensure the Safeguard Mechanism remains fit-for-purpose, with a focus on delivering least-cost emissions reductions across the economy.

Further comments and recommendations are provided below.

⁷ Wood Mackenzie, [Australia’s Natural Gas Investment Competitiveness](#), prepared for Australian Energy Producers, May 2025, pp. 4, 51.

⁸ Australian Government, [Future Gas Strategy](#), May 2024, p. 4.

Sound and predictable tax settings are critical to increasing investment and productivity

Increasing investment in capital and technology is key to improving Australia's productivity.

Productivity means increasing the rate of output (goods or services) from a given amount of inputs (labour, land, capital and energy), or maintaining a given rate of output with fewer inputs. The Productivity Commission points out that: 'Australia's productivity growth in the decade to 2020 was the slowest in 60 years.' Declining investment, and the consequent failure to add more capital per worker, 'contribute significantly to our stagnant productivity performance.'⁹ Further, growth in multifactor productivity in the market sector 'has been almost non-existent', rising 'by a sluggish 0.1% between 2022-23 and 2023-24, below the 20-year average of 0.3% per year and well below the 1.6% per year between 1994-95 to 2003-04.'¹⁰

Attracting additional international investment is vital to Australia's productivity performance.

The Productivity Commission emphasises that lower rates of business investment mean less capital per worker, and lower productivity growth. The Commission further notes that: 'As a small open economy, Australia's marginal investor is the foreign, rather than the domestic, investor.'¹¹ Australia is usually a net importer of capital. Capital flows into Australia fill the gap between domestic savings and investment, alleviating the need for additional debt. Foreign direct investment is vital to Australia's gas industry, facilitating transfers of technology, skills and capabilities, as well as access to global supply chains and export markets. However, as Wood Mackenzie observes: 'Over the past decade, Australia has seemingly experienced a decline in its attractiveness as a destination for investment capital in the natural gas and LNG sector.'¹² Wood Mackenzie affirms that greater policy uncertainty is translating to higher risk and costs for international and domestic producers alike.

Australia's company tax rate – both statutory and effective – is among the highest in the developed world. The Productivity Commission states that:

Our statutory rate has fallen out of step with peer countries, as competition for global capital becomes more intense ... Australia's current statutory rate of 30% sits well above the average across the OECD [Organisation for Economic Co-operation and Development], as does the effective company tax rate.¹³

Of the 38 OECD countries, Australia's statutory company tax rate of 30 per cent (for companies with annual turnover greater than \$50 million) is the fifth highest (alongside Costa Rica and Mexico) and above other major gas producing member states such as the United States (25.57%), Canada (25.98%) and Norway (22%). In addition, Australia's effective company tax rate of 28.56 per cent is the third highest in the OECD.¹⁴ Looking more broadly, Wood Mackenzie finds that while Australia enjoys a 'relatively stable and transparent regulatory environment', with an offshore Petroleum

⁹ Productivity Commission, [Creating a more dynamic and resilient economy](#), interim report, pp. iv, 8.

¹⁰ Productivity Commission, [Annual Productivity Bulletin 2025](#), p. 2. Multifactor productivity is the growth of output above the growth of labour and capital combined. Multifactor productivity is often treated as a proxy for innovation; that is, new and significantly improved combinations of inputs.

¹¹ Productivity Commission, [Creating a more dynamic and resilient economy](#), interim report, p. 9.

¹² Wood Mackenzie, [Australia's Natural Gas Investment Competitiveness](#), prepared for Australian Energy Producers, May 2025, p. 28.

¹³ Productivity Commission, op. cit., pp. 5, 18.

¹⁴ Organisation for Economic Co-operation and Development, "Corporate income tax statutory and targeted small business rates" and "Effective tax rates - Corporate tax statistics", [OECD Data Explorer](#), viewed 22 August 2025.

Resource Rent Tax and onshore state royalties, these arrangements ‘may not be as attractive as those offered by some emerging oil and gas provinces seeking to incentivise exploration’.¹⁵

The Productivity Commission’s proposals for a segmented company tax cut and net cashflow tax would discourage investment in Australia’s most productive and successful export industries. The Productivity Commission rightly argues that: ‘To improve dynamism and resilience, Australia needs to reduce its use of the current, inefficient company tax system and shift to a system that better encourages investment.’¹⁶ However, the Commission proceeds to recommend measures that would exacerbate the complexity of Australia’s business tax system and discourage the very international investment that it acknowledges is crucial to small open economies like Australia.

First, the Productivity Commission proposes to expand Australia’s two-tier structure for company tax, by reducing the statutory rate for companies with an annual turnover less than \$1 billion to 20 per cent, while leaving larger companies with the current high rate of 30 per cent. Second, the Commission recommends introducing a new net cashflow tax of 5 per cent to be applied to company profits (based on domestic sales plus exports). A net cashflow tax would entail significant uncertainty and risk of unintended adverse consequences, because:

- no other country has one
- there is – as the Productivity Commission acknowledges – ‘limited empirical evidence available on cashflow taxes’
- important unresolved details in the Commission’s proposal would have to be worked out, including:
 - the definition of cash
 - how to calculate starting balances for capital expenditure to ensure investment in projects for which a final investment decision has been taken are not adversely impacted
 - whether taxes paid under the cashflow tax would result in franking credits (and if not, how double taxation of corporate profits would be prevented) and
 - how to account for excluding interest from the design of the tax.¹⁷

Australian Energy Producers issued a joint statement on 1 August 2025 with 23 other industry associations, who all affirmed that the Productivity Commission’s proposed net cashflow tax ‘punishes some of our most productive companies and industries’. The group also reiterated that ‘increasing taxes will not increase investment or fix lagging productivity’.¹⁸

No revenue-positive measure should target a particular sector or industry, especially those that are highly productive and underpin a national comparative advantage. While the Productivity Commission’s net cashflow tax proposal would reduce the effective tax on new investments by allowing immediate deductions of capital costs), it would also increase the overall tax

¹⁵ Wood Mackenzie, [Australia’s Natural Gas Investment Competitiveness](#), prepared for Australian Energy Producers, May 2025, p. 37.

¹⁶ Productivity Commission, [Creating a more dynamic and resilient economy](#), interim report, p. 1.

¹⁷ Cf. Productivity Commission, op. cit., p. 14; Corrs Chambers Westgarth, [Productivity Commission proposes sweeping corporate tax reforms to boost productivity](#), 4 August 2025; Public Accountant, [What’s a cashflow tax – and will it help my business clients?](#) 6 August 2025.

¹⁸ [Joint Group of Industry Organisations statement in response to Productivity Commission report](#), media release, 1 August 2025.

burden on large companies with substantial existing investments.¹⁹ Further, as Corrs Chambers Westgarth points out:

[O]ffshore expansion may become even more attractive than domestic expansion for large Australian corporates, especially as the 30% corporate tax rate plus a further 5% net cash flow tax would only exacerbate Australia's already uncompetitive tax settings for those business ... Such an outcome would be contrary to the goals of the Productivity Commission's recommendations.²⁰

Australian Energy Producers considers that business tax reform proposals should simplify and improve investment incentives for all enterprises; they should not add complexity or discourage productivity-enhancing international investment.

Tax reform, and the trade-offs it entails, should not be pursued or evaluated separately to government efficiency measures and spending restraint. The Productivity Commission has unilaterally limited its consideration of company tax reform options by an unusually tight constraint. The Commission declares that: 'we have considered that any proposed corporate tax changes should be funded within the corporate tax system over the medium-term, necessitating trade-offs.'²¹ This is a much more restrictive condition than the Treasurer's reform condition of budget neutrality, which allows for trade-offs in both tax and expenditure.²² Consequently, the Productivity Commission's proposals to expand Australia's two-tier structure for company tax, and introduce a new net cashflow tax, impose suboptimal and unnecessary trade-offs between large and small enterprises, and between mature and new investors in real capital goods.

Pursuing structural reforms to enhance productivity is the surest path to fiscal strength and long-term growth. The 2023 *Intergenerational Report* warns that 'rising spending pressures are projected to weigh on the budget over the long term', driven by 'health and aged care, the NDIS [National Disability Insurance Scheme], defence, and interest payments on Government debt.'²³ Deficits are projected to remain over the long term and increase in the 2040s. The 2023 *Intergenerational Report* confirms that the Australian Government's budget position has been weaker than projected in the first 2002 report, not only because of the Global Financial Crisis and COVID-19 pandemic, but also because of lower-than expected productivity growth.²⁴

Seeking to strengthen the budget position simply by increasing the overall tax burden would be counterproductive, as it would distort economic incentives, reduce Australia's international competitiveness, and adversely affect investment, growth and job creation. Conversely, 'pro-productivity' reforms, which encourage firms to invest in capital and allow them to manage the use of that capital efficiently, are the most effective means of boosting growth and wages, strengthening the budget and building domestic industrial capacity.²⁵ Priority reforms include streamlining regulation

¹⁹ Cf. Corrs Chambers Westgarth, [Productivity Commission proposes sweeping corporate tax reforms to boost productivity](#), 4 August 2025; Public Accountant, [What's a cashflow tax – and will it help my business clients?](#) 6 August 2025.

²⁰ Corrs Chambers Westgarth, op. cit.

²¹ Productivity Commission, [Creating a more dynamic and resilient economy](#), interim report, p. 11.

²² The Hon Jim Chalmers MP, Treasurer, [Economic reform in our second term](#), address to National Press Club, 18 June 2025.

²³ Australian Government, [Intergenerational Report 2023: Australia's future to 2063](#), 24 August 2023, pp. 128, 130.

²⁴ *ibid.*, chapter 6.

²⁵ Cf. Gary Banks, then Chair, Productivity Commission, [Productivity Policies: the 'to do' list](#), address to Economic and Social Outlook Conference, Melbourne, 1 November 2012, p. 6f; John Fraser, then Secretary to the Treasury, [The Australian Budget – some context](#), 28 January 2016.

and improving regulatory practice, as well as transitioning to a more predictable, competitive and well-supplied gas market (see below).

The Australian Government should ‘regulate for growth’ through minimum effective regulation

The Productivity Commission correctly highlights the need to reduce the regulatory burden on Australian businesses and improve regulatory culture. The Commission notes that the stock of regulation has risen over the past two decades, with Australia falling from fifth to fourteenth in the World Bank’s *Ease of doing business indicator* between 2005 and 2020, and from second to fifteenth in the OECD’s *Product market regulation* indicator between 2003 and 2023. At the same time, the Productivity Commission notes that ministers, policymakers and regulators experience strong incentives to:

- behave in a risk-averse manner rather than promote economic dynamism
- undervalue the burden that interventions place on businesses
- focus primarily on their own policy or regulatory objectives and not consider broader trade-offs.

