

GAS MARKET REVIEW | *FEEDBACK ON DESIGN*

Australian Energy Producers | 13 March 2026

Reliable and affordable natural gas is essential to Australia’s energy security and economic prosperity. The Australian Government’s Future Gas Strategy confirmed natural gas will play a critical role in Australia’s energy mix to 2050 and beyond, and continued investment in exploration and production is needed to meet this long-term demand.

The current patchwork of market interventions has not worked, and fundamental market reform is required. The Gas Market Review concluded that government interventions in the east coast gas market “have not been able to establish sufficient long term investment certainty, are not able to directly and in themselves guarantee or direct supply, and need to evolve to address the long term, structural challenges facing Australian gas markets.”¹

The Gas Market Review provides the opportunity to reset national gas policy with a focus on investment certainty and encouraging new supply. A well-designed, prospective reservation framework linked to new supply, coupled with the removal of the current policy patchwork, can provide the foundation for a competitive and well-supplied domestic gas market in the medium-to-long term, while providing investment certainty for gas producers and users.

Getting the detail right is critical, and with the east coast gas market expected to continue to be well supplied to the end of the decade and beyond, there is time to get the policy right. Sound design and implementation require a thorough analysis of the evidence and policy approach in consultation with industry. A poorly designed or poorly calibrated scheme risks significant and damaging unintended consequences, including discouraging investment, reducing competition and crowding out new sources of domestic supply – ultimately reducing the volume of gas available and adding to future supply and price pressures. The imperative to unlock new supply, and the market reforms required to do it, cannot be treated as out of scope of the Review.

To ensure the Gas Market Review supports an effective reset of gas policy, Australian Energy Producers recommends:

1. Reservation policy design should be calibrated to reflect market conditions, protect investment signals for domestic producers, and provide flexibility for exporters in meeting domestic supply obligations, including allowing exports where gas is not required by the domestic market.
2. The domestic supply obligation should be regulated through a multi-year, performance-based compliance regime, with risk-based auditing and proportionate enforcement.
3. The implementation of a reservation policy must be tied to the removal of the price provisions of the Gas Market Code, Heads of Agreement and Australian Domestic Gas Security Mechanism and deliver a net reduction in regulatory burden.
4. Western Australia and the Northern Territory LNG exporters should be exempt in practice from the national reservation scheme. The national scheme should not interact or interfere with Western Australia’s domestic gas policy.

¹ Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), 22 December 2025, p. 4.

5. Reservation policy must be prospective and linked to new supply. A retrospective reservation would damage market confidence, undermine Australia's ability to compete for investment and risk future gas supply.
6. The Commonwealth and states should immediately pursue all actions to accelerate new gas supply and streamline approvals.
7. Proposals to expand the powers of the Australian Energy Market Operator to underwrite gas infrastructure should be shelved. They are not required if the Gas Market Review recommendations are implemented effectively.
8. Close consultation with industry on the detailed design of a reservation scheme is crucial. A well supplied market to 2030 provides the time to get the policy right.
9. Consideration of the full suite of Gas Market Review recommendations should be staged, with the establishment of a well-designed reservation policy and removal of existing interventions as the first priority.

Australian Energy Producers stands ready to work closely with the Australian Government to design gas market reforms that provide investment certainty and reduce red tape for the benefit of gas producers and exporters, gas users and the nation.

DETAILED COMMENTS

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. 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. The Australian oil and gas industry also contributes \$105 billion annually to the national economy, paid \$21.9 billion in taxes and royalties to federal and state governments in 2024-25, and supports 215,000 jobs across the value chain.

The Gas Market Review is an opportunity to future-proof the east coast gas market, cement Australia's reputation as a reliable energy partner to the region and break the cycle of short-term fixes and looming shortfalls. To deliver this, Australia's national reservation policy must be well-designed, evidence-based and carefully calibrated to meet domestic energy needs. It must protect investment signals and market opportunities for domestic-only producers, as well as for integrated gas producers/exporters, while maintaining our key trading relationships and role as a reliable energy partner.

The objective of the reservation scheme should be a well-supplied and functioning market, driven by private investment and competition, not an artificially oversupplied one. A structurally oversupplied market – whether generated by poor calibration or restrictions on exporting excess gas – would undermine the underlying policy aim of encouraging new investment, which is the most sustainable and efficient way of putting downward pressure on prices.

- 1 Reservation policy design should be calibrated to reflect market conditions, protect investment signals for domestic producers, and provide flexibility for exporters in meeting domestic supply obligations, including allowing exports where gas is not required by the domestic market.**

The introduction of a domestic reservation scheme represents a fundamental market reform that will impact all participants in the east coast gas market, including domestic-only gas producers. A poorly

calibrated, heavy-handed or rigid approach to the reservation design risks serious unintended consequences for competition, future supply security and energy prices.

It is critical that the reservation mechanism reflects that the domestic market is well supplied at least until 2029, and likely further, and is flexible and able to respond to changing market conditions. Demand varies seasonally and structurally, while supply can shift due to field performance, outages and investment cycles. A well-designed policy should ensure domestic buyers have access to the supply they need at competitive market terms, while maintaining a strong investment environment for dedicated domestic producers. Key to this will be calibrating reserved volumes to align with future domestic gas demand and allowing producers to efficiently export excess gas once domestic demand has been met.

Forcing gas into a well-supplied market would undermine the policy's core objective of delivering a sustainable east coast gas market and putting downward pressure on prices. Artificial oversupply risks crowding out domestic producers and weakening the investment signals needed to support new supply. This could reduce competition in the market and discourage the development of future projects. These effects may lead to a decline in east coast gas production which in-turn will result in tighter supply conditions, higher gas prices, and a market that is more vulnerable in the medium to long term.

Key principles for a well-designed reservation include:

- **Reservation volumes should be calibrated to align with domestic gas demand** | The east coast gas market is currently well supplied and is expected to remain so to the end of the decade and beyond. This outlook reflects current Gas Statement of Opportunities forecasts, along with around 140 PJ/year of additional “development ready” gas supply identified by Australian Energy Producers members, several long-term gas supply agreements announced in the last 6 months, and projects expected to reach final investment decision in the coming years.² A well-designed reservation policy should therefore be calibrated to reserve limited volumes in the near-term and, as needed, increase reserved volumes over time in line with domestic demand. This could be implemented through a transition period that gradually ramps up the reservation level over time.
- **Allow for the efficient and timely export of gas where it is not required by the domestic market.** Exporters must be able to export gas not taken up by the domestic market, provided those volumes have first been offered domestically on competitive market terms. Clear, objective criteria for how gas must be offered to the market will allow exporters to demonstrate best endeavours to supply the domestic market, while enabling excess gas to be exported in a predictable and timely manner.
- **Do not require pre-approval for exports.** Requiring government approval before exporters can export excess gas would introduce unnecessary delay and regulatory uncertainty into routine commercial decisions about production and pipeline nominations. It would also

² See CS Energy, [CS Energy and Senex Energy sign gas supply agreement](#), media release, 21 October 2025; AGL Energy, [FY26 Half-Year Results Announcement](#), ASX/media release, 11 February 2026; Santos, [Santos agrees key terms with South Australian government for 200PJ of gas over 10 years from 2030](#) ASX/media release, 20 February 2026; Amplitude Energy, [Foundation GSA for the ECSP executed with EnergyAustralia](#), ASX/media release, 2 March 2026. Note also the demand reduction arising from Origin Energy's decision to extend the operation of Eraring Power Station from August 2027 to April 2029 (Origin Energy, [Origin extends Eraring Power Station operations to 2029](#), media release, 2 January 2026).

undermine the investment decisions of domestic-only producers. Rather, a performance-based compliance regime should be adopted (see recommendation 2)

- **Avoid forcing excess gas into a well-supplied market.** Mandating that gas be sold domestically when the market is already well supplied would crowd out production from dedicated domestic suppliers. These producers – who supply two-thirds of the east-coast market – rely entirely on the domestic market and would be disproportionately impacted if exporters are forced to oversupply the market. Over time this would weaken competition by reducing the opportunity for domestic-only producers.