These behavioural disincentives to good regulatory practice are reflected in the ineffectiveness of impact analyses, which often are undertaken late in the process and sometimes are retrofitted to justify a decision already made.²⁶ In December 2022, the Australian Government imposed a price cap of \$12 per gigajoule on gas sold by east coast and Northern Territory gas producers and their affiliates to wholesale customers in Australia – after only 24 hours of consultation. This measure, which entails a complicated compliance framework and severe penalties for non-compliance, was a striking example of government falling short of the standards of good policy design and consultation, as set forth by the Office of Impact Analysis.²⁷

Adopting a UK-style “regulation for growth” requirement would help transform aspiration into obligation and enhance mutual accountability. The Productivity Commission makes several recommendations to better manage the flow of regulation and set stronger expectations on policymakers and regulators, including:

- establishing an independent statutory commissioner to oversee the Office of Impact Analysis
- instructing the Productivity Commission to undertake regular and targeted regulatory reviews
- requiring ministers to clarify to policymakers and regulators the degree of risk they will tolerate
- supporting public servants to become ‘regulatory stewards’ and measure their performance and costs of their activities on businesses.²⁸

Australian Energy Producers considers that the Productivity Commission’s proposals to improve regulatory culture and practice, while constructive, may not be sufficient to align incentives to minimum effective regulation. The *Public Governance, Performance and Accountability Act 2013* instructs Australian public servants only to make decisions and spend public

²⁶ Productivity Commission, [Creating a more dynamic and resilient economy](#), interim report, p. 30ff.

²⁷ Cf. Australian Government, Department of Prime Minister and Cabinet, [Best Practice Consultation](#), July 2023; Office of Impact Analysis, [Australian Government Guide to Policy Impact Analysis](#), 17 February 2023.

²⁸ Productivity Commission, [Creating a more dynamic and resilient economy](#), interim report, chapter 2.

money according to the legislation that governs their agency. As the Productivity Commission acknowledges, this obligation may inadvertently hinder or discourage consideration of wider trade-offs and social benefits.²⁹ The Commission's proposals to clarify the risk tolerance of ministers, and support public servants to become regulatory stewards, would encourage a broader focus and a less prescriptive regulatory approach. Yet they would not require it. And in the absence of such a requirement, it is rational for public servants to focus their limited time and resources on what their agency must deliver.

In contrast, the UK's "growth duty" obliges specified regulators to 'consider the importance of the promotion of economic growth and ensure any regulatory action they take is necessary and proportionate.'³⁰ The refreshed statutory growth duty guidance has 'increased focus and higher expectation on regulator performance, agility, and responsiveness.'³¹ Further, the UK Government has committed to taking a whole-of-government approach to cutting administrative costs for business by 25 per cent by the end of the parliamentary term.³² Taken together, these measures impose a mutual obligation and accountability on ministers and agencies to demonstrably reduce regulatory burden and enhance regulatory practices.

A suite of regulatory reforms are required to unlock additional gas supply

Market interventions and policy uncertainty are undermining Australia's investment competitiveness. 2025 analysis by Wood MacKenzie found that while Australia's abundant gas resources and access to markets continue to represent a significant competitive advantage, increasing regulatory and political uncertainty is undermining Australia's investment competitiveness and causing investment in Australian natural gas to lag behind peer nations. For example, global gas exploration and appraisal expenditure has grown by 30 per cent over the past five years, compared to just 15 per cent in Australia. An accompanying survey of Australian gas industry CEOs found that nearly all those surveyed believe Australia is a less attractive place to invest today, compared with five years ago, driven largely by increasing sovereign, political and regulatory risk. Respondents also highlighted that changes in government policy and regulation are resulting in gas projects being significantly delayed, one in five projects affected by regulatory changes were cancelled or relocated offshore.³³

Gas exploration is at near all-time lows in Australia. The Future Gas Strategy is clear that "further exploration, acreage release and gas production will be required" to avoid gas becoming "unaffordable and unavailable to Australian households and industry well before 2050."³⁴ Gas exploration is the foundation of a sustainable gas market and a leading indicator of future gas reliability and affordability. Annual offshore acreage releases ceased in 2022, with exploration activities being further impacted by the limitations being placed on offshore seismic surveys, which are fundamental to gas exploration activities. These factors, coupled with the increasingly challenging operating

²⁹ *ibid.*, p. 42.

³⁰ United Kingdom of Great Britain and Northern Ireland, Department for Business & Trade, [Growth Duty: Statutory Guidance – Refresh](#), 21 May 2024, p. 4.

³¹ United Kingdom of Great Britain and Northern Ireland, Department for Business & Trade, [The Growth Duty Performance Framework](#), 16 May 2024, p. 3.

³² United Kingdom of Great Britain and Northern Ireland, HM Treasury, [New approach to ensure regulators and regulation support growth](#), policy paper, updated 31 March 2025.

³³ Wood Mackenzie, [Australia's Natural Gas Investment Competitiveness](#), prepared for Australian Energy Producers, May 2025.

³⁴ Australian Government, [Future Gas Strategy](#), May 2024, p. 30.

environment for gas producers, has resulted in gas exploration expenditure dropping by 74 per cent in the past decade.

A holistic approach to gas market and regulatory reform is needed to ensure reliable and affordable gas for Australia's future while addressing near-term supply pressures. These reforms should recognise the critical role of Australia's LNG sector in unlocking new domestic supply, ensuring market flexibility, and the significant economic and employment benefits flowing from more than \$400 billion in LNG investment since 2010.

Australian Energy Producers recommends:

- **The establishment of a prospective east coast gas reservation policy linked to new supply** to support a competitive and well-supplied domestic gas market in the medium to long term, while providing investment certainty for gas producers and users.
- **Actions to accelerate new gas supply and streamline approvals to address forecast shortfalls**, including identifying and fast-tracking 'development ready' gas supply.
- **Immediate steps to improve market functioning and efficiency as the market transitions.**

A reservation policy alone will not solve near-term market pressures and forecast shortfalls. It can, however, provide the certainty needed for future investment and ensure adequate domestic gas supply in the medium term when accompanied by actions to support new supply and the transition away from the existing policy framework.

The current east coast gas policy framework has not delivered the confidence needed for gas producers or gas users to make long-term investments in Australia or reassured our regional trading partners that Australia is committed to remaining a reliable energy supplier. As part of the holistic market reforms needed and the return to an open and competitive east coast gas market, timelines for the sunseting of the Gas Market Code, Heads of Agreement and the Australian Domestic Gas Security Mechanism should be established.

Further details on AEP's gas market reform priorities can be found in our August 2025 submission to the Gas Market Review (see Appendix).

Australia cannot reach net zero without new gas supply and carbon capture, utilisation and storage

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".³⁵

³⁵ Australian Government, [Future Gas Strategy](#), May 2024, p. 4.

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 study³⁶ 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 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 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 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.

³⁶ Pascale, D. et al, [Net Zero Australia Modelling Summary Report](#), April 2023.

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.

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.

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.



GAS MARKET REVIEW | CONSULTATION PAPER

Australian Energy Producers | 15 August 2025

Australian Energy Producers welcomes the opportunity to input into the Australian Government's Gas Market Review.

Natural gas is essential to Australia's energy security and economic growth. Our manufacturing, mining, electricity and construction sectors all depend on reliable and affordable gas supply. As the Australian Government's Future Gas Strategy confirmed, gas will play a critical role in Australia's energy mix to 2050 and beyond, and is essential to achieving net zero.

Despite Australia's abundant gas resources, Australia's energy policies are failing to ensure gas supply keeps up with demand, resulting in forecast shortfalls on the east coast from 2028. 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.

The Gas Market Review is an opportunity to future-proof the east coast gas market and break the cycle of short-term fixes and looming shortfalls that have resulted in a system that is complex, inefficient and stifling competition and supply in the market.

Australia has enough undeveloped gas resources to sustain our long-term energy needs and remain a reliable energy partner in our region.

A holistic approach to gas market and regulatory reform is needed to ensure reliable and affordable gas for Australia's future while addressing near-term supply pressures. These reforms should recognise the critical role of Australia's LNG sector in unlocking new domestic supply, ensuring market flexibility, and the significant economic and employment benefits flowing from more than \$400 billion in LNG investment since 2010.

Australian Energy Producers recommends:

- **The establishment of a prospective east coast gas reservation policy linked to new supply** to support a competitive and well-supplied domestic gas market in the medium to long term, while providing investment certainty for gas producers and users.
- **Actions to accelerate new gas supply and streamline approvals to address forecast shortfalls,** including identifying and fast-tracking 'development ready' gas supply.
- **Immediate steps to improve market functioning and efficiency as the market transitions.**

A reservation policy alone will not solve near-term market pressures and forecast shortfalls. It can, however, provide the certainty needed for future investment and ensure adequate domestic gas supply in the medium term when accompanied by actions to support new supply and the transition away from the existing policy framework.

Recommendations to deliver reliable and affordable gas

Australian Energy Producers recommends a three-track approach to ensuring reliable and affordable natural gas supply today and over the long-term.

Gas market reform to ensure reliable and affordable gas for the long-term.

- 1. Establish a prospective east coast gas reservation, that is:**
 - Prospective and linked to new supply
 - Accompanied by immediate action to support new gas supply
 - Aligned to future domestic gas demand
 - Allows the market to determine prices
 - Flexible
 - Minimises sovereign risk and ensures Australia remains a reliable energy partner to the region
- 2. Sunset the Gas Market Code, Heads of Agreement and Australian Domestic Gas Security Mechanism in parallel with gas market reforms**
- 3. Establish a sustainable gas exploration program**
- 4. Ensure the importance of natural gas and carbon capture, utilisation and storage is reflected across energy and climate policies**

Actions to accelerate new gas supply and streamline approvals

- 5. Fast-track 'development ready' gas supply**
- 6. Streamline and strengthen approvals for new and expanded gas projects**
- 7. Facilitate an increase in pipeline and storage capacity**

Immediate steps to improve market functioning and efficiency as the market transitions

- 8. Streamline short-term market operations**
- 9. Remove duplication and harmonise gas market reporting**

Australian Energy Producers is committed to working with Federal and state governments, gas users and stakeholders on robust and enduring east coast gas market reforms, including the design of a prospective east coast reservation policy linked to new supply.

Australian Energy Producers' detailed comments and recommendations are provided below.

COMMENTS AND RECOMMENDATIONS

Natural gas plays a critical and long-term role in Australia's economic and energy security

Natural gas is essential to Australia's energy security, energy affordability and emissions reductions. Natural gas meets over a quarter of Australia's primary energy needs,¹ producing dependable electricity, powering industry, and providing reliable and affordable energy to millions of homes and businesses. Natural gas is the largest energy source for Australian industry, providing 37 per cent of the energy used in manufacturing. Over five million Australian homes rely on gas for cooking and heating. Natural gas is also critical to reaching net zero in Australia, backing up renewable energy, supporting the transition away from coal, and powering industries central to reducing emissions such as critical minerals production.

Reliable and affordable natural gas supply will be needed to 2050 and beyond. The Australian Government's Future Gas Strategy is clear that "under all credible net zero scenarios, natural gas is needed through to 2050 and beyond". The Australian Energy Market Operator (AEMO) projects natural gas demand in power generation will increase by 170 per cent in the next two decades to support the decarbonisation of the National Electricity Market, under the Orchestrated Step Change scenario. The same analysis shows natural gas demand in manufacturing rising with increased climate ambitions.

Australians benefit from a strong natural gas sector. The Australian natural gas industry contributes over \$100 billion to the Australian economy each year,² in addition to paying \$22 billion in taxes and royalties in 2024-25 alone.³ 3.7 per cent of Australia's gross domestic product comes from the gas industry's direct economic contribution, with over 215,000 Australian jobs supported along the gas supply chain. LNG is Australia's third largest export, contributing \$67 billion in 2024-25 and accounting for 10.5% of the value of all Australian exports.⁴ KPMG analysis also finds that the natural gas industry is the most productive sector in Australia, with the average full-time-equivalent worker producing \$2.8 million of gross value-added – 16 times the Australian average.⁵

Australian LNG exports are supporting domestic energy security. More than \$400 billion has been invested in Australia's LNG industry since 2010, with access to export markets providing the scale needed to commercialise Australia's abundant gas resources and ensure reliable gas supply for Australian homes and industry. For example, the opportunity to unlock Queensland's coal seam gas reserves was only realised with the development of an LNG export industry – with this gas now playing an increasingly important role in meeting east coast gas demand. Ensuring there is a fully supplied, efficient and affordable domestic gas market and fully utilised LNG export capacity well beyond the term of the current foundation contracts is in Australia's best interest. An LNG export industry does not mean Australians pay international gas prices: for example, east coast gas prices have averaged around \$12.50/GJ since 2023, 40 per cent lower than export parity prices (LNG netback) over the same period, which averaged \$17.50/GJ.⁶

¹ Department of Climate Change, Energy, the Environment and Water, [Australian Energy Update 2024](#), 2024

² KPMG, [Economic Contribution of the Gas Industry](#), 2025

³ Australian Energy Producers, [Financial Survey 2025](#), 2025

⁴ Office of the Chief Economist, Department of Industry, Science and Resources, [Resources and Energy Quarterly](#), June 2025, p. 14; Department of Foreign Affairs and Trade, [Australia's goods and services by top 25 exports 2024](#), updated May 2025.

⁵ Ibid.

⁶ ACCC, [netback price series 1 Aug 2025](#), 2025

LNG exports are a long-term strategic and economic opportunity for Australia. Australian natural gas is critical to the energy security, economic security and emissions reductions efforts of our trade partners, including Japan, South Korea, and China. Delivering the reliable energy needed for a stable and productive region in-turn supports Australia's national security. The Minister for Resources has stated "Energy exports from Australia play a globally significant role in ensuring that our regional neighbours enjoy energy security and can pursue their pathways to net zero and decarbonisation" and that "Every Australian receives a dividend from our energy exports – and that very important dividend is regional stability."⁷ The role for LNG in the region is set to increase, with Wood Mackenzie forecasting global LNG demand to rise 58% by 2050, with the Asia-Pacific's share of demand increasing from approximately 63% today to 75% in 2050.⁸

New gas supply and investment is urgently needed to avoid shortfalls

AEMO forecast structural shortfalls emerging on the east coast from 2029 and in Western Australia from 2030. The AEMO 2025 Gas Statement of Opportunities (GSOO) forecasts peak day shortfalls from 2028 and an annual supply gap in southern states to reach up to 30 PJ in 2029, rising rapidly to between 90-150 PJs in 2035. In Western Australia, the 2025 WA GSOO forecasts sustained gas shortfalls emerging from 2030 at around 22 PJ, increasing to over 190 PJs per year in 2034.

Declining production in southern states is changing the shape of the east coast gas market. The Gippsland Basin in Victoria has historically been the major source of east coast gas supply, with the Gippsland Basin Joint Venture alone delivering over 11,500 PJ of gas to Australian homes and businesses since commencing operation in 1969.⁹ Notwithstanding significant investment from the Gippsland Basin JV and Kipper Unit JV participants since 2018 resulting in 750 PJ of additional supply to domestic consumers over the next decade, the Gippsland Basin fields are reaching their end of life and ExxonMobil estimate that production from the Longford Gas Processing plant will decline by 40 per cent from today to 2029.¹⁰ Longford has also historically been a key source of flexibility to the gas market, varying production in response to changes in gas demand.

Queensland's LNG producers are increasingly ensuring east coast supply security and market flexibility. Queensland LNG producers have provided critical flexibility to the east coast gas market to ensure gas is available when and where it is needed, including by offering all uncontracted gas to the domestic market before being exported. The Australian Competition and Consumer Commission (ACCC) Gas Inquiry consistently finds that the supply of gas to the domestic market from QLD LNG producers is a key factor in ensuring the domestic market is well supplied. However, the responsibility for keeping up with east coast gas demand can't fall to QLD LNG producers alone without undermining the case for continued investment in additional supply. Further, gas pipeline capacity from the north to southern states is already running at over 100 per cent during peak times, and AEMO has highlighted that the pipeline infrastructure to transport gas from QLD to southern states is becoming "less able to deliver the volumes of gas required under extreme conditions, increasing the risks to peak day adequacy on the most extreme demand days."¹¹

⁷ The Hon Madeleine King MP, [Speech to the Australian Energy Producers Conference](#), 2025

⁸ Wood Mackenzie, [Australia's Natural Gas Investment Competitiveness](#), prepared for Australian Energy Producers, May 2025, pp. 2, 12.

⁹ Woodside Energy, [Bass Strait](#), website (accessed August 2025)

¹⁰ ExxonMobil, [Ensuring natural gas supply to the domestic market](#), 2025

¹¹ AEMO, [Gas Statement of Opportunities](#), 2024

A robust, efficient and well-supplied gas market is needed to respond to increasing variability of gas demand. The energy transition is increasing the variability of gas demand across the east coast, in particular for power generation where gas is needed to meet demand during periods of limited renewables output. The AEMO Chief Executive has stated that “Flexible gas-powered generation will remain the ultimate backstop in a high-renewable power system.”¹² AEMO estimates that peak day gas power generation demand in 2039-40 will be 2.5 times higher than it is today. Ensuring adequate supply and infrastructure to meet these peaks will become an increasingly important aspect of east coast gas market planning and operation, with a robust LNG industry providing one of the few sources of large volume flexibility.

Industry is facing increasing barriers to the development of new gas supply

Long and complex offshore approval processes are delaying bringing gas to market. The offshore operating environment in Commonwealth waters is becoming increasingly challenging. The complexity of offshore environmental approval processes has increased exponentially with members advising that Environmental Plan applications can be as long as 30,000 pages and cost as much as 10 per cent of the total project costs. Offshore consultation requirements, which can involve proponents needing to consult stakeholders thousands of kilometres from where a project is being developed, are a major driver of increasing approval costs and timelines.

Significant state policy and regulatory barriers are limiting the development of onshore gas reserves across Australia, in particular in Victoria and NSW. For over a decade, the Victorian Government has enacted a range of moratoriums and bans on gas production, including a moratorium on all onshore gas exploration and development in the state in 2012¹³ and a ban on all shale gas and coal seam gas development across the state in 2017. While the moratorium on conventional gas production was lifted in 2020, a decade of preventing gas exploration and development, coupled with the Victorian Gas Substitution Roadmap which downplays the importance of gas, has seriously undermined the pipeline of gas projects in the state. In NSW the government's 2021 Future of Gas Statement¹⁴ accepts that gas will play a role in supporting energy reliability and industrial demand but it also effectively limits gas exploration and petroleum license renewals to the Narrabri region. In 2024, the NSW Government also passed a law to prohibit exploration and recovery of natural gas in the coastal waters unless specifically exempted.¹⁵ Even in states which support gas development, duplication of federal and state regulations, regulatory complexity and schedule delays all present barriers to gas developments.

Natural gas project approvals have been targeted by activist “lawfare”. The Australian natural gas industry is increasingly being targeted by well-resourced environmental activist groups that are using the legal system to stop or delay projects. Such legal actions look to exploit legislative loopholes and grey areas or administrative oversights by government agencies to advance ideological objections to projects. In many cases these efforts do not have the expectation of legal success but rather just aim to delay projects and increase project costs. Activist legal challenges also have a chilling effect on investment across the industry, as the prospect of similar litigation on other projects raises the risk of cost increases and scheduling problems. This has negative implications for both the execution of sanctioned projects and the securing of investment decisions for growth projects. Analysis by the Menzies Research Centre finds

¹² AEMO, [Investment needed to fill forecast gas supply gaps](#), 2025

¹³ Resources Victoria, [Restart of onshore conventional gas industry in Victoria](#), website (accessed August 2025)

¹⁴ New South Wales Government, [NSW Future of Gas Statement](#), 2021

¹⁵ New South Wales Parliament, [Environmental Planning and Assessment Amendment \(Sea Bed Mining and Exploration\) Bill 2024](#), 2024

that Australia is the second-largest jurisdiction for environmental lawfare globally, with activist-led legal action costing the Australian economy billions of dollars and thousands of jobs each year.¹⁶ The research finds Australian environmental activist groups have a combined budget in excess of \$275 million per year.

Several significant natural gas projects have been impacted, and continue to be impacted, by activist lawfare including the Santos Barossa and Narrabri projects as well as the Woodside Scarborough and Browse projects. The Barossa gas project has experienced multiple legal challenges driven largely by the Environmental Defenders Office (EDO). Legal appeals have also contributed to over a decade of delays to the Narrabri project which alone could meet over half of NSW's annual gas demand.

Gas exploration is at near all-time lows in Australia. The Future Gas Strategy is clear that “further exploration, acreage release and gas production will be required” to avoid gas becoming “unaffordable and unavailable to Australian households and industry well before 2050.” Gas exploration is the foundation of a sustainable gas market and a leading indicator of future gas reliability and affordability. Annual offshore acreage releases ceased in 2022, with exploration activities being further impacted by the limitations being placed on offshore seismic surveys, which are fundamental to gas exploration activities. These factors coupled with the increasingly challenging operating environment for gas producers has resulted in gas exploration expenditure dropping by 74 per cent in the past decade.

Domestic gas production and transport costs are increasing but remain lower than equivalent LNG import costs. EnergyQuest estimate that the cost of gas production has increased across the country by around 15 per cent since 2023.¹⁷ As is the case elsewhere in economy, costs are increasing due to a range of factors including administrative costs, materials, wages, etc.

On the east coast, gas production costs are also increasing as low-cost conventional production in the Gippsland Basin declines and the east coast becomes increasingly reliant on higher-cost coal seam gas production in QLD that needs to be transported further to market. EnergyQuest estimates the cost gas production – before taking into account the costs of exploration, permitting, marketing, investor risks and returns, overheads, decommissioning, etc. – from the Gippsland Basin is up to \$7.60/GJ today whereas coal seam gas production in QLD can cost as much as \$14.10/GJ to produce. Going forward, EnergyQuest estimates the cost of producing and delivering gas to the major cities and supply hubs across the east coast will continue to increase with average gas production and delivery costs to Melbourne, Sydney and the Wallumbilla Gas Supply Hub in QLD potentially reaching \$13.37/GJ, \$12.06/GJ, and \$9.80/GJ respectively. However, while this represents a significant increase in wholesale gas prices from today, EnergyQuest suggests this is still significantly cheaper than meeting east coast gas demand through LNG imports which, in their base case, range from \$16.85 to \$19.73/GJ delivered.