An inflexible approach, in which supply must be forced into the domestic market unless the regulator agrees to trigger the proposed “release valve”, would leave limited room for domestic-only producers and compromise competition, market dynamism and future supply.

Australian Energy Producers understands that the government is considering an option whereby LNG exports would be required to: a) provide annual compliance plans upfront; b) “supply” gas to domestic buyers, rather than offer on competitive market terms; and c) obtain a permit from the regulator before they can export. By locking in exporters to annual quotas of domestic gas supply, this policy would effectively signal those mandated quotas to the market, hinder the ability of all producers to negotiate supply on competitive terms, and crowd out purely domestic producers. That is, the proposed “release valve” restricts exporters’ ability to send excess gas to external markets which reduces their incentives to maximise production, and dampens the investment signal for domestic-only producers. The result would be lower overall production and upward pressure on prices across the east coast gas market – directly counter to the policy objective.

2 The domestic supply obligation should be regulated through a multi-year, performance-based compliance regime, with risk-based auditing and proportionate enforcement.

Once the reservation share and clear conditions under which gas must be offered to the domestic market have been set, the onus should be on exporters to demonstrate ongoing compliance through their performance rather than through onerous pre-approvals and administration.

Such an approach would ensure gas is offered to domestic buyers on competitive market terms and give government confidence that exporters are meeting their obligations. It would also preserve the flexibility needed for the east coast gas market to operate efficiently and ensure the policy does not disadvantage domestic-only producers.

Compliance should be assessed over a multi-year period, recognising normal variability in supply and demand. The regulator could monitor performance through periodic reporting and undertake targeted, risk-based audits where material risks to compliance are identified. In cases of identified non-compliance, the regulator should apply graduated enforcement measures commensurate with the severity of the breach.

By contrast, a prescriptive regime requiring prior regulatory approval to export would introduce unnecessary administrative friction, delay normal market operations and increase regulatory uncertainty without improving domestic supply outcomes.

3 The implementation of a reservation policy must be tied to the removal of existing regulatory instruments and deliver a net reduction in regulatory burden.

The Gas Market Review found that existing instruments have neither addressed structural shortfalls, nor provided the certainty required to encourage investment in new supply, nor helped to maintain

Australia's reputation as a reliable trading partner.³ On the contrary, the Australian Domestic Gas Security Mechanism, Gas Market Code and Heads of Agreement have added to the commercial risks of large, multi-year projects, "introduced inflexible processes" and contributed to "a growing compliance burden across the gas sector."⁴ Consistent with the government's commitment to cut red tape, the implementation of reservation policy should be explicitly linked to:

- removing the Heads of Agreement
- removing the price cap and ministerial exemption framework under the Gas Market Code
- removing the Australian Domestic Gas Security Mechanism
- phasing out the Australian Competition and Consumer Commission (ACCC) Gas Inquiry
- streamlining reporting requirements, including by allowing agencies to share data with other agencies and internally, where reporting entities give express permission.

4 Western Australia and the Northern Territory LNG exporters should be exempt in practice from the national reservation scheme. The national scheme should not interact or interfere with Western Australia's domestic gas policy.

Australian Energy Producers strongly supports the Western Australian Government's position that a national gas reservation scheme should not interact or interfere with the state's existing policy. The Premier of Western Australia has emphasised that:

"A national gas reservation scheme should not interact or interfere with WA's Policy. Any perception that a national reservation scheme could affect WA LNG projects needs to be avoided as it will create uncertainty for project developers and undermine the State's attractiveness for new investment."⁵

Similarly, offshore gas production and LNG export infrastructure in the Northern Territory is physically disconnected from the east coast gas market. In addition, the Northern Territory's domestic gas market is comparatively small and an existing agreement with INPEX ensures secure gas supply in the event of shortages or interruptions to the Darwin market.

The government should also specify how Queensland's domestic royalty rates and domestic tenures can be recognised as contributing to national domestic reservation commitments. On 5 March, the Queensland Government released 12 petroleum and gas areas totalling more than 7,000 km², with 4 areas subject to the Australian Market Supply Condition.⁶

5 Reservation policy must be prospective and linked to new supply.

The government's commitment to respecting existing domestic and international contracts is welcome.⁷ Australia's commitment to remaining a reliable energy partner and to minimising sovereign risk must be central to any domestic reservation policy.

³ Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), 22 December 2025, pp. 46, 80f.

⁴ *ibid.*, p. 76.

⁵ The Hon Roger Cook MLA, Premier of Western Australia, [Western Australian Government submission to Gas Market Review](#), August 2025, p. 2.

⁶ Queensland Government, [Business Queensland: Petroleum exploration opportunities](#), updated 5 March 2026.

⁷ The Hon Chris Bowen MP, Minister for Climate Change and Energy; The Hon Madeleine King MP, Minister for Resources; Senator the Hon Tim Ayres, Minister for Industry and Innovation, Minister for Science, [Affordable gas for Australian homes and businesses](#), joint media release, 22 December 2025.

The oil and gas industry is characterised by high upfront costs, long lead times to profitability, and intense international competition for capital. Investments in gas export projects are long-term commitments that underpin project financing and joint-venture decisions. They were made in good faith under the regulatory framework prevailing at the time of final investment decision. Imposing any retrospective conditions on existing investments would interfere with established commercial arrangements and undermine investor confidence, damage Australia's reputation as a stable destination for international capital and heighten sovereign risk perceptions, potentially deterring future resource developments.

Interventions which break foundation contracts, retrospectively undermine investment cases or are applied inequitably all increase sovereign risk and should be avoided.

6 The Commonwealth and states should immediately pursue all actions to accelerate new gas supply and streamline approvals.

A prospective reservation policy alone will not fix the east coast gas market. Expediting new supply, including where that supply is close to customers, is the only sustainable way to put downward pressure on prices. The Review affirmed that "Ensuring Australia's domestic market is adequately supplied at lower prices will require new supply, ongoing investment, and a more efficient, streamlined regulatory framework supported by complementary measures."⁸

To date, the Commonwealth and states have not pursued all possible reforms to stimulate additional private investment in gas exploration, production and related infrastructure. Australian Energy Producers urges the Australian Government to work actively with states to identify, promote and replicate those policies and regulatory approaches that have been most successful in bringing new gas supply to market.

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. Australian Energy Producers welcomes the Energy and Climate Change Ministerial Council's efforts to identify and address barriers to accelerating "development-ready" gas supply to market.

Reform priorities to unlock new supply include:

- **Expediting efficiencies contained in legislated changes to the Environment Protection and Biodiversity Conservation Act (EPBC Act).** For the gas market to function efficiently and respond to demand signals, environmental approvals must be faster, predictable and grounded in clear statutory timeframes. The ACCC has warned that "slow regulatory planning and environmental approvals processes" are contributing to delayed and declining supply.⁹ Although natural gas projects were excluded from strategic and streamlined assessment pathways under the EPBC Act, there remains significant scope to improve process efficiency within the existing framework, including clearer guidance on expectations, better resourcing, increased collaboration with other jurisdictions, and a focused, risk-based approach to referrals.

⁸ Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), 22 December 2025, p. 5.

⁹ Australian Competition and Consumer Commission, [Gas Inquiry 2017-2030: Interim update on east coast gas market](#), 30 June 2025, p. 55.

- **Addressing regulatory loopholes and ensuring approvals are robust to unfounded legal challenges.** The vulnerability of approvals to 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 and clear statutory timeframes for appeal decisions. Government should not fund groups that seek to frustrate approved projects through unmeritorious litigation.
- **Clarifying offshore consultation requirements for offshore petroleum and greenhouse gas storage activities.** Offshore oil and gas projects are encountering lengthy delays, onerous consultation requirements, and increased risk of legal challenges, owing to legal ambiguity in the *Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2023*. In May 2024, the Future Gas Strategy called to address this as an “immediate action”¹⁰ but has yet to be progressed.
- **Encouraging exploration by restoring regular acreage releases and removing limitations on seismic surveys.** Acreage releases over the past 3 months by the Commonwealth, Northern Territory, Queensland and Victoria were welcome and hopefully signal the return to regular releases. Annual offshore acreage releases ceased in 2022, with exploration activities being further curtailed by 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, have resulted in a significant decline in gas exploration expenditure. Geoscience Australia observes that: “Exploration activity has remained low since 2016, with current spending at only a quarter of what it was a decade ago”.¹¹