Market interventions and policy uncertainty are undermining Australia's investment competitiveness. Recent analysis from Wood MacKenzie found that while Australia's abundant gas resources and access to markets continue to represent a significant competitive advantage, increasing regulatory and political uncertainty is undermining Australia's investment competitiveness and causing investment in Australian natural gas to lag behind peer nations. For example, global gas exploration and appraisal expenditure has grown by 30 per cent over the past five years, compared to just 15 per cent in Australia. An accompanying survey of Australian gas industry CEOs found that nearly all those surveyed believe Australia is a less attractive place to invest today, compared with five years ago, driven largely by increasing sovereign, political and regulatory risk. Respondents also highlighted that changes in

¹⁶ Menzies Research Centre, [Open Lawfare: How Australia became the lawfare capital of the world](#), 2024

¹⁷ EnergyQuest, [East Coast Gas Outlook](#), 2024

government policy and regulation are already resulting in gas projects being significantly delayed, and in some cases cancelled or relocated offshore.

Short-term interventions have exacerbated east coast supply pressures

The east coast gas policy environment is characterised by a cycle of forecast shortfalls and short-term policy interventions. The first ACCC Gas Inquiry report was published in September 2017 and highlighted the risks of east coast gas market shortfalls from 2018. The report stated that commercial and industrial users are “experiencing a very difficult contracting environment in 2017, with few suppliers offering gas at very high prices for supply in 2018 and beyond.” It found that there are “a number of gas resources and other measures that could be used to provide additional supply to the domestic market” but that “long lead times, pending investment decisions and the economic viability of developing these resources” are impacting bringing this supply to market. The same warnings and recommendations have been made in every ACCC Gas Inquiry since, and while east coast gas market has consistently managed to avoid forecast shortfalls, repeated government interventions have made the gas policy environment more complex and less certain and made the development of new gas supply on the east coast harder.

The Gas Market Code has failed to deliver on its objectives. The Code entered into force in July 2023 with the aim to “ensure Australian gas is available for Australian users at reasonable prices, give producers the certainty they need to invest in supply, and help to ensure Australia remains a reliable trading partner.”¹⁸ The Code has put the government at the centre of the east coast gas market and has muted the market signals to bring on new supply and undermined investment confidence. Market interventions, such as the price provisions of the Code that are designed to artificially cap or lower prices through mechanisms other than via increased supply, only serve to undermine investment signals and risk unintended market behaviour by participants. The Code’s negotiation, conduct and procedural provisions have restricted engagement between gas users and producers which, coupled with punitive penalties for non-compliance, have added significant friction to standard market operations and undermined the efficient and effective functioning of the market.

The Australian Domestic Gas Security Mechanism and Heads of Agreement have undermined confidence in Australia’s LNG exports and presented a significant administrative burden. The ADGSM, which risks leaving trusted trading partners with as little as 30-days’ notice of interruptions to LNG exports, undermines confidence in Australia’s commitment to remain a reliable energy partner in the region and to Australia’s commitment to the sanctity of long-term export contracts. The ADGSM does not consider LNG producers’ broader contributions to the domestic market, while the voluntary HoA places a significant administrative burden on the government and LNG exporters while largely duplicating the standard functioning of the market.

Consideration of LNG import terminals in southern states demonstrates systemic gas policy failure across the east coast. Discussion of LNG import terminals in states with substantial untapped gas reserves highlights a history of energy and gas policy failure. Any consideration of LNG import terminals must be based on maintaining a level playing field with domestic gas production, without additional subsidies or government support for LNG imports. Subsidising uneconomic LNG import terminals will only distort the domestic market and undermine the investment case for domestic gas production.

¹⁸ Minister Bowen & Minister King, [Finalised gas code delivers for Australians \(press release\)](#), 2023

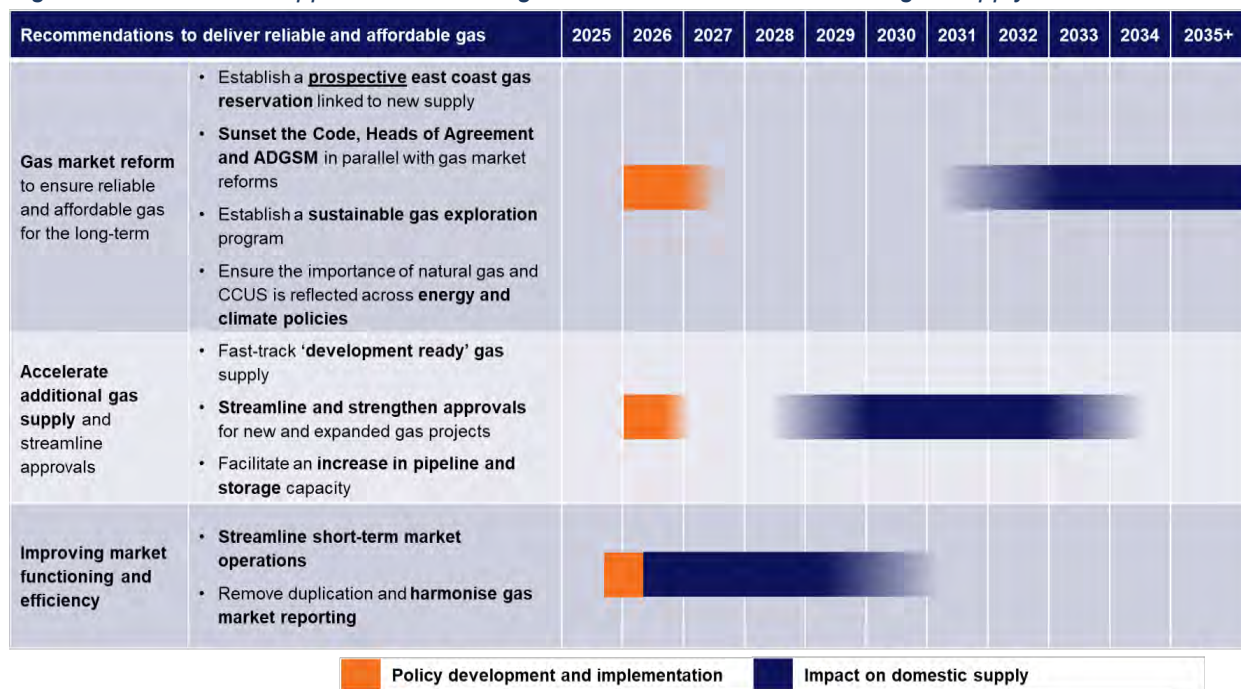
Recommendations to deliver reliable and affordable gas

Australian Energy Producers recommends a three-track approach to ensuring reliable and affordable natural gas supply today and over the long-term. All three tracks will need to be delivered in parallel and in coordination with state governments to ensure a smooth and reliable market transition.

- **Gas market reform to ensure reliable and affordable gas for the long-term.** Australian Energy Producers recommends the establishment of prospective east coast gas reservation policy linked to new supply. A well-designed, prospective gas reservation policy, accompanied by Federal and state actions to support new supply, will support reliable and affordable domestic gas for the medium and long-term while ensuring Australia remains a reliable energy partner to the region. Clearly defining the endpoint of gas market reforms will provide the certainty needed for east coast gas producers and users to continue to invest as the market transitions.
- **Accelerate new gas supply and streamline approvals.** While a prospective gas reservation policy would provide the medium to long-term framework for the east coast gas market, it will not address forecast shortfalls and market concerns in the near-term. Australian Energy Producers recommends a range of actions to fast-track 'development ready' gas supply and to streamline approvals for new and expanded gas projects to ensure the east coast continues to avoid forecast near-term shortfalls.
- **Improving market functioning and efficiency during the market transition.** Australian Energy Producers recommends a number of actions that can be implemented immediately to improve market functioning and efficiency as the market transitions away from the current duplicative, complex and interventionist framework.

Further detail on each of the three tracks, including specific actions and sub-actions, is provided below.

Figure 1: A three-track approach to ensuring reliable and affordable natural gas supply



Gas market reform to ensure reliable and affordable gas for the long-term

1. Establish a prospective east coast gas reservation linked to new supply

A well-designed, prospective east coast reservation framework linked to new supply could support a competitive and well-supplied domestic gas market in the medium to long term, while providing investment certainty for gas producers and users.

Australian Energy Producers supports the establishment of an east coast gas reservation that is:

1. **Prospective and linked to new supply.** Retrospective policy interventions damage confidence, undermine Australia's ability to compete for investment and risk future gas supply. An east coast reservation policy must be linked to new gas supply and future investments only.
2. **Accompanied by immediate action to support new gas supply.** Federal and state policies that support the timely development of new gas supply on the east coast must be prioritised, including streamlining approvals, releasing new acreage for exploration and development, and fast-tracking stalled projects.
3. **Aligned to future domestic gas demand.** The policy must be calibrated to anticipated future domestic gas demand, with flexibility to accommodate seasonal fluctuations. Policies that aim to significantly undersupply or oversupply the market undermine the market signals to invest and impact the sustainable operation and ongoing investment of gas users and producers.
4. **Allows the market to determine prices.** An east coast reservation policy must support an open and competitive gas market, with prices set by the market based on supply and demand.
5. **Flexible.** A well-designed policy must accommodate seasonal and market variations in gas production, domestic gas and LNG demand, with provisions to allow for flexibility between producers, across portfolios and over time.
6. **Minimises sovereign risk and ensures Australia remains a reliable energy partner to the region.** Australia's commitment to remaining a reliable energy partner and to minimising sovereign risk must be central to any east coast reservation policy. Interventions which break foundation contracts, retrospectively undermine investment cases or are applied inequitably all increase sovereign risk and should be avoided or minimised.

A prospective east coast gas reservation alone will not solve near-term market pressures and shortfalls. Australian Energy Producers acknowledges that a prospective reservation policy alone cannot resolve projected near-term shortfalls but it can provide the certainty needed for future investment and ensure adequate domestic gas supply in the medium term when accompanied by actions to support new supply, including those detailed in the following recommendations.

Australian Energy Producers is committed to working with Federal and state governments, gas users and stakeholders on the design of an east coast gas reservation policy. Careful and considered consultation on the design of an east coast gas reservation will be needed to avoid unintended consequence and impacts. Engagement with state governments and the Energy and Climate Ministerial Council will also be needed to ensure it is aligned across jurisdictions and is accompanied by the necessary actions to support new gas supply.

2. Sunset the Code, HoA and ADGSM in parallel with gas market reforms

The current east coast gas policy framework has not delivered the confidence needed for gas producers or gas users to make long-term investments in Australia or reassured our regional trading partners that Australia is committed to remaining a reliable energy supplier. As part of the holistic market reforms needed and the return to an open and competitive east coast gas market, timelines for the sunset of the Code, HoA and the ADGSM should be established. Australian Energy Producers recommends the Australian Government:

- 2.1. Establish a timeline to transition away from the permanent price provisions and exemption framework in the Code and from the HoA** to deliver an open and competitive gas market, a long-term market signal for investment in new gas supply, and a supply-demand balance that delivers reasonable prices to users and producers. The price provisions of the Code have only served to undermine forward investment signals and result in unintended market behaviour by participants. The timeline should be clearly defined and aligned with the implementation of the east coast gas reservation framework to avoid any shocks or unintended consequences to the market.
- 2.2. Commit to ending the ADGSM on or before the current sunset date.** The ADGSM was originally intended to sunset on 1 January 2023. This date was subsequently extended to 1 January 2030. To help restore confidence in Australia as a reliable and trusted energy partner, the government should focus on actions to boost domestic gas supply and commit to the orderly cessation of the ADGSM on or before 1 January 2030.

3. Establish a sustainable gas exploration program

Exploration is the foundation of a sustainable gas sector, with investment in exploration a leading indicator of a well-supplied, competitive gas market. Exploration investment in Australia remains near all-time lows with quarterly expenditure to March 2025 of \$294 million¹⁹ for both onshore and offshore exploration. This is 80 per cent lower than the quarterly peak of \$1.54 billion in 2014. To support the establishment of a sustainable gas exploration program, Australian Energy Producers recommends the Australian Government:

- 3.1. Return to annual onshore and offshore acreage releases.** Infrequent and uncertain acreage releases dampen interest in gas exploration and production and sends a signal to investors that Australia is no longer “open for business”.
- 3.2. Remove restrictions on the use of offshore seismic surveys.** The Future Gas Strategy and subsequent government actions, such as the Future Gas Strategy Draft Offshore Guidelines 2025, look to restrict the use of offshore seismic surveys. Seismic acquisition is fundamental to offshore oil and gas exploration, as well as monitoring of CCUS activities. Restricting the use of offshore seismic seriously impacts future offshore gas exploration and development in Australia. NOPSEMA find that seismic surveys pose no “serious, unacceptable impacts on the marine environment or marine fauna.”²⁰
- 3.3. Reinstate the Strategic Basins Plan and incorporate natural gas into the Resourcing Australia’s Prosperity program,** to operationalise the Future Gas Strategy’s commitment to

¹⁹ DISR, [Resources and Energy Quarterly June 2025](#), 2025

²⁰ NOPSEMA, [Submission from NOPSEMA to the Environment and Communications References Committee Inquiry into the impact of seismic testing on fisheries and the marine environment](#), 2019

continue “investing in pre-competitive geoscience data.” Excluding natural gas from the Geoscience Australia Resourcing Australia’s Prosperity program runs counter to the importance of gas in Australia and the policy direction set by the Future Gas Strategy.

- 3.4. Incentivise the Victorian and NSW state governments to broaden and promote gas exploration and development**, near to where the gas is needed. This may include undertaking joint studies to map all available gas reserves across both states.

4. Ensure the importance of natural gas and CCUS is reflected across energy and climate policies

Natural gas and CCUS are largely excluded from Australia’s current climate and energy policies. Overlooking the role of natural gas and CCUS will make maintaining energy security, growing Australian industry, and reaching net zero in Australia harder and more expensive. Increasing the cost of energy and emissions reductions will impact Australia’s productivity and global competitiveness. To ensure natural gas and CCUS are reflected across energy and climate policies, Australian Energy Producers recommends:

- 4.1. Ensuring a strong and consistent message on the importance of natural gas to energy security and the energy transition in Australia and the region**, as well as addressing misconceptions and intentional and unintentional misrepresentations of the role of gas.
- 4.2. Reflecting the importance of gas across all relevant energy and climate policies**, ensuring strategic gas policy, such as the Future Gas Strategy, is reflected across policy and regulatory instruments and agencies that operationalise energy and climate action.
- 4.3. Integrating CCUS into existing and future energy and climate policies and programs**, including the Future Made in Australia program, the Hydrogen Headstart program and the Clean Energy Finance Corporation.

Accelerate new gas supply and streamline approvals

5. Fast-track ‘development ready’ gas supply

Australian Energy Producers’ members have identified up to 140 PJ/year of additional gas supply that could be brought to market by 2030, over and above what currently has internal and government approval. This gas includes new gas projects, additional or accelerated production from existing projects, investments in processing plant or field assets that reduce the rate of production decline, and accelerating planned well drilling plans. 140 PJ/year is well in excess of AEMO’s forecast southern state shortfalls in 2030. To fast-track ‘development ready’ gas projects, Australian Energy Producers recommends:

- 5.1. The Energy and Climate Ministerial Council (ECMC) identify ‘development ready’ gas supply that can be online by 2030 and coordinate with industry to bring it to market sooner**, with a focus on southern states and priority development areas. Updates on ‘development ready’ projects and on Federal and state government actions to remove barriers should be a standing item on ECMC agenda.
- 5.2. Awarding Major Project Status to strategically important ‘development ready’ gas projects.** Awarding Major Project Status or equivalent to critical ‘development ready’ gas projects would help streamline regulatory processes, facilitate coordination between government agencies, and expedite approvals to support project delivery, in line with similar approaches for significant critical minerals and renewable projects.

6. Streamline and strengthen approvals for new and expanded gas projects

Extended permitting delays, combined with increasing activist ‘lawfare’ and the risk that approvals are reversed are impacting project development and undermining investor confidence. For example, the processing time for Environmental Plans for offshore oil and gas projects increased from an average of 180 days in 2022, to 562 days on average for exploration and 400 days on average for development in 2024. Australian Energy Producers members have highlighted a range of issues associated with project approvals. These include difficulty in navigating growing complexity in post-approval requirements (such as management plans and offsets), unduly long and uncertain approval timelines, the resource-intensity of approval processes, and the risk that an approval will be subject to an unmeritorious legal challenge.

Increasing regulatory delays and complexity adversely impact Australia’s productivity. The Productivity Commission concluded in 2020 that “there remains ample scope to reduce complexity, inconsistency and duplication” in Australia’s regulation of resources, and reiterated in 2025 that approval processes are “slow, uncertain and complex”.²¹ The negative impacts of regulation on economic growth have led to peer countries reframing their approach to regulation. For example, the United Kingdom has adopted a “regulating for growth” approach which requires regulators to have regard to promoting economic growth to ensure regulatory action is taken only when it is needed, and that any action taken is proportionate.²²

To ensure permitting processes are fit-for-purpose and robust, Australian Energy Producers recommends:

- 6.1. Clarifying consultation requirements for offshore natural gas activities under the Offshore Petroleum and Greenhouse Gas Storage Act (OPGGSA).** Clarity is required on the objectives of the consultation process under the OPGGSA, on identifying relevant persons who may be affected including the geographical extent of consultation requirements, the expectations regarding trying to contact relevant persons, and on which activities and risks constitute effects and impacts to relevant persons.
- 6.2. Addressing regulatory loopholes and ensuring approvals are robust to unfounded legal challenges.** The vulnerability of approvals to subsequent legal action is a critical risk and excessive cost to gas producers, as well as a driver of delayed supply and higher prices. There should be clear and prescriptive requirements on who has standing to challenge approval decisions.
- 6.3. Fully accrediting state and territory processes under the EPBC Act to eliminate duplicative environmental assessments between the Commonwealth and states.** There are currently no *approval* bilateral agreements for state governments in place under the EPBC Act, only *assessment* bilateral agreements. The absence of accredited state approval processes results in overlapping Federal and state oversight and conditions, which can be inconsistent, onerous and costly.
- 6.4. Reviewing the use of ‘stop-the-clock’ provisions in the EPBC Act and their impact on gas project approval timelines.** Gas project approvals timelines are regularly subject to ‘stop-the-clock’ provisions in the EPBC Act, such as requests for information (Section 132) and unilateral Ministerial extensions (Section 130), often with limited information provided regarding the basis

²¹ Productivity Commission, [Resources Sector Regulation](#), 2020, p. iii; [Investing in cheaper, cleaner energy and the net zero transformation](#), 2025, p. 8.

²² United Kingdom of Great Britain and Northern Ireland, Department for Fair Business & Trade, [Government Response to Smarter Regulation: Regulating for Growth Consultation](#), 2024, p. 4.

of these actions. The use of 'stop-the-clock' provisions should be reviewed to ensure they are not resulting in undue increases in project approval times.

- 6.5. Enabling the transfer and division of EPBC Act approvals with the change of title ownership.** Currently if a title with a related EPBC Act approval changes ownership, the new titleholder must reapply for the EPBC Act approval even if they plan to conduct the same activity on the site. Enabling the transfer and division of EPBC Act approvals avoids the duplication of the approval process and the associated cost and administrative burden on the regulator and the proponent. It also allows smaller capital developers to farm-in or purchase petroleum tenures and to bring gas to market more quickly or at a cost base that may be uneconomic for larger proponents.

The inefficiency of the current system can be seen with the Senex Atlas project. When Senex purchased the Atlas title, the previous owners already had an EPBC approval in place. However, because the titleholder changed, Senex had to start the whole EPBC approval process again, resulting delays in bringing gas to market as well as a doubling of the administrative burden on the gas producers and the government agencies who effectively had to process the application twice.²³

- 6.6. Removing the water trigger restriction from bilateral agreements under the EPBC Act.** Currently the water trigger is not allowed to be included in bilateral agreements with states, which results in Federal duplication of state approval processes without adding any new scientific assessment or evidence. Allowing the water trigger to be included in bilateral agreements would decrease duplication and ensure a more efficient and effective assessment of potential water impacts from an activity.
- 6.7. Fully accrediting the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) for all state waters approvals under the OPGGSA.** Making NOPSEMA the sole environmental and regulatory authority in state waters would remove the 'grey zone' between the state and Federal regulators, remove duplication and provide a single point of contact for all offshore environmental matters.
- 6.8. Requiring NOPSEMA to identify all issues with an application and provide a full list of requests for further information as part of the first assessment.** Under the current framework as soon as an assessor deems part of a safety case or an Environmental Plan to be substantially deficient, they can issue a request for information or provide an opportunity to modify and resubmit, before assessing the rest of the application. It would increase processing efficiency if NOPSEMA is required to fully complete the assessment of an application as part of the first assessment and issue a full list of all issues to be addressed by a project proponent. Each subsequent request for information should then comprise a diminishing number of issues or sub-issues and not introduce new issues which were not identified at the first assessment.
- 6.9. Ensuring Federal regulators are appropriately resourced for the efficient and timely processing of approvals.** Ensuring regulatory agencies are working efficiently and effectively and are adequately resourced is critical for timely approvals. This includes minimising the turnover and reassignment of assessment officers which can impede the progress of assessments.

²³ Ian Davies, [It's crunch time: the gas supply problem must be addressed before it's too late](#), 2024; Senex Energy, [Green light for Senex's \\$1 billion investment to boost domestic gas supply](#), 2024

Enhanced resourcing should be accompanied by a coordinated approach across government to deliver timely approvals and improve regulatory practices.

7. Facilitate an increase in pipeline and storage capacity

Gas pipeline capacity from the north to southern states, at peak times, is already running at over 100 per cent, meaning additional gas availability in QLD and the Northern Territory (NT) is of no benefit to southern states during these periods. New pipeline capacity will also likely be required to connect new supply to market. Similarly, the existing gas storage capacity in southern states will come under increasing pressure as production from the Gippsland Basin declines. To increase capacity of gas pipeline and storage infrastructure, Australian Energy Producers recommends:

Fast-tracking approvals for gas pipeline and storage capacity increases. In parallel to pursuing reforms to unlock additional gas supply in the east coast, Federal and state governments should work to encourage and facilitate additional gas pipeline and storage projects, including by coordinating and accelerating approvals. Noting, increasing pipeline capacity from QLD to southern markets without increasing new supply and without incentivising all producers to support the domestic market, will place an unsustainable burden on the QLD LNG projects. This in-turn increases sovereign risk and undermines the investment case to produce additional supply above foundation contracts.