Seismic surveys are a normal and necessary part of petroleum exploration and no further justification should be required beyond compliance with existing environmental law. Requiring additional justification for seismic acquisition conflicts with good oilfield practice and risks regulatory duplication.
- **Reforming the native title regime and introducing time limits for decision making, particularly for “future act” decisions.** For the gas market to function efficiently and respond to demand signals, native title processes must be faster, predictable and grounded in clear statutory timeframes.

If pro-investment policies and regulatory reforms are not pursued in parallel to establishing a domestic reservation scheme, government risks reserving a shrinking supply and reproducing the conditions for future shortfalls.

7 Proposals to expand the powers of the Australian Energy Market Operator to underwrite gas infrastructure should be shelved. They are not required if the Gas Market Review recommendations are implemented effectively.

East-coast gas markets have been distorted – and investors discouraged – by at least one substantive Commonwealth intervention a year for the past decade. The deadweight losses of these interventions have accumulated and increased the cost of producing gas. The proposal to extend AEMO powers represents a major intervention that risks impacting investment certainty, crowding out private sector investment and discouraging long-term contracting. AEP does not support expanding AEMO’s powers

¹⁰ Australian Government, [Future Gas Strategy](#), May 2024, p. 6.

¹¹ Geoscience Australia, [Australia's Energy Commodity Resources 2025: Gas](#), updated 23 October 2025.

in the east coast gas system, including introducing a long-term reliability and supply adequacy tool and extending the Gas Statement of Opportunities. The priority of Commonwealth and state governments should be implementing the Gas Market Review findings in a way that boosts investment and fast-tracks development-ready supply.

8 Close consultation with industry on the detailed design of a reservation scheme is crucial. A well supplied market to 2030 provides the time to get the policy right.

Gas market reforms are inherently complex and significant work remains to finalise the detailed design of a domestic reservation policy. Close consultation with industry is crucial to identify and avoid unintended consequences, and it is important that government avoids a rushed process with arbitrary deadlines. It is also imperative that the development of the national gas reservation scheme proceed from a strong and transparent evidence base, informed by industry experience and expertise. Australian Energy Producers encourages the Government to share and test its supply/demand outlook and reservation policy modelling with industry before committing to a particular design option. The Australian gas industry contributes \$105 billion annually to the national economy and supports 215,000 jobs across the value chain, making it imperative that industry and government work together to get these reforms right.

9 Consideration of the full suite of Gas Market Review recommendations should be staged, with the establishment of a well-designed reservation policy and removal of existing interventions as the first priority.

Additional significant reforms should not be pursued until domestic reservation is settled and existing regulatory burdens are removed. To ensure a smooth and effective transition in Australia's gas market regulatory framework, other significant recommendations related to market conduct and efficiency should be staggered (specifically recommendations 5 and 7-11) – especially given the contestable nature of some proposals. Australian Energy Producers is strongly opposed to government mandating or proscribing specific business structures in relation to the marketing and selling of gas, including mandating equity marketing arrangements for joint ventures. This would retrospectively frustrate longstanding commercial agreements and violate the Australian Government's design principle 6:

“Producers should have flexibility to meet domestic and export obligations through a variety of standard commercial/market-based arrangements, including contracting with exporters or domestic producers so long as supply obligations are met.”¹²

Introducing a domestic gas reservation scheme represents a major reform that demands meticulous design through extensive industry consultation to address potential adverse unintended consequences. Pausing further consideration, design and implementation of additional substantive recommendations is essential to promoting regulatory certainty, minimising market volatility, and avoiding precipitous changes that could undermine the overall reform effort.

¹² The Hon Chris Bowen MP, Minister for Climate Change and Energy; The Hon Madeleine King MP, Minister for Resources; Senator the Hon Tim Ayres, Minister for Industry and Innovation, Minister for Science, [Affordable gas for Australian homes and businesses](#), joint media release, 22 December 2025.