Improve market functioning and efficiency

8. Streamline short-term market operations

It is recognised that elements of the existing east coast policy framework may continue for some time to avoid sudden or unexpected disruption or policy changes to the east coast gas market. To improve market functioning and efficiency for gas producers and gas users as the market transitions, Australian Energy Producers recommends:

8.1. Improving the negotiation, conduct and procedural provisions of the Code to align with standard market practices and ensuring penalty provisions do not negatively impact market operations. Australian Energy Producers proposes a set of improvements to the Code to improve market functioning and efficiency for gas producers and users during the market transition, including for example allowing for more timely negotiations and providing buyers with flexibility to opt-out of prescriptive processes where desired (See Annex 1).

8.2. Streamlining the HoA and ADGSM to achieve the lightest touch regulatory burden necessary to give confidence to the domestic market that forecast shortfalls will be addressed as the market transitions and until the instruments sunset. For the ADGSM, this should include addressing the lack of consistency in reporting between gas market agencies.

9. Remove duplication and harmonise gas market reporting

Australian gas producers face increasing reporting requirements from a range of Federal and State departments and agencies. Cumulatively, these monitoring and reporting requirements represent a significant and growing administrative burden, without necessarily improving the functioning of the market. To meet the increasing regulatory requirements, gas producers are needing to dedicate additional resources to reporting processes. To remove duplication and harmonise gas market reporting, Australian Energy Producers recommends:

9.1. ACCC, AEMO and AER to harmonise definitions, scope, frequency and period of reporting, as well as the format of reporting to enable gas producers to meet multiple agencies reporting requirements as efficiently as possible. Engagement and consultation in well in advance of any

ad hoc data requests as well as extended response periods would further reduce the administrative burden on gas producers.

- 9.2. Implementing a shared data portal for all gas market reporting.** A shared data portal that aggregates all reporting requirements for all east coast market regulatory and monitoring agencies minimises the administrative burden on gas market participants while allowing agencies to access the data they need.
- 9.3. Undertaking a review of the ACCC Gas Inquiry.** The ACCC Gas Inquiry is by far the longest inquiry undertaken by the ACCC. Since commencing in 2017, the Gas Inquiry has highlighted the risk of east coast gas shortfalls and the ongoing need for new gas supply across the east coast. The findings of the Inquiry have led to widespread understanding of the need for east coast gas market reform and ultimately to this Gas Market Review. However, the Gas Inquiry also represents a significant and ongoing administrative burden for gas producers and risks providing diminishing value to the market at the completion of the Gas Market Review. Consideration should therefore be given to the ongoing value of the Gas Inquiry and where elements of the Inquiry that continue to add value are better served by ongoing gas market bodies such as AEMO and the AER.

Australian Energy Producers is committed to working with Federal and state governments, gas users and broader market stakeholders to deliver the gas market and regulatory reforms needed to deliver reliable and affordable gas across Australia.

Annex 1 | AEP proposed changes to Competition and Consumer (Gas Market Code) Regulations 2023

Code section	Proposed change	Purpose
Part 1 – Preliminary		
2	A new commencement date will be required if the Code is revised/re-made, with appropriate transitional arrangements put in place.	Provides clarity to suppliers, the ACCC and other stakeholders on when the changes take effect and ensures affected parties have sufficient time to implement the change.
4(1)	<p>buyer gas final offer: a buyer gas final offer is an offer to acquire regulated gas that:</p> <ul style="list-style-type: none"> • is in a form that is capable of being accepted; and • if accepted, gives rise to a binding agreement to acquire regulated gas. <p>Add a note clarifying that a request to vary an existing agreement is not a buyer gas final offer, where that variation is operational in nature (e.g. a change to a delivery point or the shape of the supply profile).</p>	This proposal will reduce regulatory burden, by limiting the details that need to be recorded in the Section 33 workbook. Currently, a variation request needs to be entered as a buyer gas final offer in the 'Offers' worksheet and, upon execution, as a variation to an agreement in the 'Variation' worksheet. This change would mean the supplier only needs to enter the details in the 'Variation' worksheet (if executed).
4(1)	<p>gas EOI open period: if a person issues a gas EOI, the gas EOI open period is the period that:</p> <p>(a) starts on the day the person issues the gas EOI; and</p> <p>(b) ends on the day specified in the gas EOI.</p> <p>Note: The day specified in the gas EOI must be at least 20 business days after the day on which the gas EOI is issued (see subsection 10(3)).</p> <p>Change the minimum timeframe from 20 business days to 10 business days.</p>	This proposal reduces the end-to-end negotiation timelines, while continuing to provide minimum standards and a clear and certain negotiation framework. The ACCC has previously acknowledged that an open period of two weeks or more is sufficient time for potential buyers to consider a gas EOI. ²⁴

²⁴ Australian Competition and Consumer Commission, [Gas Inquiry 2017-2030, Interim update on east coast gas market](#), 30 June 2023, p. 62.

4(1)	<p>gas final offer: a gas final offer is an offer to supply regulated gas that:</p> <ul style="list-style-type: none"> - is in a form that is capable of being accepted; and - if accepted, gives rise to a binding agreement to supply regulated gas. <p>Change the definition such that it is limited to the provision of key commercial terms upon which the supplier is willing to proceed to contract drafting and execution.</p> <p>Add a note clarifying that a variation to an existing agreement that is operational in nature does not constitute a gas final offer.</p>	<p>For a gas final offer to give rise to a binding agreement upon acceptance, suppliers are required to:</p> <ol style="list-style-type: none"> 1. complete all internal processes prior to issuing the gas final offer, including contract drafting and review and governance 2. provide the (non-executed) agreement to the buyer at the same time as issuing the gas final offer. <p>This proposal will provide suppliers with more time to carry out the required governance approvals and draft the agreement, as required.</p> <p>As above, clarification about variations to existing agreements will reduce regulatory burden.</p>
4(1)	<p>gas initial offer: an offer of basic terms forming the basis of negotiations for the purposes of entering into a binding agreement for the person making the offer to supply regulated gas is a gas initial offer if acceptance of the offer does not result in the entering into of such an agreement (but may lead to negotiations for the purposes of entering into such an agreement).</p> <p>Add content specifying that a gas initial offer does not include a gas EOI, preliminary exploratory discussions (see below for a new definition), or a variation to an existing agreement that is operational in nature.</p>	<p>Specifying that a gas EOI is distinct to a gas initial offer aligns with industry practice and the Code's structure (which contains separate requirements for gas EOIs and gas initial offers). These changes will provide greater clarity to suppliers and reduce regulatory burden</p>
4(1)	<p>gas initial offer open period: if a person (the supplier) issues a gas initial offer to another person (the potential buyer), the gas initial offer open period is the period that:</p> <ol style="list-style-type: none"> 1. starts on the day after the supplier issues the gas initial offer; and 2. ends on the latest of the following: <ol style="list-style-type: none"> 1. the day specified in the gas initial offer; 	<p>This proposal reduces end-to-end negotiation timelines and facilitates the adequate supply of gas by 'unlocking' the gas quicker in the event negotiations with a potential buyer end. Under the Code, suppliers are required to apply the minimum 15 business day timeframe to each varied or reissued offer (unless section 16(3)(b) applies), even though each version is likely to contain discrete changes to selected terms and conditions. The supplier should be able to fix any day to be the last day, taking into account the extent of changes made to the offer since the previous version.</p>

	<ol style="list-style-type: none"> 2. if the gas initial offer is varied or reissued – the day specified in the varied or reissued gas initial offer; 3. if the supplier and the potential buyer, in writing, fix a specified later day – that day. <p>Note: For subparagraph (b)(i), the day specified in the gas initial offer must be (see subsection 16(3)):</p> <p>(a) if the supplier and the potential buyer fix a day in writing before the issue of the gas initial offer—that day; or</p> <p>(b) otherwise—no earlier than 15 business days after the day on which the gas initial offer is issued.</p> <p>Add a note, for varied or reissued gas initial offers, stating the supplier may fix any day to be the last day of the gas initial offer open period.</p>	
4(1)	<p>gas initial offer response period: if a person (the supplier) issues a gas initial offer to another person, and the other person gives the supplier a notice in writing stating that the other person has an interest in receiving a gas final offer in relation to the gas initial offer, the gas initial offer response period is the period that:</p> <ol style="list-style-type: none"> 1. starts on the day after the other person gives the notice; and 2. ends on the latest of the following: <ol style="list-style-type: none"> 1. 30 business days after the day mentioned in paragraph (a); 2. if the supplier and the other person agree in writing on a later day – that later day. <p>Change the drafting of paragraph (b)(i) to '30 business days later'.</p>	<p>This change will improve clarity with respect to the last day of the gas initial offer response period and promote consistency within the Code by aligning this definition with similar definitions in the Code.</p> <p>Currently, '30 business days after the day mentioned in paragraph (a)' could mean 30 business days after:</p> <ol style="list-style-type: none"> 3. the other person gives the notice (being the day explicitly mentioned in paragraph (a)), or 4. the day after the other person gives the notice (being the start day of the gas initial offer response period determined in accordance with paragraph (a)).
4(1)	<p>gas swap agreement means an agreement to:</p> <ol style="list-style-type: none"> 1. swap a quantity of regulated gas at one location for the same quantity of regulated gas at a different location; or 	<p>This change will correct a drafting oversight which resulted in the Code not accounting for all types of gas swap agreements. It will result in a consistent approach being applied to all gas swap agreements and reduce regulatory uncertainty.</p>

	<p>2. swap a quantity of regulated gas at a location at one time for the same quantity of regulated gas at the same location at a different time.</p> <p>Change the definition to include circumstances where the parties swap the same quantity of regulated gas at a different location <u>and</u> at a different time.</p>	
4(1)	<p>mandatory government agreement means an agreement for the supply of regulated gas that a person has entered into because of a direction issued under the National Gas Law.</p> <p>Change the definition to include the Australian Energy Market Operator's (AEMO) trading functions under section 91AD(1)(f) of the National Gas Law.</p>	<p>AEMO may trade in covered gas or purchase other services to the extent AEMO considers necessary to maintain and improve the reliability or adequacy of the supply of covered gas within the east coast gas system.</p> <p>AEMO has expressed a preference to procure such services from industry rather than directly trade in wholesale gas markets. This procurement may occur through:</p> <ol style="list-style-type: none"> 1. a request for quote/tender approach, where industry participants make offers for AEMO's consideration 2. a supplier panel, where AEMO will issue an expression of interest to industry to join a panel to provide specific services when an identified risk or threat arises 3. bilateral negotiations. <p>Such trading may need to occur within tight timeframes, depending on when the identified risk or threat is expected to arise. In these circumstances, it will not be possible to adhere to the offer timeframes prescribed in the Code. Further, it is not clear how the Code provisions will interact with AEMO's supplier panel process (e.g. the establishment of a pre-approved agreement).</p>
4(1) new	<p>Add a new definition for preliminary exploratory discussions to give effect to the proposed Strawman Position above for gas initial offers. An indicative definition is as follows:</p> <p>Preliminary exploratory discussions means any initial engagement or communication between a supplier and a potential buyer of regulated gas undertaken for the purpose of identifying potential</p>	<p>This change is designed to make the rules clearer by drawing a line between early conversations and formal offers. It will allow parties to talk about potential offers without those discussions being treated as a gas initial offer under the Code. This makes it easier for businesses to explore opportunities without triggering</p>

	interest, soliciting an offer to supply or acquire regulated gas, exploring commercial parameters, or assessing the feasibility of a future regulated gas supply arrangement.	regulatory requirements too early, which in turn supports smoother and more efficient market activity.
4(3)	<p>(3) To avoid doubt, a reference in this instrument to a price for regulated gas or a price for the supply of regulated gas does not include the price for the provision of transportation services or storage services in relation to the regulated gas.</p> <p>Change the list of exclusions to also include the price for the provision of flexibility services, such as less than 100 per cent take or pay, load factor, banking rights and the shape of supply, and other market services in relation to the regulated gas.</p> <p>Request that the ACCC's Compliance and Enforcement Guidelines on the Gas Market Code be revised to provide greater clarity on the types of services that can attract additional charges.</p>	Flexibility services and other market services are requested by potential buyers and come at an additional cost to the supplier. Since the services are not related to the supply of the regulated gas itself, they should not be captured by the Code's price provisions. Failing to make this change may reduce buyers' choices/options.
Part 3 – Negotiations: Division 1 – Gas EOIs		
10(3)	<p>The last day of the gas EOI open period specified in accordance with paragraph (2)(e) must be at least 20 business days after the day on which the supplier issues the gas EOI.</p> <p>Change the minimum timeframe from 20 business days to 10 business days.</p>	As above, this change reduces the end-to-end negotiation timelines, while continuing to provide minimum standards and a clear and certain negotiation framework. The ACCC has previously acknowledged that an open period of two weeks or more is sufficient time for potential buyers to consider a gas EOI. ²⁵
11(c)(i)	<p>(c) the supplier fails to publish the gas EOI on its website:</p> <ol style="list-style-type: none"> 1. at the same time that it issues the gas EOI; and 	This change ensures suppliers can comply with the Code's requirements in practice, noting that different functional teams carry out the tasks of publishing a gas EOI and issuing a gas EOI

²⁵ Australian Competition and Consumer Commission, [Gas Inquiry 2017-2030, Interim update on east coast gas market](#), 30 June 2023, p. 62.

	<p>2. in a legible, prominent and unambiguous way.</p> <p>Change the reference to 'at the same time' to 'on the same day'.</p>	to parties, so it is not possible to complete these tasks 'at the same time'.
Part 3 – Negotiations: Gas Initial Offer		
19(a) new	<p>Add a new section in the Code (section 19A) that allows parties to mutually agree, in writing, to opt out of the requirements associated with gas initial offers prescribed in sections 16 to 18 (with the same mutual ability to opt out proposed to apply to gas final offers in sections 20 to 21).</p> <p>Note: it is expected that suppliers will be required to record-keep correspondence about the opt-out arrangements in accordance with section 33(2)(i) of the Code.</p>	This proposal provides greater flexibility to suppliers and potential buyers. It will continue to facilitate the Australian Government's objective of supporting suppliers and buyers to arrive at agreements on reasonable terms, as the prescribed matters, minimum timeframes and other gas initial offer requirements in the Code would be applied by default. Any coercive behaviour to force the potential buyer to opt out would be contrary to the good faith provisions set out in Part 5 of the Code.
Part 3 – Negotiations: Gas Final Offers		
20(1)(c)(ii), 20(2) and 20(3)	<p>(1) A person (the supplier) contravenes this subsection if:</p> <ol style="list-style-type: none"> the supplier is a covered supplier; and the supplier issues a gas final offer to another person (the potential buyer); and any of the following applies: <ul style="list-style-type: none"> the gas final offer does not specify the matters mentioned in subsection (2); the gas final offer is not accompanied by a notice in writing by the supplier that meets the requirements in subsection (3) <p>(3) For the purposes of subparagraph (1)(c)(ii), the requirements are as follows:</p> <ol style="list-style-type: none"> the notice sets out the last day of the gas final offer open period; and that last day is: 	<p>The current drafting is inconsistent with the arrangements in place for gas EOIs and gas initial offers, which require the last day of the relevant open period to be specified in the gas EOI and gas initial offer respectively (see sections 10(2)(e) and 16(2)(g)). There is no valid reason for the difference.</p> <p>It is possible that 'accompanied by a notice' could be interpreted to mean that the supplier must provide/attach a separate notice to the gas final offer. Applying this interpretation would cause unnecessary administrative burden for suppliers, without providing any benefits to potential buyers.</p>

	<ul style="list-style-type: none"> if subparagraph (ii) of this paragraph does not apply – no earlier than 15 business days after the supplier issues the gas final offer; or if the supplier and the potential buyer, in writing before the supplier issues the gas final offer to the potential buyer, fix a specified day – that day. <p>Delete the requirement for the gas final offer to be ‘accompanied by a notice’ setting out the last day of the gas final offer open period.</p> <p>Add a requirement to section 20(2) for the last day of the gas final offer open period to be specified in the gas final offer.</p>	
21A	<p>Add a new section in the Code (section 21A) that allows parties to mutually agree, in writing, to opt out of the requirements associated with gas final offers prescribed in sections 20 and 21 (mirroring the proposal above to allow parties mutually to opt out of gas initial offers prescribed in sections 16 to 18).</p>	<p>This proposal provides greater flexibility to suppliers and potential buyers. It will continue to facilitate the Australian Government’s objective of supporting suppliers and buyers to arrive at agreements on reasonable terms, as the prescribed matters, minimum timeframes and other gas final offer requirements in the Code would be applied by default. Any coercive behaviour to force the potential buyer to opt out would be contrary to the good faith provisions set out in Part 5 of the Code.</p>
Part 4 – Agreements for Supply of Regulated Gas: Procedural Rules		
24	<p>(1) A person (the supplier) contravenes this subsection if:</p> <ul style="list-style-type: none"> the supplier is a covered supplier; and the supplier enters into an agreement for the supply of regulated gas; and under the agreement, the supplier is to supply regulated gas to another person (the buyer); and the supplier did not issue a gas final offer, in relation to the agreement, to the buyer before entering into the agreement. <p>Civil penalty:</p>	<p>This section is redundant on account of the definition of a gas final offer.</p>

	<p>(a) for a body corporate – 6,000 penalty units; and</p> <p>(b) for a person other than a body corporate – 1,200 penalty units.</p> <p>(2) Subsection (1) does not apply if the buyer gave the supplier a buyer gas final offer in relation to the agreement under subsection 18(2) before entering into the agreement.</p> <p>Delete this section (if the definition for gas final offer in section 4(1) remains unchanged.</p>	
Part 6 – Record Keeping, Information and Publication		
33(2)(i)	<p>(2) For the purposes of paragraph (1)(b), the details (and the period relevant to the records) are as follows ...</p> <p>(a) all documents and information exchanged between the supplier and a person with whom the supplier has negotiated in respect of a gas EOI, gas initial offer, buyer gas final offer or gas final offer mentioned in paragraphs (a) to (h), including:</p> <p>(i) each version of such a gas initial offer, buyer gas final offer or gas final offer; and</p> <p>(ii) if such a gas EOI, gas initial offer, buyer gas final offer or gas final offer did not proceed to an agreement to supply regulated gas— documents and information containing reasons as to why it did not proceed to such an agreement; (for the period of 6 years starting after the supplier started to hold the document or information);</p> <p>Change the placement of wording used in this provision such that the documents being recorded are those <u>relating to</u> a gas EOI, gas initial offer, gas final offer or buyer gas final offer mentioned in paragraphs (a) to (h).</p> <p>Delete the references to 'information' to constrain this section to written correspondence.</p>	<p>Adopting more precise wording for this provision will improve its clarity, better reflect the intent of this provision and reduce regulatory burden.</p>

<p>33(2)(j)</p>	<p>(j) any other documents or information that the supplier creates, obtains or holds and that relates to the supply, price or marketing of regulated gas (for the period of 6 years starting after the supplier created, obtained or first held the document or information).</p> <p>Delete this provision.</p>	<p>Penalty provisions such as section 33 of the Code should be drafted in a specific and precise manner to provide the person (the supplier) with absolute certainty in the conduct that is required to avoid penalty. Section 33(2)(j) is extremely broad and does not adequately specify the classes of documents that are required to be kept, placing the onus of interpreting the correct classes of documents on the supplier.</p> <p>This provision currently encompasses a class of documents and information so broad that it would be unreasonable or not possible to record keep these documents in a meaningful way so that they may be produced to the ACCC in a reasonable timeframe if requested under a section 53ZT notice.</p> <p>To the extent that there is a need for other documents or information relating to the supply, price or marketing of regulated gas to be recorded, the ACCC should utilise section 33(2)(m) of the Code and include, following consultation with stakeholders, such details in a determination made by legislative instrument.</p>
<p>36(2), (3), (4) and (5)</p>	<p>(2) A person (the supplier) contravenes this subsection if:</p> <ul style="list-style-type: none"> (a) the supplier is a covered supplier; and (b) the supplier issues a gas EOI; and (c) the supplier fails to give the Commission a copy of the gas EOI on or before the deadline specified in a determination under subsection (3) for giving a notice under this subsection in respect of the issue of a gas EOI. <p>Civil penalty:</p> <ul style="list-style-type: none"> • for a body corporate—3,000 penalty units; and • for a person other than a body corporate—600 penalty units. <p>(3) For the purposes of paragraph (2)(c), the Commission may, by legislative instrument, make a determination specifying a deadline for giving a notice under subsection (2) in respect of the issue of a gas EOI.</p>	<p>Removal of these requirements will reduce the risk of potential duplicative reporting requirements being enacted. There would be no negative impacts for the ACCC, as they have access to gas EOIs through other avenues. Specifically, suppliers are required to:</p> <ul style="list-style-type: none"> (i) publish gas EOIs issued to more than two persons on their websites under section 11 of the Code (ii) notify the ACCC under section 36(1)(c) when they issue a gas EOI to more than two persons (iii) respond to section 53ZT notices under the Competition and Consumer Act 2010 (Cth), which require them to produce various documents such as each gas EOI issued. <p>If the ACCC requires access to the gas EOI, subsection 36(1)(c) of the Code could require suppliers to provide the ACCC with a</p>

	<p>(4) Before making a determination under subsection (3), the Commission must consult with the public about the proposed determination.</p> <p>(5) In making a determination under subsection (3), the Commission must take into account comments made in consultations under subsection (4).</p> <p>Delete subsections 36(2) to (5)</p>	<p>webpage link when they notify the ACCC of the issuance of the gas EOI.</p>
37	<p>(1) A person (the supplier) contravenes this subsection if:</p> <p>(a) the supplier is a covered supplier; and</p> <p>(b) either:</p> <ul style="list-style-type: none"> (a) the supplier issues a gas initial offer or a gas final offer; or (b) the supplier is given a buyer gas final offer; and <p>(c) the supplier fails to give the Commission a notice in writing, on or before the deadline specified in a determination under subsection (2) for giving a notice under this subsection in respect of the issue of the gas initial offer or gas final offer, or the receipt of the buyer gas final offer, that:</p> <ul style="list-style-type: none"> • states that it is given for the purposes of this section; and • sets out the date on which the supplier issued the gas initial offer or gas final offer, or received the buyer gas final offer; and • includes a copy of the gas initial offer, gas final offer, or buyer gas final offer. <p>Civil penalty:</p> <p>(a) for a body corporate – 3,000 penalty units; and</p> <p>(b) for a person other than a body corporate – 600 penalty units.</p> <p>(2) For the purposes of paragraph (1)(c), the Commission may, by legislative instrument, make a determination specifying a deadline for</p>	<p>Removal of these requirements will reduce the risk of potential duplicative reporting requirements being enacted. The ACCC currently collects information about offers, including offer documents, on a quarterly basis under its section 53ZT notices. The administrative burden of providing these documents in near real-time would be too high due to the large volumes of offers issued or received by suppliers. Quality assurance processes would also be impacted, potentially leading to a higher number of inaccuracies or inconsistencies.</p>

	<p>giving a notice under subsection (1) in respect of the issue of a gas initial offer or gas final offer, or the receipt of a buyer gas final offer.</p> <p>(3) Before making a determination under subsection (2), the Commission must consult with the public about the proposed determination.</p> <p>(4) In making a determination under subsection (2), the Commission must take into account comments made in consultations under subsection (3)</p> <p>Delete entire section.</p>	
38	<p>(1) A person (the supplier) contravenes this subsection if:</p> <ul style="list-style-type: none"> (i) the supplier is a covered supplier; and (ii) the supplier enters into an agreement to supply regulated gas; and (iii) the supplier fails to give the Commission a notice in writing, on or before the deadline specified in a determination under subsection (2) for giving a notice under this subsection in respect of the entering into of the agreement, that: <ul style="list-style-type: none"> (a) states that it is given for the purposes of this section; and (b) sets out the date on which the supplier entered into the agreement; and (c) includes a copy of the agreement. <p>Civil penalty:</p> <ul style="list-style-type: none"> (i) for a body corporate – 3,000 penalty units; and (ii) for a person other than a body corporate—600 penalty units. <p>(2) For the purposes of paragraph (1)(c), the Commission may, by legislative instrument, make a determination specifying a deadline for</p>	<p>Per section 37 above. Removal of these requirements will minimise the potential for duplicative reporting requirements being enacted.</p>

	<p>giving a notice under subsection (1) in respect of the entering into of an agreement.</p> <p>(3) Before making a determination under subsection (2), the Commission must consult with the public about the proposed determination.</p> <p>(4) In making a determination under subsection (2), the Commission must take into account comments made in consultations under subsection (3).</p> <p>Delete entire section.</p>	
39(1)(d) and (3)	<p>(1) A person (the supplier) contravenes this subsection if:</p> <ul style="list-style-type: none"> (i) the supplier is a covered supplier; and (ii) the supplier is specified in a conditional Ministerial exemption; and (iii) the conditional Ministerial exemption states that it is subject to conditions; and (iv) the supplier fails to give the Commission a notice in writing, as soon as practicable after the end of a period covered by subsection (3), that: <ul style="list-style-type: none"> (a) states that it is given for the purposes of this section; and (b) sets out the information covered by subsection (2) in relation to the period. <p>Civil penalty:</p> <ul style="list-style-type: none"> (a) for a body corporate – 3,000 penalty units; and (b) for a person other than a body corporate – 600 penalty units. <p>(2) This subsection covers information in relation to a period if the information demonstrates that the supplier complied with the conditions mentioned in paragraph (1)(c) throughout the period.</p>	<p>The current three-monthly schedule, which is linked to the date the CME is granted, may not align to when the data required to be reported under the CME is available. For example, actual gas supplied data is not available until the following month when reconciliation processes are completed. If a CME is granted mid-month, the supplier would need to provide non-reconciled data to the ACCC for part of the reporting period. If there are any adjustments as part of the reconciliation process, these adjustments would need to be reported in a subsequent reporting period, creating additional workload and a quality control risk for the supplier. It may also have flow on impacts for any disclosures required to be made by the supplier or the ACCC.</p>

	<p>(3) For the purposes of this section, this subsection covers the following periods:</p> <ul style="list-style-type: none"> (i) the period of 3 months beginning on the day the conditional Ministerial exemption was granted; (ii) if the conditional Ministerial exemption was in force at a time in a subsequent period of 3 months that: <ul style="list-style-type: none"> (a) started immediately after the end of the period mentioned in paragraph (a); or (b) started immediately after the end of the period mentioned in subparagraph (i), or the end of a period covered by a previous operation of this subparagraph; <p>that subsequent period of 3 months.</p> <p>(If the CME process is retained:)</p> <p>Change this section such that information about conditional Ministerial exemptions (CMEs) is reported to the ACCC as soon as practicable after the end of each calendar quarter. This change would apply to all current and future CMEs.</p>	
41	<p>Supplier to report information to Commission—small suppliers.</p> <p>(1) A person (the supplier) contravenes this subsection if:</p> <ul style="list-style-type: none"> (a) the supplier is a covered supplier; and (b) the amount of counted gas in relation to the supplier, that was produced in the most recent calendar year, is nil or is less than 100 petajoules; and (c) the supplier fails to give the Commission a notice complying with subsection (11) and setting out the information covered by subsection (2) on or before: <ul style="list-style-type: none"> • if subparagraph (ii) does not apply—the third business day after that calendar year; or 	<p>Three business days is insufficient time for small suppliers to collate and report the required information to the ACCC. Sales are not finalised until approximately the tenth calendar day of each month as they require information from pipeline operators, storage operators, joint venture operators and the market operators.</p>

	<ul style="list-style-type: none"> if the calendar year is the most recent calendar year that ended on or before the commencement of this instrument—23 December 2023. <p>Change section 41(1)(c)(i) to the tenth business day after that calendar year (i.e. 15 January each year).</p>	
47(4) and (5) new	<p>Deemed exemption for export (gas initial offers, gas final offers and agreements).</p> <p>Add a new subsection covering buyer gas final offers.</p> <p>Add a new subsection covering section 33(2)(m) of the Code, which requires details of the kind specified in an ACCC determination made under section 33(3) to be recorded and kept.</p>	<p>These changes will limit the scope of documents required to be recorded and kept under the Code and reduce regulatory burden. Extending the exemption to buyer gas final offers and details required to be recorded under section 33(2)(m) (e.g. buyer gas initial offers) is consistent with the approach taken for other offer types and the general intent of this exemption (i.e., the Code is 'intended to apply to gas offers and agreements in relation to regulated gas for <i>domestic use</i>').²⁶</p>
48(5) and (6) new	<p>Deemed exemption for gas swap agreements (gas EOI, gas initial offers, gas final offers and agreements).</p> <p>Add a new subsection covering buyer gas final offers.</p> <p>Add a new subsection covering section 33(2)(m) of the Code, which requires details of the kind specified in an ACCC determination made under section 33(3) to be recorded and kept.</p>	<p>These changes will limit the scope of documents required to be recorded and kept under the Code and reduce regulatory burden. Extending the exemption to buyer gas final offers and details required to be recorded under section 33(2)(m) (e.g. buyer gas initial offers) is consistent with the approach taken for other offer types and the general intent of this exemption (i.e., A deemed exemption for 'volume neutral gas swap agreements is appropriate as these arrangements facilitate efficient market operation and play an important role in balancing and hedging gas supply and delivering additional gas at peak times').²⁷</p>
52(6) new	<p>Deemed exemption for gas trading exchange transactions</p> <p>Add a new subsection exempting the supplier from the section 33 record keeping requirements for gas trading exchange transactions and any agreements resulting directly from a transaction on a gas trading exchange.</p>	<p>These changes will limit the scope of documents required to be recorded and kept under the Code and reduce regulatory burden. AEMO is required to maintain a record of orders, transactions, delivery and settlement for a period of seven years after the record was created (section 10.4 of the Gas Supply Hub (GSH) Exchange Agreement). It is not reasonable to expect suppliers to</p>

²⁶ Commonwealth of Australia, [Competition and Consumer \(Gas Market Code\) Regulations 2023](#), explanatory statement, emphasis added.

²⁷ *ibid.*

		<p>make and keep duplicate records (outside of normal business practices), particularly given the volume of GSH trades.</p> <p>There are also practical application issues in translating the Code's definitions and requirements to GSH trades (e.g., suppliers are currently required to record all buyer offers, regardless of whether the offer was seen by the supplier at the time the offer was made on the trading system).</p>
53	<p>Deemed exemption for retailers.</p> <p>A civil penalty provision in Parts 3, 4, 5 and 6 does not apply at a time if all of the following conditions are met:</p> <p>(a) at the time, the person mentioned in that provision:</p> <ul style="list-style-type: none"> (i) held a retailer authorisation (within the meaning of the National Energy Retail Law as it applies in a State or a Territory); or (ii) was a retailer (within the meaning of the <i>Electricity Industry Act 2000</i> (Vic.)); or (iii) held a licence authorising the person to sell gas by retail under the <i>Gas Industry Act 2001</i> (Vic.); <p>(b) no more than 50 per cent of the annual turnover of the person during the most recent financial year ending before the time, to the extent that it is attributable to business operations related to the production, supply and acquisition of gas, is attributable to a business of producing regulated gas carried on by the person.</p> <p>Change this exemption so that retailers are exempt from the good faith provisions in Part 5 only to the extent the retailer is the person proposing to supply or is supplying the regulated gas.</p>	<p>This change will bring retailers in line with other potential buyers/buyers (e.g., commercial and industrial users), who are required to deal with suppliers in good faith in relation to negotiations and agreements.</p>
54(5) and (6) new	<p>Deemed exemption for mandatory government agreements (gas EOIs, gas initial offers, gas final offers and agreements).</p> <p>Add a new subsection covering buyer gas final offers.</p> <p>Add a new subsection covering section 33(2)(m) of the Code, which requires details of the kind specified in an ACCC determination made under section 33(3) to be recorded and kept.</p>	<p>These changes will limit the scope of documents required to be recorded and kept under the Code and reduce regulatory burden. Extending the exemption to buyer gas final offers and details required to be recorded under section 33(2)(m) (e.g. buyer gas initial offers) is consistent with the approach taken for other offer types and the general intent of this exemption (i.e., a deemed</p>

		exemption is 'warranted as entering into such agreements is not at the discretion of the entities involved'). ²⁸
Part 9 – Miscellaneous		
76(1) and (7)	<p>76 Review of this instrument</p> <ul style="list-style-type: none"> The Energy Minister and the Resources Minister, acting jointly, may cause a review of the operation of this instrument to be undertaken ... <p>(a) No later than 1 July 2025, the Energy Minister and the Resources Minister, acting jointly, must cause a review of the operation of this instrument to be undertaken under subsection (1).</p> <p>Change these sections to include a review of any legislative instruments made by the ACCC under the Code.</p>	The ACCC may make various determinations under the Code (see, for example, section 33(2)(m) and section 34(7)) that impact how the Code is applied and the regulatory burden placed on suppliers. Including a review provision for these determinations will help ensure they remain fit-for-purpose.

²⁸ Commonwealth of Australia, [Competition and Consumer \(Gas Market Code\) Regulations 2023](#), explanatory statement.